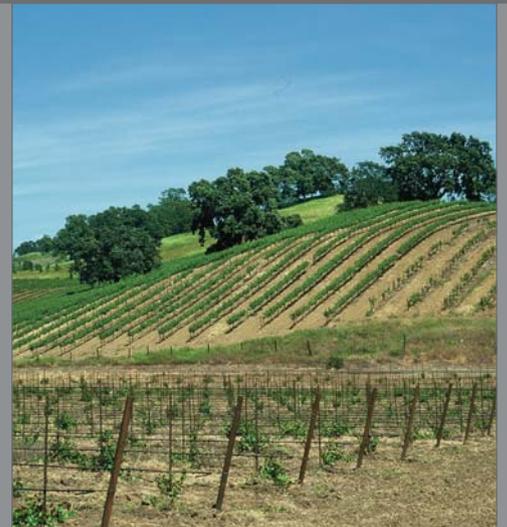


**County of Solano, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012**



**Simona Padilla-Scholtens, CPA
Auditor-Controller**



County of Solano, California



Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2012

Prepared by:

Office of the Auditor-Controller

Simona Padilla-Scholtens, CPA
Auditor-Controller



INTRODUCTORY SECTION

County of Solano, California
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2012

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Phyllis Taynton, CPA
Assistant Auditor-Controller

December 28, 2012

To the Honorable Board of Supervisors, Grand Jury and the citizens of Solano County, California:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the County of Solano (County) for the fiscal year ended June 30, 2012. In accordance with Sections 25250 and 25253 of the Government Code of the State of California, general-purpose local governments must publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the County. Therefore, 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 County'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, 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 & O'Connell 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, 2012, 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, 2012, 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 the Single Audit 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 over compliance 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 consists of a total area of 907 square miles. Land area is represented by 829 square miles and water area by 78 square miles. 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 the County consists of low mountains, which are part of the Coast Range.

The County limits residential and commercial development outside of cities, thus preserving almost 85% of the land for open space and agricultural uses. Agriculture and military installations have historically been strong contributors to the County's economy. The County continues to foster economic growth and diversification by encouraging industrial, manufacturing and biotechnology development.

With its strategic location, natural and human resources, history of responsible land planning, and attractive quality of life, the County continues to offer a promising future as a place to live, learn, work and play.

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 city 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 and Treasurer-Tax Collector-County Clerk. The County Administrator and County Counsel are appointed by the Board.

As the governing body for the County, the Board is responsible for the planning and providing of services related to public needs, as required by state and federal law including: adopting 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 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 “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 & apportionment).

The following is a list of 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
- Oversight and Permitting of Landfills and Solid Waste Disposal and Collection
- Family Support Collections
- Veterans Services
- Maintenance of County Roads and Bridges
- Law Enforcement (primarily Unincorporated County)
- U.C. Cooperative Extension Services
- Property Tax Assessment, Collection and Apportionment
- Elections and Voter Registration
- Parks
- Jails and Juvenile Facilities
- Probation Supervision
- Clerk-Recorder
- Public Defender and Alternative Defense
- Coroner and Forensic Services
- Grand Jury
- Criminal Prosecution (District Attorney)
- Libraries (as Contract Services for Cities)
- Animal Care Services
- Building and Safety (Unincorporated County Only)
- Land Use (Unincorporated County Only)

Factors Affecting Financial Condition

Budgetary Information

The annual budget serves as the foundation for the County's financial planning and control. All agencies under the control of the Board of Supervisors are required to submit budget requests to the County Administrator for review. The County Administrator presents a recommended budget to the Board for consideration and approval. The Board is required to hold public hearings on the recommended budget and to adopt a budget by September 30th of each year. The Board generally holds its public hearings on the recommended budget and adopts a budget before June 30 of each year.

The budget is prepared by fund, function (e.g. public safety), and department (e.g., Sheriff). Transfers of appropriations between divisions, bureaus and sections within a department, provided the total appropriation of the budget is not changed, may be authorized by the County Administrator. Transfers of appropriations between departments within a fund, however, require a majority vote of the Board. Transfers of appropriations between funds and transfer of appropriations from contingencies require a four-fifths vote of the Board of Supervisors. Budget-to-actual comparisons are provided in this report for each governmental fund for which an annual budget was adopted. These schedules, which are part of the required supplementary information section of this report, start on page 85.

Population and Local Economy

The County's population as of January 2012 was approximately 413,786. The County's population ranks 21st out of 58 California counties in terms of population size. Immigration has accounted for most of the County's growth since 1980. The County population has increased 4.9% since 2000. Fairfield and Rio Vista experienced growth between 2010 and 2012, increasing 1,058 and 58 respectively. Conversely, the population in the unincorporated area of Solano County has declined by 2,902, or 13.4% since 1990. Overall, the population for the entire county has grown by 73,365, or 21.6% since 1990 for an average annual growth rate of less than 1%.

The County's seven cities are long-established communities. Relatively moderate costs for land and housing, proximity to major population and recreation centers, and job opportunities continue to make the County an attractive place to live. The County is home to a significant number of biotech companies. The County believes 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

On February 13, 2007, the Board adopted a policy to maintain General Fund General Reserves equal to 10% of the County's total budget, excluding interfund transfers, with a minimum \$20 million balance maintained at all times. Also, the Board adopted the General Fund Contingency policy to establish a level equal to 10% of the General Fund's total budget. The General Fund General Reserve should be used (1) to phase into fiscal distress periods gradually, focusing on maintaining the Board's priorities, (2) as the last resort to balance the County Budget, and (3) spending of the reserves should not exceed \$6 million a year. The General Fund contingency is used to mitigate the impact of potential risks to the General Fund from various funding problems and threats that may occur within the General Fund or threats to other Board priorities.

On June 14, 2011, the Board adopted the new Fund Balance Policy to conform to Government Accounting Standards Board (GASB) Statement No. 54. The new Fund Balance Policy included the following changes: (1) updated the General Fund General Reserve Policy, (2) updated the General Fund Balance for Accrued Leave Payoff, (3) defined the General Fund Loans as Nonspendable Fund Balance, (4) established a Spending Priority Policy, (5) included definitions of the new fund balance categories, and (6) included Other Fund's fund balance policy.

The Strategic Plan Goals of the Board of Supervisors include Health and Well-Being, Responsible and Sustainable Land Use, Safe Communities, and Invest In and For the Future. The catalytic projects identified to achieve Solano County's goals are a Healthy Communities Initiative, Intergovernmental Planning Collaborative, a Comprehensive Crime Prevention Program, Intervention and Re-entry System and Optimal Service Design and Delivery.

The County's Five-Year Capital Facilities Improvement Plan (CIP) identifies the needs for capital acquisition and development of facilities as well as funding sources and shortfalls.

In February 2008, the Board authorized the William J. Carroll Government Center Project in Vacaville. The project consists of a two-story 35,000 square foot clinic/office building at the corner of Brown Street and East Monte Vista Avenue in Vacaville. The building houses programs of Solano County's Health & Social Services Department and includes a dental clinic and adjacent parking. The project is substantially completed with the final completion expected in February 2013. When completed, the total project cost is estimated at \$19 million. The project is financed with tobacco settlement securitization proceeds.

In October 2009, the Board authorized the construction of the Claybank Adult Detention Facility Project with a total budget of \$89,301,385. The project includes the construction of a new 362-bed facility at the existing Claybank site in Fairfield. This new facility will significantly provide relief for the current overcrowding in the County Jail system as well as provide growth in the County Jail. This additional bed space will allow the existing Claybank facility to be used as a local re-entry facility housing minimum security inmates. The construction of the project began in 2011 and the anticipated completion date is August 2014.

The County maintains a Debt Advisory Committee and a Pension Advisory Committee to provide analyses and recommendations to the Board on debt issuance and management policies.

In addition, contained within the County's tax code areas 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 other 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.

Redevelopment Dissolution:

For decades, the Community Redevelopment Law (Health & Safety ("H&S") Code § 33000 *et seq.*) permitted the establishment of redevelopment agencies ("RDAs"). Six of the seven cities in Solano County established RDAs (the exception being the City of Benicia). The primary financing tool for RDAs was "tax increment financing," which generally allowed RDAs to receive the increased property tax revenue above a certain base year amount – revenue that would otherwise go to the underlying governmental entities, including the County and schools. The State of California had historically back-filled the tax increment lost to schools. In response to

budgetary difficulties at the state level, the state enacted AB 1x 26 (Stats.2011, c. 5), dissolving all RDAs and implementing an involved process to carry out such dissolution.

AB 1x 26, as upheld and modified by the California Supreme Court in *California Redevelopment Association v. Matosantos*, requires the dissolution of all redevelopment agencies as of February 1, 2012. The legislation sets out a complicated process of making enforceable obligation payments, returning tax increment revenue to other agencies, and disposing of assets. The Auditor-Controller plays a significant role in this process, including auditing redevelopment agencies, and allocating property taxes.

The Auditor-Controller created a Redevelopment Property Tax Trust Fund (RPTTF) for each dissolved RDA (H&S Code § 34170.5(b)) to accommodate the accounting requirements. The RPTTF is the depository of the tax increment amount formerly due each RDA and all proceeds from the sale of RDA assets. The Auditor-Controller allocates moneys from each successor agency's RPTTF in accordance with certain priorities.

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 80 units of local government including funds of the county school districts, special districts and other entities.

The County formed a Treasury Oversight Committee consisting of five members and two alternates. The committee reviews the Investment Policy, ensures the Treasury activities are in compliance with the Investment Policy, ensures an annual audit of the Investment Policy is conducted, and reviews the internal auditor's quarterly audits of the Investment Pool. On December 14, 2011, a Grand Jury report recommended the Committee be dis-established, stating "improved technology, engagement of an independent rating agency and adequate audit coverage has collectively provided a comprehensive system of internal controls sufficient to protect the County's financial assets." On January 10, 2012, acting on the County Treasurer's recommendation, the Board dissolved the Treasury Oversight Committee.

The objectives of the pool are to meet the cash flow 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, in consultation with the pool participants, maintains a liquidity target that is adjusted on an ongoing basis. The target liquidity level is adjusted based on relevant factors such as historical trends, known cash flow timings, and participant feedback regarding anticipated expenditures and or revenue changes. Historically, the amounts and timing of each requirement have been predicted with a high level of accuracy. The pool is managed in a prudent manner by 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 is invested in certificates of deposit, money market mutual funds, Local Agency Investment Fund (LAIF), CalTRUST, CAMP, corporate notes, obligations of the U.S. Treasury, U.S. federal agency notes, and municipal notes. The maturities of the investments range from one day to ten years, with an average maturity of 12 months. Interest yields on investments were between 0% and 7.4% for the County with an average yield on the pool of .75%. Apportioned earnings do not include appreciation on the fair value of the investments.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Solano for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This is the tenth consecutive year the County has achieved this prestigious award. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate for excellence in financial reporting.

The preparation of this comprehensive report would not have been possible without the efficient and dedicated services of the entire staff in the Auditor-Controller's Office. I want to express my appreciation to staff for their outstanding support in the preparation of this report. I would like to specifically acknowledge the Financial Reporting and General Accounting Divisions for their hard work and dedication. 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,



Simona Padilla-Scholtens, CPA
Auditor-Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Solano
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

Board of Supervisors



Barbara R. Kondylis
District 1



Linda J. Seifert
District 2



James P. Spering
District 3



John M. Vasquez
District 4



Michael J. Reagan
District 5



County Counsel
Dennis Bunting



County Administrator
Birgitta Corsello

Elected Officials



Auditor-Controller
Simona Padilla-Scholtens



District Attorney
Don du Bain



Assessor-Recorder
Marc Tonnesen



Sheriff/Coroner
Tom Ferrara



Tax Collector/County
Clerk/Treasurer
Charles Lomeli

Appointed Officials



Ag. Comm./Sealer
Jim Allan



General Services
Mike Lango



Human Resources
Marc Fox



H&SS
Patrick Duterte



Public Defender
Lesli Caldwell



Library
Bonnie Katz



Resource Mgmt.
Bill Emlen



Veterans Services
Ted Puntillo



CIO/ROV
Ira Rosenthal



Probation
Christopher Hansen



UC Coop Extension
Morgan Doran



Child Support Services
Pamela Posehn

.....Personnel/Budgetary Controls Only



Agricultural Commissioner-Sealer of Weights & Measures.....	Jim Allan.....	784-1310
Assessor-Recorder.....	Marc Tonnesen.....	784-6200
Auditor-Controller	Simona Padilla-Scholtens	784-6280
Chief Information Officer/Registrar of Voters	Ira Rosenthal.....	784-6675
Cooperative Extension	Morgan Doran	784-1317
County Administrator	Birgitta Corsello.....	784-6100
County Counsel.....	Dennis Bunting.....	784-6140
Child Support Services.....	Pamela Posehn.....	784-7210
District Attorney	Don du Bain	784-6800
General Services.....	Mike Lango	784-7900
Health & Social Services.....	Patrick Duterte	784-8400
Human Resources/Risk Management.....	Marc Fox	784-6170
Library.....	Bonnie Katz.....	784-1500
Probation	Christopher Hansen	784-7600
Public Defender-Conflict Public Defender	Lesli Caldwell	784-6700
Resource Management.....	Bill Emlen	784-6765
Sheriff-Coroner	Tom Ferrara	421-7030
Treasurer-Tax Collector-County Clerk.....	Charles Lomeli	784-6295
Veterans Services.....	Ted Puntillo	784-6590
Workforce Investment Board (WIB).....	Robert Bloom	864-3370



FINANCIAL SECTION

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 units and remaining fund information of the County of Solano, California (County), as of and for the fiscal year ended June 30, 2012, 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 did not audit the basic financial statements of the Solano County Fair component unit, which financial statements reflect total assets, equity, and revenues constituting 1.0 percent, 0.7 percent, and 3.7 percent, respectively, of the related totals for the aggregate discretely presented component units and remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that entity, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously 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 units and remaining fund information of the County of Solano, California, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and budgetary comparison information for the General Fund and major special revenue funds, listed as required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The accompanying introductory section, combining and individual fund statements and schedules, 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 fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Macinn Mini & O'Connell LLP

Sacramento, California
December 28, 2012

OFFICE OF THE AUDITOR-CONTROLLER

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Auditor-Controller

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Phyllis Taynton, CPA
Assistant 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, 2012. 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 June 30, 2012 by \$684.3 million (net assets). Of this amount, \$167.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$21.3 million as a result of the current year's operations.
- At June 30, 2012, the County's governmental funds reported combined ending fund balances of \$225.4 million, an increase of \$20 million as a result of the current year's operations and restatement of prior year fund balance resulting from the reclassification of Mental Health Services Act (MHSA) revenues. Approximately 47% or \$105.4 million of the total fund balance is restricted; 27% or \$61.1 million is assigned for spending at the Board's discretion; 13% or \$29.5 million is nonspendable; and 13% or \$29.4 million is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$39 million or 60% of the 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. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of activities presents information showing how the County's net assets changed during the 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 services, public assistance, and education and recreation. The business-type activities of the County include the Nut Tree Airport 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 and the Solano County Fair, both component units for which the County is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself. Solano County Facilities Corporation, Solano County Housing Authority and the East Vallejo Fire Protection District, although also legally separate, function for all practical purposes as departments of the County, and therefore, are included as an integral part of the primary government.

The government-wide financial statements can be found on pages 27 – 29 of this report.

Fund financial statements. A fund is a grouping of related accounts 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 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 14 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, Accumulated Capital Outlay Capital Projects Fund and Pension Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report.

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 30 – 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 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 Fleet Management, Risk Management, Reprographics, and Information Technology. 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 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 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 – 86 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 for the defined benefit pension plans and the other postemployment benefit plan. Required supplementary information can be found on pages 85 – 89 of this report.

The combining statements referred to earlier in connection with nonmajor governmental and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 92 – 119 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 \$684.3 million at June 30, 2012.

Solano County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011, as restated	2012	2011	2012	2011, as restated
Current and other assets	\$ 482,916,730	\$ 488,161,746	\$ (2,293,594)	\$ (1,890,757)	\$ 480,623,136	\$ 486,270,989
Capital assets	495,605,021	485,417,369	18,601,811	19,226,808	514,206,832	504,644,177
Total assets	\$ 978,521,751	\$ 973,579,115	\$ 16,308,217	\$ 17,336,051	\$ 994,829,968	\$ 990,915,166
Long-term obligations	\$ 230,395,180	\$ 241,396,917	\$ 82,811	\$ 513,225	\$ 230,477,991	\$ 241,910,142
Other liabilities	79,963,804	85,699,738	67,510	297,508	80,031,314	85,997,246
Total liabilities	310,358,984	327,096,655	150,321	810,733	310,509,305	327,907,388
Net assets:						
Invested in capital assets, net of related debt	380,366,107	364,775,065	18,601,811	19,226,808	398,967,918	384,001,873
Restricted net assets	117,783,378	106,886,084	-	-	117,783,378	106,886,084
Unrestricted net assets	170,013,282	174,821,311	(2,443,915)	(2,701,490)	167,569,367	172,119,821
Total net assets	668,162,767	646,482,460	16,157,896	16,525,318	684,320,663	663,007,778
Total liabilities and net assets	\$ 978,521,751	\$ 973,579,115	\$ 16,308,217	\$ 17,336,051	\$ 994,829,968	\$ 990,915,166

Analysis of Change in Net Assets

At fiscal year end, the County's net assets increased by \$21.3 million.

The largest portion of the County's net assets (58%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, infrastructure and intangibles) 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.

Invested in capital assets, net of related debt increased by \$15 million from the prior year primarily due to the construction of the William J. Carroll Government Center in Vacaville, Veterans Building Improvement in Benicia and Suisun, and Claybank Security Upgrade. These projects are resulting from the Board's commitment to improve the health and well-being of Solano County residents.

An additional portion of the County's net assets (17%) represents resources subject to restrictions on how they may be used. Its increase was mostly due to the extinguishment of the 8.8 million AB99 liability resulting from the successful outcome of litigation by the First 5 County Commissions.

Unrestricted net assets represent 25% of the total net assets decreased by approximately \$5 million from prior year primarily due to various construction activities which increased the invested in capital assets.

At the end of the current fiscal year, the County is able to report positive balances in all categories of total net assets for its governmental activities as well as for the County as a whole.

Governmental activities. Governmental activities increased the County's net assets by \$22 million.

The following table shows the revenues, expenses, and changes in net assets for governmental and business-type activities:

**Solano County's Change in Net Assets
For the fiscal years ended June 30, 2012 and June 30, 2011**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 71,834,590	\$ 72,050,943	\$ 878,270	\$ 3,651,362	\$ 72,712,860	\$ 75,702,305
Operating grants and contributions	287,589,862	290,072,372	165,321	540,479	287,755,183	290,612,851
Capital grants and contributions	4,286,121	3,165,238	-	2,098,493	4,286,121	5,263,731
General revenues:						
Property taxes	116,937,628	109,322,638	265,191	239,913	117,202,819	109,562,551
Other taxes	3,474,171	2,694,278	-	-	3,474,171	2,694,278
Intergovernmental	12,120,126	23,601,639	27,214	48,430	12,147,340	23,650,069
Interest and investment earnings	1,525,567	1,926,203	(1,778)	453	1,523,789	1,926,656
Other	16,125,278	18,716,998	107,233	217,795	16,232,511	18,934,793
Gain on sale of capital assets	115,259	-	4,300	-	119,559	-
Total Revenues	\$ 514,008,602	\$ 521,550,309	\$ 1,445,751	\$ 6,796,925	\$ 515,454,353	\$ 528,347,234
Expenses:						
General government	56,978,971	62,456,530	-	-	56,978,971	62,456,530
Public protection	158,553,975	157,078,830	-	-	158,553,975	157,078,830
Public ways and facilities	15,182,777	12,760,561	-	-	15,182,777	12,760,561
Health services	110,120,877	108,700,791	-	-	110,120,877	108,700,791
Public assistance	133,556,741	144,667,818	-	-	133,556,741	144,667,818
Education and recreation	16,783,519	17,739,331	-	-	16,783,519	17,739,331
Interest on long-term debt	9,528,897	10,186,688	-	-	9,528,897	10,186,688
Nut Tree Airport	-	-	1,609,696	1,817,231	1,609,696	1,817,231
Fouts Springs Youth Facility	-	-	635,756	4,073,152	635,756	4,073,152
Total Expenses	\$ 500,705,757	\$ 513,590,549	\$ 2,245,452	\$ 5,890,383	\$ 502,951,209	\$ 519,480,932
Excess before extraordinary item and transfers	13,302,845	7,959,760	(799,701)	906,542	12,503,144	8,866,302
Extraordinary item	8,809,741	(8,809,741)	-	-	8,809,741	(8,809,741)
Transfers	(432,279)	144,695	432,279	(144,695)	-	-
Change in net assets	21,680,307	(705,286)	(367,422)	761,847	21,312,885	56,561
Net assets – beginning, as restated	646,482,460	647,187,746	16,525,318	15,763,471	663,007,778	662,951,217
Net assets – ending	\$ 668,162,767	\$ 646,482,460	\$ 16,157,896	\$ 16,525,318	\$ 684,320,663	\$ 663,007,778

Revenues: Total revenues for the County's governmental activities decreased by \$7.5 million from the prior year. The following factors contributed to the decrease in revenues:

Operating grants and contributions:

Operating grants and contributions had a net decrease of \$2.5 million from the prior year primarily due to the following:

- Increase of \$2.2 million in the public protection due to additional revenue from the 2011 Realignment (Assembly Bill 118).
- Increase of \$9.3 million in health services is primarily due to increases in revenues related to the intergovernmental transfer (IGT) agreement with the California Department of Health Care Services through the Partnership Health Plan, increase in sales tax

realignment due to increased sales, increase in State Short Doyle revenues, and increase in federal administrative revenues due to the receipt of prior year MAA/TCM pass-through revenues.

- Decrease of \$15 million from CALWORKS revenues as a result of policy changes resulting in caseload reductions, decreased federal administrative reimbursements from Temporary Assistance to Needy Families (TANF), and decreased revenue from State administration for Medi-CAL. These decreases were primarily due to unfilled positions and overall under spending of allocations.

Capital grants and contributions:

Capital grants and contributions increased by \$1.1 million from the prior year due to increased reimbursable expenditures for federal construction projects.

General revenues:

General revenues had a net decrease of \$6 million or 3.8% primarily due to the following:

- Property taxes net increase of \$7.6 million attributable to \$8.9 million received from ABX1 26 revenues from the dissolution of the redevelopment agencies (RDA) by the state. Prior to the dissolution of the RDAs, pass-through revenues were recorded as intergovernmental revenue. The increase is offset by a decrease of \$1.3 million in property taxes due to the decline in assessed values of real property.
- Increase of \$800 thousand in other taxes from increased sales & use tax-in lieu and increased property transfer taxes due to slight upswing of recorded property sales.
- Decrease of \$11.5 million in intergovernmental revenues attributable to the change in the recording of redevelopment pass-through revenues (\$8.9 million) previously recorded as intergovernmental revenues, and decreases in SB90 revenues, Motor Vehicles In-Lieu revenue and other state revenues.
- Interest and investment earnings were less than prior year due to less cash and lower interest yield due to the struggling economy.
- Net decrease of \$2.6 million in other general revenues primarily due to the receipt of insurance proceeds for the fire damage incurred at the Vallejo Courthouse in fiscal year 2010/11 and other one-time revenues collected in the prior year.

Expenses:

Total expenses for governmental activities decreased by \$12.9 million or 2.51% from prior year. Salaries and benefits decreased due to staff vacancies, retirements and significant delays in the hiring process. Services and supplies decreased resulting from lower operating costs due to delays in hiring contracted services. A significant decrease in other charges primarily from contracted services for support and care of persons as result of CalWORKS program changes reducing caseload.

Extraordinary Item:

The extraordinary item of \$8.8 million is attributable to the Fresno County Superior Court ruling in favor of the First 5 Commissions in California. The Court ruled Assembly Bill 99 was invalid and State leaders acted illegally. As a result, FY2010/11 accrual was reversed.

Business-type activities. Business-type activities decreased the County's net assets by \$367 thousand as a result of current year operations. The net assets for the Nut Tree airport decreased by \$617 thousand primarily from the operating expenses exceeding operating revenues. This

decrease is offset by the \$250 thousand increase in the net assets for the Fouts Springs Youth Facility attributable to a transfer in from the General Fund for its share of the operating deficit for fiscal year 2011/12.

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 Projects 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.

At June 30, 2012, the County's governmental funds reported combined ending fund balances of \$225.4 million, an increase of \$20 million from prior year. The largest component of the fund balance, at 47% of the total, was restricted at \$105.4 million. Spending of these resources is constrained by externally imposed (creditors, grantors, contributors, laws) limitations on their use and by enabling legislation. The assigned fund balance at \$61.1 million representing 27% of the total fund balance was constrained by the Board to use for specific purposes but are not legally restricted nor committed.

The *General Fund* is the chief operating fund of the County. The General Fund's total fund balance increased by \$5.3 million or 4.61%, from prior year due to the various departments' efforts in reducing their costs as part of the Board's reduction strategy. The General Fund departments decreased the salaries and benefits due to elimination of positions, decreased services and supplies due to the departments' prudent spending. At the end of the current fiscal year the total fund balance was \$119.6 million. The assigned fund balance was \$52.6 million or 44% which represents the amount constrained by the board for specific purposes. The unassigned fund balance was \$39 million or 32.5% which is available for financing future budgets. Nonspendable fund balance was \$28 million or 23.5% representing inventory and long term receivables.

As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures excluding other financing uses. Unassigned fund balance represents 60% of the total General Fund expenditures while total fund balance represents 184% of that same amount.

The *Health and Social Services Fund*, a special revenue fund, had a net increase in fund balance of \$2.2 million which is attributable to the receipt of additional federal Medicaid funding through the County's managed care contract with the Partnership Health Plan.

The *Public Safety Fund*, a special revenue fund, had a net increase in fund balance of \$60 thousand due to increased revenues from court-ordered fines and forfeitures for the prosecution of consumer protection cases.

The *Accumulated Capital Outlay Fund*, a capital projects fund, had a net decrease in fund balance of \$16.7 million due to increases in expenditures for construction activities for the Health and Social Services facilities in Vacaville, Vallejo and Fairfield, modernization and improvement of the Veterans buildings in Benicia and Suisun cities, Claybank facility project and the Fairgrounds

Development project.

The *Pension Debt Service Fund*, had a decrease in fund balance of \$671 thousand due to lesser revenues received from county departments as a result of decrease in the wages subject to Pension Obligation Bonds (POB) rate due to vacancies in the County departments and principal redemption of the 2010 POB ahead of schedule.

The fund balance of Other Governmental Funds increased by approximately \$6.8 million primarily due to the \$8.8 million extraordinary item for First 5 Solano.

For fiscal year ended June 30, 2012, the total revenues for governmental funds totaled \$530.1 million. This represents a 2.88% increase from FY 10/11.

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

**Revenues Classified by Source
Governmental Funds**

Revenues by Source	2012		2011		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 124,191,293	23.43%	\$ 116,385,423	21.32%	\$ 7,805,870	6.71%
Licenses, permits and franchise	6,761,316	1.28%	6,580,255	1.21%	181,061	2.75%
Fines, forfeitures and penalties	3,856,956	0.73%	4,146,885	0.76%	(289,929)	(6.99)%
Revenue from use of money	2,237,164	0.42%	2,542,856	0.47%	(305,692)	(12.02)%
Intergovernmental revenues	295,317,970	55.71%	309,499,470	56.70%	(14,181,500)	(4.58)%
Charges for services	82,663,958	15.59%	89,632,816	16.42%	(6,968,858)	(7.77)%
Miscellaneous revenues	15,087,609	2.85%	17,068,861	3.13%	(1,981,252)	(11.61)%
Total	\$ 530,116,266	100.00%	\$ 545,856,566	100.00%	\$ (15,740,300)	(2.88)%

Significant changes in the governmental funds' revenues were as follows:

- Taxes: The increase of \$7.8 million is primarily attributable to Assembly Bill (AB)1X 26 previously recorded as redevelopment pass-through and subsequently reclassified as tax revenues as a result of the dissolution of the redevelopment agencies by the State.
- Intergovernmental: The net decrease of \$14.2 million is attributable to the change in the recording of redevelopment pass-through revenues previously recorded as intergovernmental revenue; decrease of various state and federal revenue sources for health and public assistance programs. These decreases are partially offset by increases in revenue for Public Safety Prop 172 due to increased sales, and increased State 2011 realignment revenues for Public Safety.
- Charges for services: The net decrease of \$7 million is primarily attributable to a decrease in administrative overhead (A87) revenues due to the reduction of costs and roll forward adjustments by the central service departments.
- Miscellaneous revenues: The decrease of \$2 million from prior year is primarily due to one-time revenue received in FY10/11 for the partial receipt of insurance proceeds from the fire damage incurred at the Vallejo Courthouse and other one-time revenues collected in the prior year.

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

**Expenditures by Function
Governmental Funds**

Expenditures by Function	2012		2011		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 51,734,638	9.54%	\$ 55,690,156	10.35%	\$ (3,955,518)	(7.10)%
Public protection	161,424,508	29.77%	162,891,649	30.28%	(1,467,141)	(0.90)%
Public ways and facilities	11,085,389	2.04%	9,619,806	1.79%	1,465,583	15.24%
Health services	113,838,461	20.99%	112,350,121	20.89%	1,488,340	1.32%
Public assistance	135,210,563	24.94%	146,596,884	27.25%	(11,386,321)	(7.77)%
Education and recreation	16,940,619	3.12%	18,828,034	3.50%	(1,887,415)	(10.02)%
Debt service - principal retirement	13,356,531	2.46%	8,663,794	1.61%	4,692,737	54.16%
Debt service - interest charges	9,724,218	1.79%	10,227,822	1.90%	(503,604)	(4.92)%
Bond issuance cost	-	0.00%	25,590	0.00%	(25,590)	(100.00)%
Capital outlay	28,929,685	5.35%	13,007,061	2.42%	15,922,624	122.42%
Total	542,244,612	100.00%	537,900,917	100.00%	4,343,695	0.81%

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

- **General government:** The decrease of \$4 million is attributable to decreases in salaries and benefits due to staff vacancies, retirements and layoffs. Expenditures for services and supplies decreased from prior year attributable to decreased costs for professional and contracted services, central data processing and software maintenance.
- **Public protection:** The net decrease of \$1.5 million is attributable to a decrease in the countywide administration overhead charges (A87) from the central services departments due to reduced costs and roll forward adjustments. The decrease was partially offset by increases in salaries and benefits costs from increased staffing in the Sheriff's Office and increases in administration supplies and services for the implementation of AB 109.
- **Public ways and facilities:** The increase of \$1.5 million is attributable to increase in other professional services for the Solano Transportation Program Overlay (STP Overlay) project and the Surface Rehabilitation Project 2011.
- **Health services:** The increase of \$1.5 million is attributable to increases in expenditures for narcotic replacement therapy as part of the State 2011 Realignment; increase in transfers for the Community Mental Health renovations and increase in sub-acute residential treatment for the mentally ill. These increases were partial offset by a decrease in contracted services for Master Settlement Agreement (MSA) Health Access Initiatives and decrease in salaries and benefits for First 5 Solano. First 5 Solano had additional decreases in services and supplies and other charges due to reduced major grant contracts due to the uncertainty of the AB99 litigation.
- **Public assistance:** The decrease of \$11.4 million is attributable to decrease in the charges for support and care of persons as a result of CalWORKS program changes that reduced the caseload; decreases in salaries and benefits due to delays in the hiring process; decreases in supplies and services as a result of lower operating costs due to delays in hiring and decreases in contracted services; decreases in childcare, countywide administration overhead and decreases in administrative services costs.
- **Education and recreation:** The decrease of \$1.9 million is attributable to the decrease in salaries and benefits due to elimination of full-time positions and deletion of vacant

positions. In addition, there were decreases in services and supplies due to decreased library processing costs, materials, and software maintenance and administration overhead charges from continued efforts to cut costs.

- Debt service principal retirement: The increase of \$4.7 million is primarily due to the first payment for the 2010 Pension Obligation Bonds (POB) and the additional redemption of \$3 million for the 2010 POB ahead of schedule.
- Debt service interest charges: The decrease of \$504 thousand is due to lower interest payments per debt schedule.
- Capital outlay: The net increase of \$16 million is attributable to the various ongoing constructions projects such as the Health & Social Services facilities in Vacaville, Vallejo and Fairfield, the improvement and modernization of the Veterans buildings in Suisun and Benicia, Claybank Security upgrade, Claybank Adult Detention Facility, and various road construction projects.

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

The unrestricted net assets of the Nut Tree Airport at the end of the year was a negative \$2.4 million. The Nut Tree Airport's net asset deficit is expected to be resolved through the sale of surplus properties, reducing operating costs, and finding other ways to generate revenues. The net assets for the Nut Tree Airport decreased by \$617 thousand; the decrease in net assets for the Nut Tree Airport was due from the decreased operating revenues and increased expenses for planning future capital projects. The Nut Tree Airport has been operating with a structural deficit over several years and is using loan proceeds from the General Fund as working capital. The Board authorized the Nut Tree Airport to operate with a deficit for five years to give management the time and opportunity to implement their proposed revenue enhancement and expenditure reduction plans.

The unrestricted net assets for the Fouts Springs Youth Facility was a negative \$71 thousand; the net assets increased by \$250 thousand. Effective August 2011, the Solano County Board of Supervisors approved the closure and termination of the operations at the Fouts Springs Youth Facility. The operational responsibilities of the facility and its operating permit have been transferred to the Department of General Services. The Department of General Services oversees the maintenance and safeguard of the grounds and facilities and serves as a lead in the property transfer negotiations with the U.S. Department of Forestry. With the closure of the facility, the General Fund contribution has become the alternative funding source. As such, the increase in net assets for Fouts Springs Youth Facility was due primarily to the General Fund contribution. In FY2012/13, efforts will continue to complete the closure and ultimately transfer the assets to the Forest Service to eliminate County costs in future years.

General Fund Budgetary Highlights

The General Fund Budget (Adopted and Final versions) is reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, as presented on page 88 in the Required Supplementary Information (RSI) section of this report.

The County's final budget differs from the adopted budget as a result of supplemental appropriations approved during the year. Total budgeted revenues increased by \$272 thousand or 0.16%, from the adopted budget. Total appropriations increased by \$3.4 million or 3.6%, from the adopted budget. Actual revenues were more than the final budgeted revenues by \$1.7 million or 0.99%. Actual expenditures were less than the final appropriations by \$31.3 million or

32.51%. Significant factors affecting these changes were as follows:

Final Budget vs. Actual Amounts

During the year, revenues recognized were more than budgetary revenue estimates by \$1.7 million and expenditures were less than appropriations by \$31.3 million, thus reducing the need to draw upon fund balance.

Revenue Variances: The favorable variance is primarily from taxes, and licenses, permits and franchises. The County anticipated significant impact to property tax revenues resulting from assessment appeals and assessment roll corrections; however, the impact was less than anticipated. In addition, revenues from permits and licenses increased due to increased permit activities in the building inspection for a new wind turbine project, land use and food program, and one-time revenue from PG&E.

Expenditure Variances:

- General Services - \$1 million favorable variance as a result of the department's cost cutting efforts, and appropriations for salaries and benefits not spent due to retirements and elimination of positions as part of the budget reduction strategy.
- Assessor - \$0.7 million favorable variance is primarily due to appropriations for salaries and benefits not spent due to retirements and elimination of positions, and the delay in the full implementation of automated valuation software.
- Registrar of Voters - \$0.9 million favorable variance is primarily due to appropriations for special elections that did not materialize and unspent appropriations for elections supplies due to less ballots mailed.
- General Expenditures - \$1.8 million favorable variance is primarily due to appropriations for anticipated accrued leave pay off but did not materialize as the departments were able to absorb the costs. Also, the budget included technology improvement projects which were still in progress and not completed in the current fiscal year. In addition, due to fewer collections from court fines, the 50% Trial Court excess revenue split was not as much as anticipated.
- Resource Management - \$1.8 million favorable variance is primarily due to contracted and professional services for the unfinished multi-year projects not materialized.
- Contingency - the appropriations included \$22.6 million in contingencies for unforeseen emergencies that may arise during the fiscal year and to financially manage any State uncertainties. At the end of the fiscal year, due to the County's prudent spending, there was no need to draw from the contingency.

Capital Asset and Debt Administration

Capital assets. The County's capital assets for its governmental and business-type activities as of June 30, 2012, were \$514 million (net of accumulated depreciation). This investment in capital assets includes land, artwork, intangibles, buildings, machinery and equipment, roads, and bridges. The total increase in the County's capital assets for the current fiscal year was \$9.6 million or 1.89%.

	Governmental activities		Business-type activities		Total		Increase/ (decrease)
	2012	2011	2012	2011	2012	2011	Percent of change
Land	\$ 154,621,673	\$ 154,919,067	\$ 10,339,365	\$ 10,330,025	\$ 164,961,038	\$ 165,249,092	(0.17)%
Artwork	543,751	490,064	-	-	543,751	490,064	10.96%
Intangibles	8,426,546	7,538,065	-	-	8,426,546	7,538,065	11.79%
Infrastructure	116,504,800	96,303,617	-	-	116,504,800	96,303,617	20.98%
Construction in progress	32,997,485	30,382,936	135,327	133,442	33,132,812	30,516,378	8.57%
Buildings	362,794,910	360,572,211	15,217,083	15,217,083	378,011,993	375,789,294	0.59%
Machinery and equipment	51,605,989	50,242,744	527,650	570,472	52,133,639	50,813,216	2.60%
Less: accumulated depreciation	(231,890,133)	(215,031,335)	(7,617,614)	(7,024,214)	(239,507,747)	(222,055,549)	7.86%
Total	\$ 495,605,021	\$ 485,417,369	\$ 18,601,811	\$ 19,226,808	\$ 514,206,832	\$ 504,644,177	1.89%

In the governmental activities, the significant change is due to the completion of various capital projects including various county roads and bridges, the remodeling of the Health & Social Services building in Vallejo, the Benicia Veterans building, and the improvement of the Animal Control building. The completion of these projects increased depreciation expense for the fiscal year. Also, the County started various on-going construction projects in the current fiscal year specifically the Claybank Adult Detention Facility as a result of the AB900 legislation.

Additional information on the County's capital assets can be found in Note III-E on pages 66 – 68 of this report.

Long-term obligations. At the end of the fiscal year, the County's total debt outstanding for its governmental and business-type activities was \$230 million which is entirely backed by the full faith and credit of the County.

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Notes Payable	\$ 1,055,622	\$ 1,023,890	\$ -	\$ -	\$ 1,055,622	\$ 1,023,890
Capital Leases	302,261	513,792	-	-	302,261	513,792
Certificates of Participation	115,668,426	120,868,119	-	-	115,668,426	120,868,119
Pension Obligation Bonds	69,630,000	77,805,000	-	-	69,630,000	77,805,000
Self-insurance liability	11,591,000	10,545,541	-	-	11,591,000	10,545,541
Pollution Remediation Obligation	285,433	261,534	-	-	285,433	261,534
Other Post Employment Benefits	3,798,452	3,864,310	45,783	45,998	3,844,235	3,910,308
Compensated Absences	28,063,986	26,514,731	37,028	467,227	28,101,014	26,981,958
Total	\$ 230,395,180	\$ 241,396,917	\$ 82,811	\$ 513,225	\$ 230,477,991	\$ 241,910,142

The County's total debt decreased by \$11.4 million primarily due to the \$10.5 million principal payments on long-term debt and \$3 million principal redemption of the 2010 POB ahead of schedule. The total decrease was offset by an increase of \$1 million in the self-insurance liability resulting from the change in the confidence level and increase of \$1.5 million in compensated absences as a result of more employees vested for retirement.

Moody's and Standard & Poor's rated Solano County general obligation certificate of participation debt at "A1" and "AA-" respectively. The same rating agencies rated Solano County's pension debt at "Aa3" and "AA-" respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The County does **not** have any general obligation debt outstanding.

Additional information on the County's long-term obligations can be found in Note III-I on pages

70 – 74 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 9.3%. This is comparable to the State's average unemployment rate of 10.1% (unadjusted, as of October 2012).
- The Board of Supervisors' (Board) policy for General Fund Contingency and Reserve levels allows the County to normalize the County's budget during periods of fiscal distress. To address the impact of the current economic uncertainty of the State of California and any other unforeseen circumstances. In FY12/13 the adopted budget included \$18 million in appropriations for contingencies, \$39.3 million in general reserves, \$4.9 million in designation for unfunded employees leave payoff, and \$7.6 million in designation for deferred maintenance.
- To adequately reflect the impact of the real estate recession, the County's adopted budget included a 1% increase in secured property tax revenues and 8% decrease in unsecured property tax revenues for FY12/13 over prior year actual.
- Due to the current economic climate, the County continues to proactively adjust its spending plan to align it to the ongoing revenue streams.

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, 675 Texas Street, Suite 2800, Fairfield, CA 94533.

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BASIC FINANCIAL STATEMENTS

COUNTY OF SOLANO, CALIFORNIA
Statement of Net Assets
June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Solano County Fair	Workforce Investment Board
ASSETS					
Current assets					
Cash and investments	\$ 271,741,513	\$ 549,387	\$ 272,290,900	\$ 1,135,685	\$ 322,314
Accounts receivable	3,593,863	-	3,593,863	19,080	10,055
Due from other agencies	62,966,047	26,413	62,992,460	28,356	177,042
Internal balances	2,869,394	(2,869,394)	-	-	-
Other assets	4,084,558	-	4,084,558	140,932	88,317
Total current assets	<u>345,255,375</u>	<u>(2,293,594)</u>	<u>342,961,781</u>	<u>1,324,053</u>	<u>597,728</u>
Noncurrent assets					
Long-term assets	12,265,773	-	12,265,773	-	-
Pension asset	125,395,582	-	125,395,582	768,063	-
Capital assets:					
Capital assets, not being depreciated	189,305,451	10,474,692	199,780,143	167,085	-
Capital assets, being depreciated, net	306,299,570	8,127,119	314,426,689	1,477,663	13,838
Total noncurrent assets	<u>633,266,376</u>	<u>18,601,811</u>	<u>651,868,187</u>	<u>2,412,811</u>	<u>13,838</u>
Total assets	<u>\$ 978,521,751</u>	<u>\$ 16,308,217</u>	<u>\$ 994,829,968</u>	<u>\$ 3,736,864</u>	<u>\$ 611,566</u>
LIABILITIES					
Current liabilities					
Outstanding warrants	\$ 6,938,616	\$ 11,610	\$ 6,950,226	\$ 30,561	\$ 155,255
Payables	34,176,719	14,470	34,191,189	74,584	157,166
Unearned revenue	14,772,198	3,367	14,775,565	-	-
Other liabilities	3,575,333	32,540	3,607,873	34,140	-
Due to other agencies	20,500,938	5,523	20,506,461	-	145
Current portion of long-term obligations	29,517,939	12,060	29,529,999	100,560	177,906
Total current liabilities	<u>109,481,743</u>	<u>79,570</u>	<u>109,561,313</u>	<u>239,845</u>	<u>490,472</u>
Noncurrent liabilities					
Noncurrent portion of long-term obligations	200,877,241	70,751	200,947,992	1,053,638	10,713
Total liabilities	<u>310,358,984</u>	<u>150,321</u>	<u>310,509,305</u>	<u>1,293,483</u>	<u>501,185</u>
NET ASSETS					
Invested in capital assets, net of related debt	380,366,107	18,601,811	398,967,918	1,287,801	13,838
Restricted for:					
Public safety	5,102,631	-	5,102,631	-	-
Capital projects	20,867,017	-	20,867,017	-	-
Public facilities fees	8,361,861	-	8,361,861	-	-
Library services	9,407,553	-	9,407,553	-	-
Transportation services	11,477,543	-	11,477,543	-	-
Health services	48,410,260	-	48,410,260	-	-
Home loan program	4,906,580	-	4,906,580	-	-
Micrographics & modernization projects	8,036,098	-	8,036,098	-	-
Other purpose	1,213,835	-	1,213,835	190,941	-
Unrestricted	170,013,282	(2,443,915)	167,569,367	964,639	96,543
Total net assets	<u>668,162,767</u>	<u>16,157,896</u>	<u>684,320,663</u>	<u>2,443,381</u>	<u>110,381</u>
Total liabilities and net assets	<u>\$ 978,521,751</u>	<u>\$ 16,308,217</u>	<u>\$ 994,829,968</u>	<u>\$ 3,736,864</u>	<u>\$ 611,566</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/programs	Expenses	Program Revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary Government:				
Governmental Activities:				
General government	\$ 56,978,971	\$ 21,363,951	\$ 3,649,934	\$ -
Public protection	158,553,975	20,122,142	61,990,591	-
Public ways and facilities	15,182,777	1,769,591	11,058,320	4,286,121
Health services	110,120,877	22,441,636	85,043,281	-
Public assistance	133,556,741	860,217	121,512,388	-
Education and recreation	16,783,519	5,277,053	4,335,348	-
Interest on long-term debt	9,528,897	-	-	-
Total Governmental Activities	<u>500,705,757</u>	<u>71,834,590</u>	<u>287,589,862</u>	<u>4,286,121</u>
Business-type Activities:				
Nut Tree Airport	1,609,696	477,917	147,624	-
Fouts Springs Youth Facility	635,756	400,353	17,697	-
Total Business-type Activities	<u>2,245,452</u>	<u>878,270</u>	<u>165,321</u>	<u>-</u>
Total Primary Government	<u><u>\$ 502,951,209</u></u>	<u><u>\$ 72,712,860</u></u>	<u><u>\$ 287,755,183</u></u>	<u><u>\$ 4,286,121</u></u>
Component Units:				
Solano County Fair	\$ 3,498,979	\$ 3,179,306	\$ 302,852	\$ -
Workforce Investment Board	4,926,502	-	4,937,175	-
Total Component Units	<u><u>\$ 8,425,481</u></u>	<u><u>\$ 3,179,306</u></u>	<u><u>\$ 5,240,027</u></u>	<u><u>\$ -</u></u>

General revenues:
 Property taxes
 Sales and use tax - shared revenue
 Property transfer tax
 Intergovernmental not restricted to specific programs
 Interest and investment earnings
 Other
 Gain on sale of capital assets
 Extraordinary item
 Transfers
 Total general revenues, extraordinary item and transfers
 Change in net assets
 Net assets - beginning, as restated
 Net assets - ending

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Solano County Fair	Workforce Investment Board
\$ (31,965,086)	\$ -	\$ (31,965,086)	\$ -	\$ -
(76,441,242)	-	(76,441,242)	-	-
1,931,255	-	1,931,255	-	-
(2,635,960)	-	(2,635,960)	-	-
(11,184,136)	-	(11,184,136)	-	-
(7,171,118)	-	(7,171,118)	-	-
(9,528,897)	-	(9,528,897)	-	-
(136,995,184)	-	(136,995,184)	-	-
-	(984,155)	(984,155)	-	-
-	(217,706)	(217,706)	-	-
-	(1,201,861)	(1,201,861)	-	-
(136,995,184)	(1,201,861)	(138,197,045)	-	-
-	-	-	(16,821)	-
-	-	-	-	10,673
-	-	-	(16,821)	10,673
116,937,628	265,191	117,202,819	-	-
1,851,294	-	1,851,294	-	-
1,622,877	-	1,622,877	-	-
12,120,126	27,214	12,147,340	-	-
1,525,567	(1,778)	1,523,789	6,221	1,736
16,125,278	107,233	16,232,511	35,000	8,005
115,259	4,300	119,559	1,100	-
8,809,741	-	8,809,741	-	-
(432,279)	432,279	-	-	-
158,675,491	834,439	159,509,930	42,321	9,741
21,680,307	(367,422)	21,312,885	25,500	20,414
646,482,460	16,525,318	663,007,778	2,417,881	89,967
\$ 668,162,767	\$ 16,157,896	\$ 684,320,663	\$ 2,443,381	\$ 110,381

Primary Government:

Governmental Activities:

- General government
- Public protection
- Public ways and facilities
- Health services
- Public assistance
- Education and recreation
- Interest on long-term debt

Total Governmental Activities

Business-type Activities:

- Nut Tree Airport
- Fouts Springs Youth Facility

Total Business-type Activities

Total Primary Government

Component Units:

- Solano County Fair
- Workforce Investment Board

Total Component Units

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Health & Social Services</u>	<u>Public Safety</u>
ASSETS			
Cash and investments	\$ 86,439,078	\$ 52,794,980	\$ 12,617,728
Accounts receivable	1,323,953	583,938	618,007
Due from other agencies	20,375,052	27,717,750	8,048,776
Due from other funds	8,097,367	1,460,453	445,392
Advance to other funds	26,797,860	-	-
Other assets	4,275,667	464,932	695,282
Total assets	<u>\$ 147,308,977</u>	<u>\$ 83,022,053</u>	<u>\$ 22,425,185</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities:			
Outstanding warrants	\$ 422,843	\$ 3,174,907	\$ 1,257,367
Payables	2,295,931	18,215,354	3,895,792
Deferred revenue	20,268,079	14,953,720	6,450,443
Due to other funds	822,201	4,454,481	5,343,403
Advance from other funds	-	-	-
Other liabilities	2,299,382	107,628	530
Due to other agencies	1,581,455	17,161,651	808,259
Total liabilities	<u>27,689,891</u>	<u>58,067,741</u>	<u>17,755,794</u>
Fund balances (deficits):			
Nonspendable	28,132,718	416,489	694,782
Restricted	-	24,537,823	3,974,609
Committed	-	-	-
Assigned	52,648,041	-	-
Unassigned	38,838,327	-	-
Total fund balances (deficits)	<u>119,619,086</u>	<u>24,954,312</u>	<u>4,669,391</u>
Total liabilities and fund balances (deficits)	<u>\$ 147,308,977</u>	<u>\$ 83,022,053</u>	<u>\$ 22,425,185</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Balance Sheet (Continued)
Governmental Funds
June 30, 2012

Accumulated Capital Outlay	Pension Debt Service Fund	Other Governmental Funds	Total Governmental Funds	
\$ 35,691,963	\$ 3,773,703	\$ 56,441,653	\$ 247,759,105	ASSETS
273,015	32,277	255,060	3,086,250	Cash and investments
470,190	77	6,298,534	62,910,379	Accounts receivable
831,510	193,130	32,083	11,059,935	Due from other agencies
-	-	-	26,797,860	Due from other funds
-	5,365,415	2,615,862	13,417,158	Advance to other funds
<u>\$ 37,266,678</u>	<u>\$ 9,364,602</u>	<u>\$ 65,643,192</u>	<u>\$ 365,030,687</u>	Other assets
				Total assets
				LIABILITIES AND FUND BALANCES (DEFICITS)
				Liabilities:
\$ 589,932	\$ -	\$ 666,663	\$ 6,111,712	Outstanding warrants
3,097,487	-	2,253,636	29,758,200	Payables
410,912	345,330	1,901,929	44,330,413	Deferred revenue
215,571	-	571,537	11,407,193	Due to other funds
3,099,487	18,500,000	2,367,187	23,966,674	Advance from other funds
752,619	-	415,174	3,575,333	Other liabilities
-	-	894,412	20,445,777	Due to other agencies
<u>8,166,008</u>	<u>18,845,330</u>	<u>9,070,538</u>	<u>139,595,302</u>	Total liabilities
				Fund balances (deficits):
-	-	225,128	29,469,117	Nonspendable
20,582,401	-	56,277,223	105,372,056	Restricted
130,470	-	-	130,470	Committed
8,387,799	-	70,303	61,106,143	Assigned
-	(9,480,728)	-	29,357,599	Unassigned
<u>29,100,670</u>	<u>(9,480,728)</u>	<u>56,572,654</u>	<u>225,435,385</u>	Total fund balances (deficits)
<u>\$ 37,266,678</u>	<u>\$ 9,364,602</u>	<u>\$ 65,643,192</u>	<u>\$ 365,030,687</u>	Total liabilities and fund balances (deficits)

The notes to the financial statements are an integral part of this statement.

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COUNTY OF SOLANO, CALIFORNIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Total governmental funds, fund balance	\$	225,435,385
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		484,665,190
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		29,882,885
Deferred costs of issuance for debt used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,162,988
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		20,617,012
The pension asset of the governmental activities are not financial resources and, therefore, are not reported in the funds.		125,395,582
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest payable		(2,551,567)
Long-term obligations		(217,444,708)
Net assets of governmental activities	\$	668,162,767

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Health & Social Services	Public Safety
REVENUES			
Taxes	\$ 110,547,795	\$ -	\$ -
Licenses, permits and franchises	6,354,312	11,150	221,214
Fines, forfeitures and penalties	1,689,012	520,088	1,644,465
Use of money and property	1,431,363	220,261	73,724
Intergovernmental	14,790,907	199,331,500	55,752,071
Charges for services	33,820,673	24,837,202	9,556,196
Miscellaneous	8,837,431	2,605,295	2,164,761
Total revenues	<u>177,471,493</u>	<u>227,525,496</u>	<u>69,412,431</u>
EXPENDITURES			
Current:			
General government	47,564,284	-	-
Public protection	16,474,478	-	141,329,454
Public ways and facilities	-	-	-
Health services	-	106,864,659	-
Public assistance	578,764	134,631,799	-
Education and recreation	235,855	-	-
Debt service:			
Principal	-	-	211,531
Interest and other charges	-	-	18,625
Capital outlay	22,363	720,791	987,108
Total expenditures	<u>64,875,744</u>	<u>242,217,249</u>	<u>142,546,718</u>
Excess (deficiency) of revenues over (under) expenditures	<u>112,595,749</u>	<u>(14,691,753)</u>	<u>(73,134,287)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	6,766	24,504,972	78,050,800
Transfers out	(107,660,018)	(7,590,659)	(4,859,775)
Sale of capital assets	330,010	-	3,700
Total other financing sources (uses)	<u>(107,323,242)</u>	<u>16,914,313</u>	<u>73,194,725</u>
EXTRAORDINARY ITEM			
Extinguishment of AB99 Liability	-	-	-
Net change in fund balances	5,272,507	2,222,560	60,438
Fund balances (deficits) - beginning, as restated	114,346,579	22,731,752	4,608,953
Fund balances (deficits) - ending	<u>\$ 119,619,086</u>	<u>\$ 24,954,312</u>	<u>\$ 4,669,391</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

<u>Accumulated Capital Outlay</u>	<u>Pension Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ 1,802,073	\$ -	\$ 11,841,425	\$ 124,191,293	REVENUES
-	-	174,640	6,761,316	Taxes
-	-	3,391	3,856,956	Licenses, permits and franchises
176,547	(18,976)	354,245	2,237,164	Fines, forfeitures and penalties
2,889,242	-	22,554,250	295,317,970	Use of money and property
547,529	-	13,902,358	82,663,958	Intergovernmental
425,258	892,387	162,477	15,087,609	Charges for services
<u>5,840,649</u>	<u>873,411</u>	<u>48,992,786</u>	<u>530,116,266</u>	Miscellaneous
				Total revenues
				EXPENDITURES
				Current:
3,564,055	8,545	597,754	51,734,638	General government
-	-	3,620,576	161,424,508	Public protection
-	-	11,085,389	11,085,389	Public ways and facilities
-	-	6,973,802	113,838,461	Health services
-	-	-	135,210,563	Public assistance
-	-	16,704,764	16,940,619	Education and recreation
-	8,175,000	4,970,000	13,356,531	Debt service:
-	4,216,128	5,489,465	9,724,218	Principal
20,431,615	-	6,767,808	28,929,685	Interest and other charges
<u>23,995,670</u>	<u>12,399,673</u>	<u>56,209,558</u>	<u>542,244,612</u>	Capital outlay
				Total expenditures
(18,155,021)	(11,526,262)	(7,216,772)	(12,128,346)	Excess (deficiency) of revenues over (under) expenditures
				OTHER FINANCING SOURCES (USES)
2,394,043	10,854,926	9,941,508	125,753,015	Transfers in
(900,000)	-	(4,876,016)	(125,886,468)	Transfers out
-	-	99,590	433,300	Sale of capital assets
<u>1,494,043</u>	<u>10,854,926</u>	<u>5,165,082</u>	<u>299,847</u>	Total other financing sources (uses)
				EXTRAORDINARY ITEM
-	-	8,809,741	8,809,741	Extinguishment of AB99 Liability
(16,660,978)	(671,336)	6,758,051	(3,018,758)	Net change in fund balances
45,761,648	(8,809,392)	49,814,603	228,454,143	Fund balances (deficits) - beginning, as restated
<u>\$ 29,100,670</u>	<u>\$ (9,480,728)</u>	<u>\$ 56,572,654</u>	<u>\$ 225,435,385</u>	Fund balances (deficits) - ending

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (3,018,758)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$ 28,929,685	
Depreciation	<u>(18,029,894)</u>	10,899,791

The net effect of various miscellaneous capital asset transactions (i.e., sales, trade-ins, and donations). (474,848)

Revenues deferred in the governmental funds because they were not collected within the County's availability period, were recognized in the statement of activities. 4,343,066

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, this transaction has no effect on net assets.

Debt principal payments 13,356,531

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

OPEB liability	\$ 63,990	
Pollution remediation obligations	(23,899)	
Change in accrued interest payable	195,321	
Amortization expense	(3,240,106)	
Change in compensated absences	<u>(1,337,389)</u>	(4,342,083)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities. 916,608

Change in net assets of governmental activities \$ 21,680,307

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Nut Tree Airport	Fouts Springs Youth Facility	Total	
ASSETS				
Current assets				
Cash and investments	\$ 549,387	\$ -	\$ 549,387	\$ 23,982,408
Accounts receivable	-	-	-	507,613
Due from other agencies	7,977	18,436	26,413	55,668
Due from other funds	-	469,525	469,525	433,523
Other assets	-	-	-	770,185
Total current assets	<u>557,364</u>	<u>487,961</u>	<u>1,045,325</u>	<u>25,749,397</u>
Noncurrent assets				
Capital assets:				
Land	10,319,365	20,000	10,339,365	-
Construction in progress	135,327	-	135,327	32,923
Buildings and improvements	10,795,227	4,421,856	15,217,083	264,471
Equipment	151,951	375,699	527,650	20,792,397
Intangibles	-	-	-	5,509,834
Less: accumulated depreciation	(5,414,864)	(2,202,750)	(7,617,614)	(15,659,794)
Total capital assets	<u>15,987,006</u>	<u>2,614,805</u>	<u>18,601,811</u>	<u>10,939,831</u>
Total assets	<u>\$ 16,544,370</u>	<u>\$ 3,102,766</u>	<u>\$ 19,647,136</u>	<u>\$ 36,689,228</u>
LIABILITIES				
Current liabilities				
Outstanding warrants	\$ 7,935	\$ 3,675	\$ 11,610	\$ 826,904
Payables	12,316	2,154	14,470	1,866,952
Unearned revenue	3,367	-	3,367	324,670
Due to other funds	270	507,463	507,733	48,057
Other liabilities	32,540	-	32,540	-
Due to other agencies	2,446	3,077	5,523	55,161
Current portion of long-term obligations	9,028	3,032	12,060	4,219,170
Total current liabilities	<u>67,902</u>	<u>519,401</u>	<u>587,303</u>	<u>7,340,914</u>
Noncurrent liabilities				
Advances from other funds	2,831,186	-	2,831,186	-
Noncurrent portion of long-term obligations	30,909	39,842	70,751	8,731,302
Total noncurrent liabilities	<u>2,862,095</u>	<u>39,842</u>	<u>2,901,937</u>	<u>8,731,302</u>
Total liabilities	<u>2,929,997</u>	<u>559,243</u>	<u>3,489,240</u>	<u>16,072,216</u>
NET ASSETS				
Invested in capital assets	15,987,006	2,614,805	18,601,811	10,939,831
Unrestricted	(2,372,633)	(71,282)	(2,443,915)	9,677,181
Total net assets	<u>13,614,373</u>	<u>2,543,523</u>	<u>16,157,896</u>	<u>20,617,012</u>
Total liabilities and net assets	<u>\$ 16,544,370</u>	<u>\$ 3,102,766</u>	<u>\$ 19,647,136</u>	<u>\$ 36,689,228</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Nut Tree Airport</u>	<u>Fouts Springs Youth Facility</u>	<u>Total</u>	
OPERATING REVENUES				
Charges for sales and services	\$ 477,917	\$ 400,353	\$ 878,270	\$ 35,916,148
OPERATING EXPENSES				
Personnel services	364,634	371,386	736,020	7,082,942
Maintenance	17,365	1,824	19,189	1,251,009
Materials and supplies	17,920	510	18,430	1,485,789
Depreciation	493,364	142,858	636,222	2,904,151
Insurance	76,158	62,492	138,650	11,487,340
Rent, utilities and others	622,195	56,686	678,881	11,147,339
Total operating expenses	<u>1,591,636</u>	<u>635,756</u>	<u>2,227,392</u>	<u>35,358,570</u>
Operating income (loss)	<u>(1,113,719)</u>	<u>(235,403)</u>	<u>(1,349,122)</u>	<u>557,578</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	174,838	17,697	192,535	-
Investment earnings (expense)	1,352	(3,130)	(1,778)	108,012
Interest expense	(18,060)	-	(18,060)	-
Property taxes	265,191	-	265,191	-
Other revenue	88,870	18,363	107,233	402,136
Other expenses	-	-	-	(14,259)
Gain on disposal of capital assets	-	4,300	4,300	161,967
Total nonoperating revenues, net	<u>512,191</u>	<u>37,230</u>	<u>549,421</u>	<u>657,856</u>
Income (loss) before transfers	<u>(601,528)</u>	<u>(198,173)</u>	<u>(799,701)</u>	<u>1,215,434</u>
Transfers in	-	469,525	469,525	-
Transfers out	(15,419)	(21,827)	(37,246)	(298,826)
Change in net assets	<u>(616,947)</u>	<u>249,525</u>	<u>(367,422)</u>	<u>916,608</u>
Total net assets - beginning	<u>14,231,320</u>	<u>2,293,998</u>	<u>16,525,318</u>	<u>19,700,404</u>
Total net assets - ending	<u>\$ 13,614,373</u>	<u>\$ 2,543,523</u>	<u>\$ 16,157,896</u>	<u>\$ 20,617,012</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Nut Tree Airport</u>	<u>Fouts Springs Youth Facility</u>	<u>Total</u>	
Cash flows from operating activities:				
Receipts from customers and users	\$ 552,714	\$ 386,216	\$ 938,930	\$ 36,019,675
Receipts from interfund services provided	-	-	-	32
Payments to suppliers	(766,415)	(311,147)	(1,077,562)	(25,372,575)
Payments to employees	(346,480)	(542,134)	(888,614)	(6,942,998)
Net cash provided (used) by operating activities	<u>(560,181)</u>	<u>(467,065)</u>	<u>(1,027,246)</u>	<u>3,704,134</u>
Cash flows from noncapital financing activities:				
Transfers in	-	469,525	469,525	-
Transfers out	(15,419)	(21,827)	(37,246)	(298,826)
Property taxes	265,191	-	265,191	-
Borrowings on advances from other funds	530,000	-	530,000	-
Subsidy from federal grant	174,838	17,697	192,535	-
Net cash provided (used) by noncapital financing activities	<u>954,610</u>	<u>465,395</u>	<u>1,420,005</u>	<u>(298,826)</u>
Cash flows from capital and related financing activities:				
Debt issued	-	-	-	39,663
Interest paid	(18,060)	-	(18,060)	-
Debt principal paid	-	-	-	(7,931)
Acquisition of capital assets	(11,225)	-	(11,225)	(2,708,543)
Proceeds from sale of capital assets	-	4,300	4,300	203,650
Net cash provided (used) by capital and related financing activities	<u>(29,285)</u>	<u>4,300</u>	<u>(24,985)</u>	<u>(2,473,161)</u>
Cash flows from investing activities:				
Investment income (expense) received (paid)	1,352	(3,130)	(1,778)	108,012
Net increase (decrease) in cash and cash equivalents	366,496	(500)	365,996	1,040,159
Cash and cash equivalents - beginning	182,891	500	183,391	22,942,249
Cash and cash equivalents - ending	<u>\$ 549,387</u>	<u>\$ -</u>	<u>\$ 549,387</u>	<u>\$ 23,982,408</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,113,719)	\$ (235,403)	\$ (1,349,122)	\$ 557,578
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	493,364	142,858	636,222	2,904,151
Other nonoperating revenue	88,870	18,363	107,233	387,877
Changes in assets and liabilities:				
(Increase) decrease in receivables, net	-	9,352	9,352	(183,329)
(Increase) decrease in due from other funds	515	(350,639)	(350,124)	(437,354)
(Increase) decrease in due from other agencies	(7,001)	308,786	301,785	13,787
Increase in other assets	-	-	-	(269,924)
Increase (decrease) in outstanding warrants	1,067	(7,631)	(6,564)	(86,271)
Increase (decrease) in payables	(31,098)	(185,080)	(216,178)	43,576
Increase (decrease) in due to other funds	(682)	278,502	277,820	(437,941)
Increase in due to other agencies	2,446	3,077	5,523	47,253
Decrease in unearned revenue	(7,587)	-	(7,587)	(90,726)
Increase (decrease) in accrued compensated absences	18,932	(449,131)	(430,199)	211,866
Decrease in other liabilities	(5,192)	-	(5,192)	-
Decrease in other postemployment benefits	(96)	(119)	(215)	(1,868)
Increase in self-insurance liability	-	-	-	1,045,459
Total adjustments	<u>553,538</u>	<u>(231,662)</u>	<u>321,876</u>	<u>3,146,556</u>
Net cash provided (used) by operating activities	<u>\$ (560,181)</u>	<u>\$ (467,065)</u>	<u>\$ (1,027,246)</u>	<u>\$ 3,704,134</u>
Noncash investing, capital and financing activities:				
Change in fair value of investments	\$ 923	\$ -	\$ 923	\$ (5,674)

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>External Investment Trust</u>	<u>Private Purpose Trust</u>	<u>Agency Funds</u>
ASSETS			
Cash and investments	\$ 245,512,307	\$ 4,284,443	\$ 38,592,297
Property tax receivable	-	-	31,832,782
Property of estates	-	4,275,172	-
Total assets	<u>245,512,307</u>	<u>8,559,615</u>	<u>\$ 70,425,079</u>
LIABILITIES			
Due to others	-	-	<u>\$ 70,425,079</u>
NET ASSETS			
Net assets held in trust for:			
Individuals	-	8,559,615	
Pool participants	245,512,307	-	
Total net assets	<u>\$ 245,512,307</u>	<u>\$ 8,559,615</u>	

The notes to the financial statements are an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	<u>External Investment Trust</u>	<u>Private Purpose Trust</u>
ADDITIONS		
Contributions on pooled investments	\$ 514,413,178	\$ 3,561,503
Other contributions/additions	155,045	1,021,038
Interest and investment income	359,672	22,208
Total additions	<u>514,927,895</u>	<u>4,604,749</u>
DEDUCTIONS		
Distributions from pooled investments	<u>559,362,685</u>	<u>3,344,912</u>
Change in net assets	(44,434,790)	1,259,837
Net assets - beginning	<u>289,947,097</u>	<u>7,299,778</u>
Net assets - ending	<u>\$ 245,512,307</u>	<u>\$ 8,559,615</u>

The notes to the financial statements are an integral part of this statement.

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**COUNTY OF SOLANO, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 defines 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 units.

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 30th fiscal year-end except for the Solano County Fair, which has a December 31st year-end.

Component units blended in the County's financial statements include the Solano County Facilities Corporation, Solano County Housing Authority and the East Vallejo Fire Protection District.

The Solano County Facilities Corporation (SCFC) was established for the purpose of providing financing for the acquisition and construction of properties such as the Health & Social Services Administration Building and the Fairfield Downtown Project. The SCFC's board consists exclusively of all five members of the County's Board of Supervisors.

The Solano County Housing Authority (SCHA), under an agreement with the U.S. Department of Housing and Urban Development, provides housing assistance through the Section 8 Housing Assistance program for the unincorporated areas of Solano County and the cities of Dixon and Rio Vista. The County Board of Supervisors serves as the SCHA board.

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 Solano County Fair (Fair), which is managed by the Solano County Fair Association (Fair Association), is a discretely presented component unit in the County's basic financial statements. The 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 that provides services entirely to the general public. Also per GASB 14, the financial statements of the Potential Component Unit (PCU) are not material to the financial statements of the Primary Government, and therefore, should not be included in the financial reporting entity.

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, Suisun Fire Protection District and Vacaville Fire Protection District are 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 district, except for the Cordelia Fire Protection District, which is governed by an elected board.
- The Rio Vista-Montezuma Cemetery District, Silveyville Cemetery District, Suisun-Fairfield Rockville Cemetery District and Vacaville-Elmira Cemetery District are districts that provide burial services for all qualifying district residents and their families. 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 Solano 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 proprietary funds, pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County applies 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. Governments have the option of following private-sector guidance issued subsequent to November 30, 1989, as such the County has elected not to follow private-sector guidance subsequent to November 30, 1989.

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 user 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 is 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 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. Agency funds report only assets and liabilities and, therefore, do not have a measurement focus. Agency funds, however, use the accrual basis of accounting to recognize receivables and payables.

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 County considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes, which the County considers available if they are collected within 60 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, claims and judgments and pollution remediation are recorded only when payment is due.

Secured 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 County receives cash.

The County reports the following major governmental funds:

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

The *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. Revenue sources are primarily state and federal grants, vehicle license fees, sales tax, charges for services and income tax revenues under the Mental Health Services Act (MHSA).

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. Revenue sources are primarily state and federal grants, and charges for services.

The *Accumulated Capital Outlay Fund* is used to account for all other countywide capital projects not accounted for in a specific capital projects fund. Funding is from various sources such as the property tax, Tobacco MSA settlement, public facilities fees or transfers in from other funds. Funding is restricted or committed to a particular project and any unspent balances at the completion of the project are returned to their original source.

The *Pension Debt Service Fund* is used to account for the payment of debt used to prepay a portion of the County's Unfunded Actuarial Accrued Liability. The primary source of funding is through regular bi-weekly contributions from all County departments, courts, and Solano County Fair.

The County reports the following enterprise funds:

The *Nut Tree Airport Fund* (Airport) accounts for the operating activities and aviation services for commercial and recreational uses. Revenue sources are primarily charges for services.

The *Fouts Springs Youth Facility Fund* (Fouts Springs) accounts for the activities of the youth correctional facility that was operated under a Joint Powers Agreement between the counties of Colusa and Solano. Revenue sources were primarily charges for services. The Facility was closed as of July 31, 2011 due to being fiscally unsustainable. The County continues to maintain and safeguard the grounds and facilities in order to comply with the special use permit held by the Fouts Springs Joint Powers Authority until the closure is complete and the County has transferred the assets.

Additionally, the government reports the following fund types:

Internal Service Funds account for management information systems, fleet management services and risk management services provided to other departments or agencies of the County, or to other governments, on a cost reimbursement basis. Revenue sources are primarily charges for services to County departments.

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 escheat property under the responsibilities of Guardian/Conservator and Administrator.

The *Agency Funds* are used to account for assets held by the County in an agency capacity for other local government units.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, such interfund services provided/used are not eliminated in the process of consolidation.

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 from nonoperating revenues and expenses. 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 and Fouts Springs are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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 held in trust agreements by bond paying agents under direction from the Treasurer. Interest from pooled cash and investments are allocated quarterly to the various funds based on the average daily cash balances of the funds entitled to receive interest. It is the County's policy and practice to charge interest to funds with 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 independent third party pricing models, published market prices or quotations from licensed broker/dealer firms. 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 including pooled amounts in the County Treasury to be cash equivalents.

The Pool values participants' shares on a par value. Specifically, the Pool distributes income to participants based on their relative participation during the period. Net income is calculated and apportioned to the funds based on (1) realized investment gains and losses, (2) accrual based interest income earned, (3) amortization of discounts and premiums on a level yield 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 quarterly basis to the Board of Supervisors manages the Pool. In addition, the function of the

County Treasury 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 funds that are held in trust under escrow agreements with County Bond Holders.

The public school districts as well as fire, cemetery districts, pest control districts, park and recreation reclamation, and other special districts within the County are allowed and in most cases required by legal provisions to participate in the County's investment pool. The deposits held for these districts are included in the External Investment Trust Fund.

The County's cash and investments include \$4,284,443 at June 30, 2012 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 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, 2012, 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 noncurrent 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 to other funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in the applicable governmental funds to indicate such amounts are not in spendable form.

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 February 1	August 1
Delinquent dates	December 11 (for November) April 11 (for February)	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, commonly referred to as the Teeter Plan, as provided in the 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 inventory in the other asset category. The County values inventory at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Also, included in the other assets are prepaid costs which are payments made to vendors for costs that benefit future periods.

5. Long-term Assets

The County reports receivables greater than one year as long-term assets, including receivables arising from loan subsidy programs.

6. Capital Assets

Capital assets, which include property, plant, equipment, intangibles and infrastructure (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 recorded at their fair value on the date of donation. The County has not reported infrastructure assets acquired prior to fiscal year ended June 30, 1980.

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, intangibles and depreciable infrastructure assets of the primary government and its component units, 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
Intangibles	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 grants received 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 are recorded as revenues in the year they become both measurable and available and when all eligibility requirements imposed by the provider have been met. The County uses a 90-day availability period. Funds received that do not meet this criterion are recorded as deferred revenue in the governmental funds financial statements.

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 payables are processed, expenditures are recorded in the individual funds and a liability for accounts payable is created. When the warrant is issued, the liability for accounts payable is reduced and an outstanding warrant liability is created, pending payment of the warrant.

9. Due To/Due From Other Agencies

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

10. Deferred/Unearned Revenue

Deferred/unearned revenue represents financial resources received before qualifying expenditures are made. These resources are advances from the State of California and the federal government for costs of various programs administered by the County. Deferred/unearned revenue also represents receivables recorded before the revenue availability criterion has been met as disclosed in Note III-B.

11. Compensated Absences

Vested unused vacation hours may be accumulated and, if not taken, is paid at the date of termination from County employment. All leave balances are accrued when earned in the government-wide and proprietary fund financial statements. Expenditures for these amounts are reported in the governmental funds as employees terminate. In addition, upon retirement, eligible employees can elect to cash out their unused sick leave balance (up to a maximum of 500 hours) and/or apply all or a portion of their sick leave balance to CalPERS service credit, or apply all of their sick leave balance to a retirement health savings account. Payments for accrued compensated absences at termination or retirement are paid and liquidated by the governmental funds and proprietary funds.

12. 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 obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets. Bond premiums/discounts, issuance costs and the deferred amount on the refunding (i.e., the difference between the carrying amount of defeased debt and its reacquisition price) are deferred and amortized over the life of the bonds using the straight-line method. The deferred amount on refunding is reported as a direct reduction or increase to the carrying amount of the refunding debt, similar to bond premiums/discounts. Bond issuance costs are reported as a component of long-term assets and amortized over the term of the related debt.

In the fund financial statements, governmental funds 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.

13. 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 attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted for: Public safety* – This category represents external restrictions imposed by grantors, contributors and laws or regulations of other governments for the implementation of various public safety programs.
- *Restricted for: Capital projects* – This category represents external restrictions imposed by grantors, contributors, laws or regulations of other governments and restrictions imposed by law through enabling legislation for the construction of various capital projects.
- *Restricted for: Public facilities fees* – This category represents restrictions imposed by law through enabling legislation to collect fees due to the increase needs in County public facilities.
- *Restricted for: Library services* – This category represents external restrictions imposed by grantors, contributors and laws or regulations of other governments for increased library services to the public.
- *Restricted for: Transportation services* – This category represents external restrictions imposed by creditors, grantors, and laws or regulations of other governments to provide transportation facilities and services for the public.
- *Restricted for: Health services* – This category represents external restrictions imposed by grantors, contributors and laws or regulations of other governments for the implementation of various health and social services programs.
- *Restricted for: Home loan program* – This category represents external restrictions imposed by creditors, grantors, and laws or regulations of other governments to provide housing rehabilitation and reconstruction loans for the public to maintain affordable housing.
- *Restricted for: Micrographics & modernization projects*– This category represents external restrictions imposed by creditors, grantors, and laws or regulations of other governments for micrographics, modernization and social security number truncation for public reporting.
- *Restricted for: Other purpose* – This category represents external restrictions imposed by grantors, contributors and by laws or regulations of other governments for the implementation of various governmental programs including East Vallejo Fire District, fish & game, county service area and SE Vallejo redevelopment as well as external restrictions imposed by the trust agent as stated in the bond indenture agreements for the issuance and repayment of long-term debt for debt service.
- *Unrestricted* – This category represents net assets of the County, not restricted for any project or other purpose.

The government-wide statement of net assets reports \$117,783,378 of restricted net assets, of which \$26,680,441 is restricted by enabling legislation.

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

Fund balance classifications are described as follows:

- *Nonspendable Fund Balance:* Nonspendable Fund Balance refers to amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. It includes long-term loans and notes receivable, inventories and prepaid items.
- *Restricted Fund Balance:* Amounts restricted by constraints that are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance:* Amounts to be used for specific purposes pursuant to constraints imposed by the Board of Supervisors via an ordinance. These self-imposed constraints must be set in place prior to the end of the fiscal year.
- *Assigned Fund Balance:* Amounts constrained by the County's intent to use for specific purposes, but are neither legally restricted nor committed. An assignment of fund balance is more easily removed or modified than fund balance classified as committed and may be established after fiscal year-end.
- *Unassigned Fund Balance:* This classification represents fund balance not assigned to other funds and not restricted, committed or assigned to specific purposes within the General Fund and is available for financing future budgets. The General Fund is the only fund that reports a positive unassigned fund balance amount.

14. Fund Balance Policy

The Board originally adopted the General Fund Reserve & Other Designations Policy in February 2007. On June 14, 2011, the Board adopted the new Fund Balance Policy which includes the changes to conform to Government Accounting Standards Board (GASB) Statement No. 54.

General Fund - Fund Balance Policy

This policy addresses the County's unrestricted fund balance (i.e. Committed, Assigned, and Unassigned).

Committed Fund Balance

During any Board meeting, the Board of Supervisors may establish a Committed Fund Balance through a resolution approved by a 4/5 vote. The commitment must be established by the end of the fiscal year for a specific purpose and requires the same action to be changed or lifted. However, for financial statement purposes, in accordance with GASB Statement No. 54, only those items committed via ordinance are reported as committed fund balance.

Assigned Fund Balance

During any Board meeting, the Board of Supervisors may establish or change an Assigned Fund Balance through a resolution approved by a 3/5 vote.

General Fund General Reserve Policy

The General Fund General Reserve is subject to constraints imposed by Government Code Section 29086, which limits the Board's access to the reserve during the annual budget process and requires 4/5 vote by the Board.

The Board's policy is to maintain General Fund General Reserves equal to 10% of the County's total budget excluding interfund transfers with a minimum \$20 million balance maintained at all times.

The General Fund General Reserve is maintained to provide the County with sufficient working capital to support one-time costs, subject to Board approved constraints, for the following purposes:

- When the County faces economic recession/depression and the County must take budget action.
- When the County is impacted by a natural disaster or any other emergency that could result from acts of terrorism, disease epidemic, pandemic flu, chemical spill, or nuclear contamination whether it is a natural occurring phenomenon or manmade.
- When the County experiences unexpected declines in revenues and/or when unpredicted large one-time expenditures arise.

Subject to Board of Supervisors' constraints, the following is how reserves should be used:

1. Use the General Fund General Reserve to phase into fiscal distress periods gradually, focusing on maintaining the Board's priorities.
2. To the extent possible, use the General Fund General Reserve as the last resort to balance the County Budget.
3. To the extent possible, the spending down of General Fund General Reserve should not exceed \$6 million a year.

In circumstances where the General Fund General Reserve has fallen below the established requirement, the County shall replenish the deficiency within five fiscal years or as soon as economic conditions allow from the following revenue sources: year-end surpluses, non-recurring revenues, budget surpluses, or if legally permissible and with a defensible rationale, from excess resources in other funds.

Deferred Capital/Maintenance Projects

The Board established an assigned fund balance for deferred capital/maintenance projects to fund deferred capital maintenance for the County's public facilities. This assignment was established primarily as a mechanism to accumulate funding for the infrastructure rehabilitation program to repair or renovate existing buildings.

If the need arises to access these funds during the fiscal year, the request will be presented to the Board of Supervisors and will require a four-fifths vote. Otherwise, the request will be incorporated as part of the annual budgetary process.

General Fund Balance for Accrued Leave Payoff

The Board assigned **General Fund Balance for Accrued Leave Payoff**. The purpose of this assignment is to minimize the fiscal impact on County Departments' budgets due to employee retirements. These funds are to be used for large employee payoffs upon retirement when the respective department has insufficient appropriations during the fiscal year to fund these payoffs. The following criteria and procedures were approved by the Board for managing the Fund Balance for Accrued Leave Payoff:

1. Minimum General Fund Balance for Accrued Leave Payoff. On an annual basis the Auditor-Controller shall calculate the projected leave payout requirements for the subsequent five years, net of Federal and State reimbursements and provide the information to the County Administrator's Office for inclusion in the following year's Recommended Budget. The Board's policy is to maintain General Fund

Balance for Accrued Leave Payoff equal to 40% of the five year projected leave payout requirements net of federal and state reimbursements with a minimum of \$2 million balance maintained at all times.

2. Replenishing General Fund Balance for Accrued Leave Payoff. In circumstances where the General Fund Balance for Accrued Leave Payoff has fallen below the established requirement, the County shall replenish the deficiency within three fiscal years or as soon as economic conditions allow from the following revenue sources: year-end surpluses, non-recurring revenues, or if legally permissible and with a defensible rationale, from excess resources in other funds.

3. Anticipated Accrued Leave Payoffs. During the budget process, a General Fund Department or a Department that receives a General Fund contribution should determine the amount needed to cover anticipated accrued leave payoffs for the upcoming year and include the amount in the Requested Budget. The Departments will work with the CAO to determine the funding strategy.

a. If the Department has sufficient appropriations to fund the accrued leave payoff, the Department shall absorb the cost; or

b. If the Department cannot absorb the cost, the Department must work with the CAO to determine the funding source(s) to offset the increased costs. Funding from the **General Fund Balance for Accrued Leave Payoff** may serve as a resource to provide the affected department with the General Fund share of the employee payoff.

c. The General Fund share of the estimated accrued leave payoff will be appropriated in the General Expenditures budget, during the budget process. This appropriation will be funded from the **General Fund Balance for Accrued Leave Payoff**.

d. The CAO is authorized to make necessary budget adjustments to the affected Department **without** Board approval limited to amount appropriated in 3(c) above.

4. Unanticipated Accrued Leave Payoffs. During the budget year, departments may have employees retire/terminate that were not factored in the accrued leave payoff calculation. Departments should consult with the CAO to determine the most appropriate funding strategy.

a) General Fund Departments or Departments that receive a General Fund contribution should determine if sufficient appropriations are available within their budget to absorb the payoff, and, if not, work with the CAO to determine the appropriate level of funding from the **General Fund Balance for Accrued Leave Payoff** as indicated above in 3(c) or General Fund Contingency. These actions require 4/5 vote of the Board.

b) Non-General Fund Departments that do not receive General Fund contributions will need to determine if their respective program has sufficient appropriations or contingencies to support the accrued leave payoff and should adjust their budget accordingly at Mid Year or Third Quarter, as necessary.

General Fund Nonspendable Fund Balance

The County's policy for the General Fund nonspendable fund balance is as follows:

- When the Board of Supervisors (BOS) has approved long-term loans, advances or notes receivable expected to have outstanding balances at the end of the fiscal year, the long-term amount approved by the BOS will be classified as nonspendable fund balance.
- In circumstances when the BOS has approved a loan, the BOS shall state where the nonspendable fund balance shall be obtained (i.e. General Fund General Reserves, Unassigned Fund Balance, etc.).

- Repayment of General Fund Loans will be put back into General Fund General Reserves.

Countywide Spending Priority Policy

Funding Flow Assumptions

This policy considers restricted amounts to be spent before unrestricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed, assigned, and then unassigned amounts in that order will be spent when an expenditure is incurred for a purpose for which amounts in any of those unrestricted fund balance classifications could be used.

The County's Spending Priority policy applies to fund balance and revenue sources. In circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the use of fund balance will be applied in the following order:

1. **Restricted**
2. **Committed**
3. **Assigned**
4. **Unassigned**

Additional Fund Balance Assignments

- On October 24, 2006, the Board approved a General Fund loan for \$3,000,000 to the Transportation Special Revenue Fund. As of June 30, 2012, the undisbursed balance of the approved loan was \$632,813.
- On September 30, 2008, the Board approved a General Fund loan for \$2,000,000 to the Accumulated Capital Outlay Capital Projects Fund for the purpose of the Visioning Project for the Solano County Fairgrounds Development. As part of the annual budget hearings for FY 2009/10, a second loan for \$2,400,000 was approved. As of June 30, 2012, the undisbursed balance of the approved loans was \$1,300,513.
- On November 13, 2001, the Board approved the Solano County Tobacco Master Settlement Agreement (MSA) Strategic Plan. The 2001 Strategic Plan set forth priorities for Tobacco Settlement Revenue (TSR) spending with the goals of reducing rates of tobacco, alcohol and other drug use in Solano County and improving access to quality primary and preventive health care services for indigent clients and others without access to health care in Solano County. On January 8, 2008 the Board approved the use of the MSA TSR securitization proceeds and deallocated funds for financing all costs of the Twin Campus project and the use of General Fund monies to support the goals of reducing rates of tobacco, alcohol and other drug use and improving health care access. As of June 30, 2012, the balance of unexpended General Fund monies assigned to reducing rates and health access is \$125,271.

15. Use of Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets

The governmental funds balance sheet includes a reconciliation between fund balances-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$484,665,190 difference are as follows:

Land, not being depreciated	\$ 154,621,673
Construction in progress	32,964,562
Artwork	543,751
Intangibles, not being depreciated	651,017
Infrastructure, net of \$52,635,723 accumulated depreciation	63,869,077
Buildings, net of \$142,697,146 accumulated depreciation	219,833,293
Machinery and equipment, net of \$20,049,503 accumulated depreciation	10,764,089
Intangibles, net of \$847,967 accumulated depreciation	<u>1,417,728</u>
Net adjustment to increase <i>fund balances-total governmental funds to arrive at net assets-governmental activities</i>	<u>\$ 484,665,190</u>

Another element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$217,444,708 difference are as follows:

Notes payable	\$ 1,023,890
Capital leases	302,261
Certificates of participation	115,190,000
Less: Deferred charge on refunding	(2,096,579)
Add: Issuance premium	2,575,005
Pension obligation bonds	69,630,000
OPEB liability	3,682,015
Pollution remediation obligation	285,433
Compensated absences	<u>26,852,683</u>
Net adjustment to reduce <i>fund balances-total governmental funds to arrive at net assets-governmental activities</i>	<u>\$ 217,444,708</u>

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The County's cash and investments at June 30, 2012 were as follows:

	<u>Fair Value</u>
County Deposits	<u>\$ 16,760,692</u>
County Investments	
Money Market Mutual Funds	12,580,821
Certificates of Deposits	13,897,785
State of California Local Agency Investment Fund	46,391,446
Investment Trust of California Joint Powers Authority Pool	62,495,870
California Asset Management Program	293,120
Corporate Notes	98,531,580
Mortgage Pass-through	8,333
U.S. Federal Agency Notes	
Federal Farm Credit Bank	43,006,946
Federal Home Loan Bank	15,001,855
Federal Home Loan Mortgage Corporation	66,213,035
Federal National Mortgage Association	60,034,440
U.S. Treasury Notes	56,212,690
Municipal Notes	64,682,088
Total County Investments	<u>539,350,009</u>
Total County Treasury	<u>556,110,701</u>
Cash and Investments with Fiscal Agents	
Imprest cash	280,991
Deposits	49,991
Held with others	
Money Market Mutual Funds	5,696,263
Total Cash and Investments with Fiscal Agents	<u>6,027,245</u>
Total Cash and Investments	<u>\$ 562,137,946</u>

Reconciliation to financial statements:

Government-wide Statement of Net Assets	\$	272,290,900
Statement of Fiduciary Net Assets:		
External Investment Trust		245,512,307
Private Purpose Trust		4,284,443
Agency Funds		38,592,297
Component Units		
Solano County Fair		1,135,685
Workforce Investment Board		322,314
Total	<u>\$</u>	<u>562,137,946</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.

The County is a voluntary participant in the State of California Local Agency Investment Fund (LAIF). The total amount invested by all public agencies in LAIF as of June 30, 2012 was \$21.9 billion. At June 30, 2012, the County's investment to LAIF is \$46.4 million. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which, as of June 30, 2012 had a balance of \$60.5 billion. PMIA is not SEC registered, but is required to invest according to California State Government Code. The weighted average to maturity of PMIA investments was 270 days as of June 30, 2012. The Local Investment Advisory Board (LIAB) has oversight responsibility for LAIF. The LIAB consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the County Treasurer's portion of the pool.

The County is also a voluntary participant in the Investment Trust of California Joint Powers Authority Pool (CALTRUST). At June 30, 2012, the County's investment to CALTRUST is \$62 million. CALTRUST is an innovative partnership between the CSAC Finance Corporation and the League of California Cities to provide a convenient method for local agencies to pool their assets for investment. The weighted average to maturity of CALTRUST investments were as follows: CALTRUST Short Term, 14 months; CALTRUST Medium, 22 months and CALTRUST Heritage Money Market, 28 days. The Board of Trustees, which is made up of experienced local Treasurers and Investment Officers has oversight responsibility for CALTRUST. The value of the pool shares in CALTRUST, which may be withdrawn, is determined on a fair value basis, which may be different than the amortized cost of the County Treasurer's portion of the pool. The total amount invested in CALTRUST by California public agencies, as of June 30, 2012 was divided among the following asset classes: CALTRUST Medium Term was \$440 million; CALTRUST Short Term was \$625 million and CALTRUST Heritage Money Market was \$23.1 billion.

The County is also a voluntary participant in the California Asset Management Program (CAMP). The total amount invested by all public agencies in CAMP as of June 30, 2012 was \$2.0 billion. At June 30, 2012, the County's investment to CAMP is \$293,120. CAMP is a California Joint Powers Authority established in 1989 to provide California public agencies with professional investment. The weighted average to maturity of CAMP investments was 54 days as of June 30, 2012. The Board of Trustees, which is made up of experienced local government directors and treasurers, has oversight responsibility

for CAMP. The Board consists of seven members elected by the participants. The value of the pool shares in CAMP, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the County Treasurer's portion of the pool. As noted above, the total amount invested in CAMP by California public agencies, as of June 30, 2012 was \$2.0 billion divided among the following asset classes: 30.6% in Negotiable Certificates of Deposit; 25.2% in commercial paper; 12.8% was invested in Federal Agency obligations; 28.8% was invested in repurchase agreements (collateralized by Treasury and Agency obligations); 2.6% was invested in US Treasuries. CAMP's investment policy does not permit the purchase of asset-backed securities (Government Code 53601(n)), but does permit the purchase commercial paper 53601(h), which can include asset-backed commercial paper.

1. Authorized Investments

Statutes authorize the County to invest in obligations of U.S. Government securities, U.S. Government agencies and instrumentalities, 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, mortgage pass-through, repurchase agreements, reverse repurchase agreements, municipal bonds, mutual funds as permitted by the California Government Code, California State Treasurer's investment pool (LAIF), and shares of beneficial interest issued by Joint Power Authorities that invest in allowable securities such as Investment Trust of California (CALTRUST) and California Asset Management Program (CAMP).

2. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy mitigates its exposure to interest rate risk by:

- Structuring the portfolio so securities mature to meet the cash requirements of the pool participants and laddering call dates and maturities.
- Maintaining a portion of the County's investment portfolio in short-term investments (1 year or less to maturity), which have a minimum interest rate risk.

At June 30, 2012, the weighted average to maturity of the Treasurer's Pool was 446 days.

The fair value of the County's investments as of June 30, 2012 are as follows:

	Fair Value	Investment Maturities Fair Value (in Years)		
		Less than 1	1 to 5	More than 5
County Investments				
Money Market Mutual Funds	\$ 12,580,821	\$ 12,580,821	\$ -	\$ -
Certificates of Deposits	13,897,785	13,897,785	-	-
State of California Local Agency Investment Fund	46,391,446	46,391,446	-	-
Investment Trust of California Joint Powers Authority Pool	62,495,870	62,495,870	-	-
California Asset Management Program	293,120	293,120	-	-
Corporate Notes	98,531,580	29,995,913	68,535,667	-
Mortgage Pass-through	8,333	8,333	-	-
U.S. Federal Agency Notes:				
Federal Farm Credit Bank	43,006,946	4,997,405	38,009,541	-
Federal Home Loan Bank	15,001,855	9,999,850	5,002,005	-
Federal Home Loan Mortgage Corporation	66,213,035	9,997,000	56,216,035	-
Federal National Mortgage Association	60,034,440	29,998,670	30,035,770	-
U.S. Treasury Notes	56,212,690	35,311,130	20,901,560	-
Municipal Notes	64,682,088	18,002,283	44,669,460	2,010,345
<i>Total County Investments</i>	<u>539,350,009</u>	<u>273,969,626</u>	<u>263,370,038</u>	<u>2,010,345</u>
Investments with Fiscal Agents				
Money Market Mutual Funds	5,696,263	5,696,263	-	-
Total Investments	<u>\$ 545,046,272</u>	<u>\$ 279,665,889</u>	<u>\$ 263,370,038</u>	<u>\$ 2,010,345</u>

In accordance with California Government Code Section 53601, any investment with a maturity in excess of five years requires the express authorization of the County's Board of Supervisors. Pursuant to resolution by the Board of Supervisors on March 24, 2009, the County Treasury purchased local agency notes issued by San Luis Obispo County which matures September 2019.

3. Credit Risk

Credit risk is the risk of loss due to the failure or credit downgrade of an issuer or backer. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The County's investment policy mitigates its exposure to credit risk by:

- Limiting purchases to "investment grade securities".
- Diversifying the portfolio so the failure or downgrade of an individual security will have a minimal impact on the portfolio as a whole.
- Performing ongoing reviews of economic or financial conditions that may impact the credit of a single issuer or a market segment of issuers.
- When the County Treasurer deems necessary, an in-depth analysis on the credit quality of an individual issuer within the portfolio will be conducted. Based on the findings, the County Treasurer may elect to retain the securities in question or sell them.

At June 30, 2012, the County's credit risks, expressed as a percentage of total investments, are as follows:

Investment Type	Credit Rating S&P	% of Investments
County Investments		
Money Market Mutual Funds	AAA	2.31%
Certificates of Deposits	A	0.92%
Certificates of Deposits	AA-	1.59%
Certificates of Deposits	AAA	0.04%
State of California Local Agency Investment Fund	Not Rated	8.51%
Investment Trust of California Joint Powers Authority Pool Medium Term	A	3.14%
Investment Trust of California Joint Powers Authority Pool Short Term	AA	4.96%
Investment Trust of California Joint Powers Authority Pool Money Market	AAA	3.37%
California Asset Management Program	AAA	0.05%
Corporate Notes	A	2.53%
Corporate Notes	A-	0.96%
Corporate Notes	A+	3.59%
Corporate Notes	AA	0.92%
Corporate Notes	AA-	5.16%
Corporate Notes	AA+	2.49%
Corporate Notes	Aaa	0.92%
Corporate Notes	AAA	1.50%
Mortgage Pass-through	AAA	0.00%
U.S. Federal Agency Notes:		
Federal Farm Credit Bank	AA+	7.89%
Federal Home Loan Bank	AA+	2.75%
Federal Home Loan Mortgage Corporation	AA+	12.15%
Federal National Mortgage Association	AA+	11.02%
U.S. Treasury Notes	AA+	10.31%
Municipal Notes	A	0.09%
Municipal Notes	A-	3.71%
Municipal Notes	A+	0.38%
Municipal Notes	AA	2.18%
Municipal Notes	AA-	3.93%
Municipal Notes	AA+	1.12%
Municipal Notes	AAA	0.46%
Investments with Fiscal Agents		
Money Market Mutual Funds	AAA	1.05%
Total:		100.00%

4. *Concentration of Credit Risk*

The County's investment policy has no limitation on the amount that can be invested in any one issuer beyond what is stipulated by the California Government Code. Investments in any one issuer (other than Money Market Mutual Funds, U.S. Treasury Securities, or external investment pools) that represent 5% or more of the total investments of the County are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation	\$ 66,213,035
Federal National Mortgage Association	60,034,440
Federal Farm Credit Bank	43,006,946

5. *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

6. Treasury Investment Pool

A summary of the investments held by the Treasurer's Pool as of June 30, 2012 is as follows:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range (Month/Year)
Money Market Mutual Funds	\$ 12,580,821	\$ 12,580,821	0.000%	07/12
Certificates of Deposits	13,897,785	13,898,291	.119 - .449	07/12 - 02/13
State of California Local Agency Investment Fund	46,391,446	46,391,446	0.361	07/12
Investment Trust of California	62,495,870	62,306,540	.130 - 1.010	07/12
Joint Powers Authority Pool				
California Asset Management Program	293,120	293,120	0.239	07/12
Corporate Notes	98,531,580	98,557,453	.574 - 2.508	08/12 - 11/16
Mortgage Pass-through	8,333	8,333	0.828	10/12
U.S. Federal Agency Notes	184,256,276	184,157,933	.070 - 1.25	07/12 - 05/17
U.S. Treasury Notes	56,212,690	55,826,113	.580 - 1.029	08/12 - 10/14
Municipal Notes	64,682,088	63,832,578	.523 - 7.447	07/12 - 09/19
	<u>\$ 539,350,009</u>	<u>\$ 537,852,628</u>		

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2012:

Statement of net assets

Net assets held in trust for all pool participants	\$ 548,974,659
Equity of internal pool participants	\$ 303,462,352
Equity of external pool participants	245,512,307
Total equity	<u>\$ 548,974,659</u>

Statement of changes in net assets

Net assets as of July 1, 2011	\$ 590,339,373
Net change in investments by pool participants	<u>(41,364,714)</u>
Net assets as of June 30, 2012	<u>\$ 548,974,659</u>

Reconciliation to financial statements

Held by County Treasurer:	
Primary government	\$ 554,929,042
Component Units:	
Solano County Fair	909,956
Workforce Investment Board	<u>271,703</u>
	556,110,701
Less outstanding warrants:	
Primary government	6,950,226
Component Units:	
Solano County Fair	30,561
Workforce Investment Board	<u>155,255</u>
Total	<u>\$ 548,974,659</u>

B. Receivables/Deferred Revenue

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.

At June 30, 2012, the various components of deferred revenue were as follows:

Fund	Unavailable	Unearned	Total
General Fund	\$ 17,348,054	\$ 2,920,025	\$ 20,268,079
Health & Social Services Fund	10,124,226	4,829,494	14,953,720
Public Safety Fund	499,087	5,951,356	6,450,443
Accumulated Capital Outlay Fund	284,616	126,296	410,912
Pension Debt Service Fund	-	345,330	345,330
Other Governmental Funds	1,626,902	275,027	1,901,929
Internal Service Funds	-	<u>324,670</u>	<u>324,670</u>
Total governmental activities	<u>\$ 29,882,885</u>	<u>14,772,198</u>	<u>\$ 44,655,083</u>
Nut Tree Airport Fund		<u>3,367</u>	<u>3,367</u>
Total business-type activities		<u>3,367</u>	<u>\$ 3,367</u>
Total primary government		<u>\$ 14,775,565</u>	

C. Due To/Due From Other Funds

The composition of the interfund balances as of June 30, 2012 were as follows:

	Due To								Total
	General Fund	Health & Social Services	Public Safety	Accumulated Capital Outlay	Other Governmental	Nut Tree Airport	Fouts Springs Youth Facility	Internal Service Funds	
General Fund	\$ -	\$ 3,151,133	\$ 4,349,278	\$ 13,822	\$ 74,932	\$ -	\$ 507,411	\$ 791	\$ 8,097,367
Health & Social Services	60,261	-	908,241	-	464,443	-	-	27,508	1,460,453
Public Safety	53,944	174,353	-	201,749	15,268	-	-	78	445,392
Accumulated Capital Outlay	-	831,510	-	-	-	-	-	-	831,510
Pension Debt Service	26,090	71,191	77,185	-	13,189	270	52	5,153	193,130
Other Governmental	28,123	-	230	-	3,629	-	-	101	32,083
Fouts Springs Youth Facility	469,525	-	-	-	-	-	-	-	469,525
Internal Service	184,258	226,294	8,469	-	76	-	-	14,426	433,523
Total	\$ 822,201	\$ 4,454,481	\$ 5,343,403	\$ 215,571	\$ 571,537	\$ 270	\$ 507,463	\$ 48,057	\$ 11,962,983

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. Advances To/From Other Funds

The composition of the Advances to/from other funds as of June 30, 2012 were as follows:

	Advances From				Total
	Accumulated Capital Outlay	Pension Debt Service Fund	Other Governmental	Nut Tree Airport	
Advances To General	\$ 3,099,487	\$ 18,500,000	\$ 2,367,187	\$ 2,831,186	\$ 26,797,860

The General Fund loaned \$3,099,487 to the Accumulated Capital Outlay Fund to cover the costs of Fairgrounds development; \$18,500,000 to Pension Debt Service Fund to pay off the balance of the Pension Obligation Bonds Series B1 and B2; \$2,367,187 to the Transportation Fund (Other Governmental Funds) to cover costs of Regional Transportation Projects and \$2,831,186 to the Nut Tree Airport Enterprise Fund to cover the costs of acquiring real property for purposes of airport expansion.

E. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012 is as follows:

Governmental Activities	Beginning Balance	Additions & Transfers-in	Retirements & Transfers-out	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 154,919,067	\$ 38,608	\$ (336,002)	\$ 154,621,673
Construction in progress	30,382,936	27,700,129	(25,085,580)	32,997,485
Artwork	490,064	53,687	-	543,751
Intangibles	1,032,030	888,482	(777,970)	1,142,542
Total capital assets, not being depreciated	<u>186,824,097</u>	<u>28,680,906</u>	<u>(26,199,552)</u>	<u>189,305,451</u>
Capital assets, being depreciated:				
Buildings	360,572,211	6,159,889	(3,937,190)	362,794,910
Machinery and equipment	50,242,744	4,219,362	(2,856,117)	51,605,989
Infrastructure	96,303,617	20,318,049	(116,866)	116,504,800
Intangibles	6,506,035	777,969	-	7,284,004
Total capital assets being depreciated	<u>513,624,607</u>	<u>31,475,269</u>	<u>(6,910,173)</u>	<u>538,189,703</u>
Less accumulated depreciation for:				
Buildings	(134,103,374)	(11,027,071)	2,304,606	(142,825,839)
Machinery and equipment	(30,762,419)	(4,085,460)	1,761,840	(33,086,039)
Infrastructure	(48,116,244)	(4,528,280)	8,801	(52,635,723)
Intangibles	(2,049,298)	(1,293,234)	-	(3,342,532)
Total accumulated depreciation	<u>(215,031,335)</u>	<u>(20,934,045)</u>	<u>4,075,247</u>	<u>(231,890,133)</u>
Total capital assets, being depreciated, net	<u>298,593,272</u>	<u>10,541,224</u>	<u>(2,834,926)</u>	<u>306,299,570</u>
Governmental funds capital assets, net	<u>\$ 485,417,369</u>	<u>\$ 39,222,130</u>	<u>\$ (29,034,478)</u>	<u>\$ 495,605,021</u>
Business-type Activities	Beginning Balance	Additions & Transfers-in	Retirements & Transfers-out	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 10,330,025	\$ 9,340	\$ -	\$ 10,339,365
Construction in progress	133,442	1,885	-	135,327
Total capital assets, not being depreciated	<u>10,463,467</u>	<u>11,225</u>	<u>-</u>	<u>10,474,692</u>
Capital assets, being depreciated				
Buildings	15,217,081	-	-	15,217,081
Machinery and equipment	570,472	-	(42,820)	527,652
Total capital assets, being depreciated	<u>15,787,553</u>	<u>-</u>	<u>(42,820)</u>	<u>15,744,733</u>
Less accumulated depreciation for:				
Buildings	(6,562,164)	(622,824)	-	(7,184,988)
Machinery and equipment	(462,048)	(13,398)	42,820	(432,626)
Total accumulated depreciation	<u>(7,024,212)</u>	<u>(636,222)</u>	<u>42,820</u>	<u>(7,617,614)</u>
Total capital assets, being depreciated, net	<u>8,763,341</u>	<u>(636,222)</u>	<u>-</u>	<u>8,127,119</u>
Business-type activities capital assets, net	<u>\$ 19,226,808</u>	<u>\$ (624,997)</u>	<u>\$ -</u>	<u>\$ 18,601,811</u>

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

Governmental activities:

General government	\$	4,596,484
Public safety		4,420,514
Public ways and facilities		4,904,140
Health and sanitation		1,747,717
Public assistance		1,744,155
Education		447,714
Recreation		169,170

Capital assets held by the government's internal service funds are charged to various functions based on their usage of the asset

		2,904,151
Total depreciation expense - governmental activities	\$	<u>20,934,045</u>

Business-type activities

Nut Tree Airport	\$	493,364
Fouts Springs Youth Facility		142,858
Total depreciation expense - business type activities	\$	<u>636,222</u>

Capital assets activity for component units for the fiscal year ended June 30, 2012 is as follows:

<u>Component Units</u>	<u>Beginning Balance</u>	<u>Additions & Transfers-in</u>	<u>Retirements & Transfers-out</u>	<u>Ending Balance</u>
Solano County Fair				
Capital assets, not being depreciated:				
Land	\$ 167,085	\$ -	\$ -	\$ 167,085
Capital assets, being depreciated:				
Buildings	9,373,912	-	-	9,373,912
Machinery & equipment	407,165	17,228	-	424,393
Total capital assets, being depreciated:	<u>9,781,077</u>	<u>17,228</u>	<u>-</u>	<u>9,798,305</u>
Less accumulated depreciation for:				
Buildings	(7,719,555)	(227,812)	-	(7,947,367)
Machinery & equipment	(346,921)	(26,354)	-	(373,275)
Total accumulated depreciation, net	<u>(8,066,476)</u>	<u>(254,166)</u>	<u>-</u>	<u>(8,320,642)</u>
Total capital assets, being depreciated, net	<u>1,714,601</u>	<u>(236,938)</u>	<u>-</u>	<u>1,477,663</u>
Total Solano County Fair capital assets, net	<u>\$ 1,881,686</u>	<u>\$ (236,938)</u>	<u>\$ -</u>	<u>\$ 1,644,748</u>
Workforce Investment Board (WIB)				
Capital assets, being depreciated:				
Machinery & equipment	\$ 15,497	\$ 8,004	\$ -	\$ 23,501
Less: Accumulated depreciation	(6,563)	(3,100)	-	(9,663)
Total WIB capital assets, being depreciated, net	<u>\$ 8,934</u>	<u>\$ 4,904</u>	<u>\$ -</u>	<u>\$ 13,838</u>

Depreciation expense was charged to component units as follows:

Component units:	
Solano County Fair	\$ 254,166
Workforce Investment Board	3,100
Total depreciation expense-component units	<u>\$ 257,266</u>

F. Interfund Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2012 were as follows:

	Transfers Out								Total
	General Fund	Health & Social Services	Public Safety	Accumulated Capital Outlay	Other Governmental	Nut Tree Airport	Fouts Springs Youth Facility	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 6,766	\$ -	\$ -	\$ -	\$ 6,766
Health & Social Services	24,504,972	-	-	-	-	-	-	-	24,504,972
Public Safety	78,050,800	-	-	-	-	-	-	-	78,050,800
Accumulated Capital Outlay	-	1,130,000	220,000	-	1,044,043	-	-	-	2,394,043
Pension Debt Service	1,501,376	4,046,936	4,242,078	-	728,464	15,419	21,827	298,826	10,854,926
Other Governmental	3,133,345	2,413,723	397,697	900,000	3,096,743	-	-	-	9,941,508
Fouts Springs Youth Facility	469,525	-	-	-	-	-	-	-	469,525
Total	<u>\$ 107,660,018</u>	<u>\$ 7,590,659</u>	<u>\$ 4,859,775</u>	<u>\$ 900,000</u>	<u>\$ 4,876,016</u>	<u>\$ 15,419</u>	<u>\$ 21,827</u>	<u>\$ 298,826</u>	<u>\$ 126,222,540</u>

Transfers were used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments became due, and 2) to move unrestricted revenues to finance various programs the County must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

G. Payables

The composition of payables as of June 30, 2012 were as follows:

	<u>Accounts Payable</u>	<u>Accrued Payroll</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 1,636,231	\$ 659,700	\$ -	\$ 2,295,931
Health & Social Services	16,416,527	1,798,827	-	18,215,354
Public Safety	2,040,801	1,854,991	-	3,895,792
Accumulated Capital Outlay	3,097,487	-	-	3,097,487
Other Governmental Funds	1,899,291	354,345	-	2,253,636
Internal Service Funds	1,741,774	125,178	-	1,866,952
Reconciliation of balances in fund financial statements to government-wide financial statements	-	-	2,551,567	2,551,567
Total governmental activities	<u><u>\$ 26,832,111</u></u>	<u><u>\$ 4,793,041</u></u>	<u><u>\$ 2,551,567</u></u>	<u><u>\$ 34,176,719</u></u>
Business-type activities:				
Nut Tree Airport	\$ 5,845	\$ 6,471	\$ -	\$ 12,316
Fouts Springs Youth Facility	915	1,239	-	2,154
Total business-type activities	<u><u>\$ 6,760</u></u>	<u><u>\$ 7,710</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,470</u></u>

H. Operating Leases

The County leases office space and equipment under operating leases. Total rental expenditures for such leases were \$2,699,827, for the fiscal year ended June 30, 2012. Future minimum rental payments under all noncancelable operating leases with initial or remaining terms in excess of one year as of June 30, 2012 are summarized as follows:

<u>Year Ending June 30</u>	<u>Primary Government</u>	<u>WIB</u>	<u>Total</u>
2013	\$ 1,192,209	\$ 373,889	\$ 1,566,098
2014	1,150,524	-	1,150,524
2015	999,192	-	999,192
2016	474,186	-	474,186
	<u><u>\$ 3,816,111</u></u>	<u><u>\$ 373,889</u></u>	<u><u>\$ 4,190,000</u></u>

I. Long-term Obligations

Capital Leases:

The County has entered into a lease agreement as the lessee for financing the acquisition of machinery and equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2012, were as follows:

	Year ending June 30	<u>Governmental activities</u>
	2013	\$ 230,157
	2014	82,668
Total minimum lease payments		<u>312,825</u>
Less: amount representing interest		(10,564)
Present value of minimum lease payments		<u>\$ 302,261</u>

The assets acquired through capital leases are as follows:

	<u>Governmental activities</u>
Machinery and equipment	\$ 1,445,092
Less: Accumulated depreciation	(890,769)
<u>Total</u>	<u>\$ 554,323</u>

Notes Payable:

The County has entered into a note payable agreement as borrower for financing arrangements.

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

	<u>Governmental activities</u>	
Year ending June 30	<u>Principal</u>	<u>Interest</u>
2013	\$ 7,931	\$ 30,717
2014	7,931	30,717
2015	7,931	30,717
2016	7,939	30,717
2017	-	30,717
2018-2022	1,023,890	153,585
	<u>\$ 1,055,622</u>	<u>\$ 307,170</u>

During FY 07/08, the County entered into a new loan agreement with the Suisun Redevelopment Agency in the amount of \$1,023,890 for its share of construction costs of the Suisun City Library. The loan will be repaid using future public facilities fees collected by Suisun City plus interest at three (3%) percent per annum. As of June 30, 2012, the term of the agreement is 15 years, therefore the principal payment is shown above in FY 21/22. Assembly Bill (AB) X1 26 dissolved all Redevelopment Agencies (RDA) in

the State of California effective February 1, 2012. Due to the dissolution of the RDA, the loan is now payable to the City of Suisun as the successor agency.

Certificates of Participation:

The County issued Certificates of Participation (COP) to provide funds for the acquisition and construction of major capital facilities. Certificates of Participation were issued for governmental activities only.

Annual debt service requirements to maturity for the Certificates of Participation are as follows:

Year ending June 30	Principal	Interest
2013	\$ 5,205,000	\$ 5,240,619
2014	5,415,000	4,999,194
2015	5,675,000	4,729,894
2016	5,170,000	4,472,100
2017	5,420,000	4,212,731
2018-2022	24,620,000	17,116,406
2023-2027	25,215,000	11,526,353
2028-2032	31,335,000	5,253,413
2033	7,135,000	160,537
	\$ 115,190,000	\$ 57,711,247

Debt Defeasance:

The County partially refunded and defeased the 2002 COP with certificate payment dates from and including November 1, 2013 to 2032. Due to prepayment restrictions, the proceeds from the 2007 COP are held in an escrow account until the 2002 COP are refunded after the call date of November 1, 2012. The amount held in the escrow account and the liability for the defeased bonds are not included in the County's financial statements. As of June 30, 2012, the amount outstanding for the defeased bonds is \$96,215,000.

Pension Obligation Bonds:

The County issued Taxable Pension Obligation Bonds (POB) to prepay a partial obligation under its contract with CalPERS for the County's Unfunded Accrued Actuarial Liability (UAAL).

Annual debt service requirements to maturity for Pension Obligation Bonds are as follows:

Year ending June 30	Principal	Interest
2013	\$ 5,845,000	\$ 3,660,860
2014	6,590,000	3,378,563
2015	7,385,000	3,045,769
2016	9,000,000	2,646,064
2017	7,930,000	2,216,907
2018-2022	19,520,000	6,417,696
2023-2025	13,360,000	1,475,042
	\$ 69,630,000	\$ 22,840,902

The composition of the long-term debt obligations for the governmental activities as of June 30, 2012, was as follows:

<u>Type and description</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding</u>
Capital lease:				
Motorola	December 1, 2015	4.28	\$ 1,385,806	\$ 302,261
Notes payable:				
Key Government Finance Inc.		0.00	39,663	31,732
Suisun City Redevelopment Agency		3.00	1,023,890	1,023,890
Total notes payable				<u>1,055,622</u>
Certificates of participation:				
2002 Certificates of Participation				
Serial	November 1, 2003 - November 1, 2025	4.98	74,460,000	3,080,000
Issuance Premium			4,628,748	154,292
2007 Certificates of Participation				
Serial	November 1, 2003 - November 1, 2025	4.00 - 5.00	50,620,000	49,750,000
Term	November 1, 2026	4.25	10,770,000	10,770,000
Term	November 1, 2032	4.50	38,470,000	38,470,000
Issuance Premium			2,568,489	1,797,942
Deferred amount on refunding			(3,150,339)	(2,205,237)
2009 Refunding Certificates of Participation				
Serial	November 15, 2010 - November 15, 2019	3.00 - 5.00	16,745,000	13,120,000
Issuance Premium			889,673	622,771
Deferred amount on refunding			155,226	108,658
Total certificates of participation				<u>115,668,426</u>
Pension Obligation Bonds:				
Series 2004A	January 15, 2018	5.80	36,665,000	26,765,000
Series 2010	January 15, 2024	5.80	20,000,000	5,750,000
Series 2005	January 15, 2025	5.36	42,385,000	37,115,000
Total pension obligation bonds				<u>69,630,000</u>
Self-insurance liability				11,591,000
Compensated absences				28,063,986
Pollution remediation obligation				285,433
Net OPEB liability				3,798,452
Total governmental obligations				<u>\$ 230,395,180</u>

The composition of the long-term debt obligations for the business-type activities as of June 30, 2012, was as follows:

<u>Type and description</u>	<u>Outstanding</u>
Nut Tree Airport	
Net OPEB liability	\$ 5,941
Compensated absences	33,996
Total Nut Tree Airport	<u>39,937</u>
Fouts Springs Youth Facility	
Net OPEB liability	39,842
Compensated absences	3,032
Total Fouts Springs Youth Facility	<u>42,874</u>
Total business-type activities	<u>\$ 82,811</u>

The composition of the long-term obligations of the County's component units' activities as of June 30, 2012, was as follows:

<u>Type and description</u>	<u>Outstanding</u>
Solano County Fair	
County pension liability	\$ 735,480
Capital lease	356,946
Compensated absences	61,772
Total Solano County Fair	<u>\$ 1,154,198</u>
Workforce Investment Board (WIB)	
Compensated absences	<u>\$ 188,619</u>

Long-term liability activity for the fiscal year ended June 30, 2012, 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:					
Capital leases	\$ 513,792	\$ -	\$ (211,531)	\$ 302,261	\$ 220,731
Certificates of participation	120,160,000	-	(4,970,000)	115,190,000	5,205,000
Deferred amounts:					
For issuance premiums	2,946,692	-	(371,687)	2,575,005	371,683
Deferred amount on refunding	(2,238,573)	-	141,994	(2,096,579)	(141,994)
Pension obligation bonds	77,805,000	-	(8,175,000)	69,630,000	5,845,000
Notes payable	1,023,890	39,663	(7,931)	1,055,622	7,931
Self-insurance liability	10,545,541	4,633,378	(3,587,919)	11,591,000	3,825,038
Pollution remediation obligation	261,534	23,899	-	285,433	270,788
Net OPEB liability	3,864,310	3,321,606	(3,387,464)	3,798,452	-
Compensated absences	26,514,731	15,192,313	(13,643,058)	28,063,986	13,913,762
Governmental activity long-term liabilities	<u>\$ 241,396,917</u>	<u>\$ 23,210,859</u>	<u>\$ (34,212,596)</u>	<u>\$ 230,395,180</u>	<u>\$ 29,517,939</u>

Business-type activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net OPEB liability	\$ 45,998	\$ 10,840	\$ (11,055)	\$ 45,783	\$ -
Compensated absences	467,227	35,696	(465,895)	37,028	12,060
Business-type activity long-term liabilities	<u>\$ 513,225</u>	<u>\$ 46,536</u>	<u>\$ (476,950)</u>	<u>\$ 82,811</u>	<u>\$ 12,060</u>

In governmental activities and proprietary fund, compensated absences and other post employment benefit obligations (OPEB) are paid by the fund the employee is accounted.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities are included as part of the above totals for governmental activities. \$12,950,471 of the internal service funds long-term liabilities was included in the above amounts.

Component units activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Solano County Fair:					
County pension liability	\$ 735,480	\$ -	\$ -	\$ 735,480	\$ 71,579
Capital lease	376,802	-	(19,856)	356,946	21,442
Compensated absences	60,193	37,161	(35,582)	61,772	7,539
Total Solano County Fair	<u>\$ 1,172,475</u>	<u>\$ 37,161</u>	<u>\$ (55,438)</u>	<u>\$ 1,154,198</u>	<u>\$ 100,560</u>

WIB:

Compensated absences	<u>\$ 193,817</u>	<u>\$ 161,631</u>	<u>\$ (166,829)</u>	<u>\$ 188,619</u>	<u>\$ 177,906</u>
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J. Pollution Remediation Obligations

The County has been named as the primary responsible party for pollution remediation for the Former Hall of Records located at 701 Texas Street, Fairfield, CA 94533. Remediation is required for sub-surface soil and groundwater contamination. The pollution remediation obligation for this site is expected to be \$285,433, which is a weighted average of estimates for the range of cleanup outlays. The Former Hall of Records site is required to be remediated until eligible for closure by California Regional Water Quality Control Board.

K. Fund Balances

Fund balances for all major and nonmajor governmental funds as of June 30, 2012 were classified as follows:

	General Fund	Health & Social Services	Public Safety	Accumulated Capital Outlay	Pension Debt Service	Other Governmental	Total
Nonspendable							
Inventory	\$ 2,995	\$ -	\$ -	\$ -	\$ -	\$ 173,240	\$ 176,235
Long-term receivable	1,056,389	-	-	-	-	-	1,056,389
Advances	26,797,860	-	-	-	-	-	26,797,860
Prepaid expenses	275,474	416,489	694,782	-	-	51,888	1,438,633
Subtotal	28,132,718	416,489	694,782	-	-	225,128	29,469,117
Restricted for:							
Public safety	-	-	3,974,609	-	-	-	3,974,609
Capital projects	-	-	-	20,582,401	-	-	20,582,401
Public facilities fees	-	-	-	-	-	8,348,079	8,348,079
Library services	-	-	-	-	-	9,407,553	9,407,553
Transportation services	-	-	-	-	-	9,994,615	9,994,615
Health services	-	24,537,823	-	-	-	12,653,555	37,191,378
Home loan program	-	-	-	-	-	4,906,580	4,906,580
Micrographics & modernization	-	-	-	-	-	8,036,098	8,036,098
East Vallejo fire district	-	-	-	-	-	1,350	1,350
Fish & game	-	-	-	-	-	562,794	562,794
County service area	-	-	-	-	-	598,482	598,482
SE Vallejo Redevelopment	-	-	-	-	-	1,043	1,043
Debt service	-	-	-	-	-	1,767,074	1,767,074
Subtotal	-	24,537,823	3,974,609	20,582,401	-	56,277,223	105,372,056
Committed for:							
Capital Projects - Public Art	-	-	-	130,470	-	-	130,470
Assigned to:							
General fund:							
Imprest cash	3,655	-	-	-	-	-	3,655
Encumbrances	681,813	-	-	-	-	-	681,813
Health services	125,271	-	-	-	-	-	125,271
Undisbursed approved loans	1,933,326	-	-	-	-	-	1,933,326
FY 2012/13 budgetary resource	37,384,488	-	-	-	-	-	37,384,488
Historical records maintenance	4,037	-	-	-	-	-	4,037
Deferred maintenance	7,597,081	-	-	-	-	-	7,597,081
Accrued leave payoff	4,918,370	-	-	-	-	-	4,918,370
Capital projects	-	-	-	8,387,799	-	-	8,387,799
Parks & recreation	-	-	-	-	-	70,303	70,303
Subtotal	52,648,041	-	-	8,387,799	-	70,303	61,106,143
Unassigned							
General fund	38,838,327	-	-	-	-	-	38,838,327
Pension debt service	-	-	-	-	(9,480,728)	-	(9,480,728)
Subtotal	38,838,327	-	-	-	(9,480,728)	-	29,357,599
Total	\$ 119,619,086	\$ 24,954,312	\$ 4,669,391	\$ 29,100,670	\$ (9,480,728)	\$ 56,572,654	\$ 225,435,385

L. Extraordinary Items

On November 12, 2011, Fresno County Superior Court ruled that Assembly Bill 99 authorizing the shift of \$1 billion from First 5 Commissions in California, including \$8,809,741 from First 5 Solano was invalid and that State leaders acted illegally. On January 11, 2012, a judgment was entered and a writ of mandate issued in favor of First 5 Commissions in California. The state did not file a notice of appeal and the appeal window expired on March 14, 2012.

M. Deficit Fund Equity

As of June 30, 2012, the Pension Debt Service Fund (Debt Service Fund) had a deficit fund balance of \$9,480,728, which is expected to be resolved through rate recovery from the county departments over the next 5 years.

IV. OTHER INFORMATION

A. Employee Retirement Plan

1. Plan Description

The County's defined benefit pension plan, the County's Safety and Miscellaneous Plans, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County's Safety and Miscellaneous Plans (Plans) are 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. The Solano County Fair and the Solano County Superior Court are included as part of the County's Miscellaneous Plan. 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; however, a separate report for the County's Safety and Miscellaneous Plans are not available. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

2. Funding Policy

Active plan members in the Miscellaneous and Safety Plans are required to contribute 8% and 9% respectively 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 required employer contribution rate for the fiscal year ended June 30, 2012 was 14.333% for miscellaneous and 18.427% for 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 2011/2012, the County's annual pension cost was \$40,753,261. The required contribution for fiscal year 2011/2012 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of covered payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.55 % to 14.45% (13.15% for the safety plan) depending on age, service, and type of employment; (c) inflation of 3.0%; and (d) payroll growth of 3.25%. The

assumptions are the same as those reported for last year's annual pension cost with the exception of the projected salary increases which began at 3.25 %. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility of the market value of investments over a 15 year period. The Plans' unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of the June 30, 2011 actuarial valuation was 26 years for the Miscellaneous and Safety Plans.

The County's and the Solano County Fair's annual pension costs and pension assets for the fiscal year ended June 30, 2012 were as presented on the follows:

	Solano County Miscellaneous Plan	Solano County Safety Plan	Solano County Fair
Annual required contribution	\$ 27,797,525	\$ 9,766,698	\$ 120,193
Interest on pension asset	(7,374,328)	(2,590,980)	(60,729)
Adjustment to the annual required contribution	9,734,216	3,420,130	76,264
Annual pension cost (APC)	30,157,413	10,595,848	135,728
Contributions made	27,937,261	9,626,962	120,194
Decrease in pension asset	(2,220,152)	(968,886)	(15,534)
Pension asset, beginning of year	99,041,724	29,542,896	783,597
Pension asset, end of year	\$ 96,821,572	\$ 28,574,010	\$ 768,063

Three-year trend information for the Miscellaneous Plan

<u>Solano County</u>				
Fiscal Year Ending	APC	Actual Contributions	Percentage of APC Contributions	Net pension Asset
06/30/10	\$ 25,358,188	\$ 24,009,805	95%	\$ 101,131,796
06/30/11	28,544,349	26,454,277	93%	99,041,724
06/30/12	30,157,413	27,937,261	92%	96,821,572

<u>Solano County Fair</u>				
Fiscal Year Ending	APC	Actual Contributions	Percentage of APC Contributions	Net pension Asset
06/30/10	\$ 108,108	\$ 98,997	92%	\$ 795,758
06/30/11	139,623	127,462	91%	783,597
06/30/12	135,728	120,194	89%	768,063

Three-year trend information for the Safety Plan

Fiscal Year Ending	APC	Actual Contributions	Percentage of APC Contributions	Net pension Asset
06/30/10	\$ 8,909,634	\$ 8,296,439	93%	\$ 30,021,676
06/30/11	9,014,005	8,535,225	95%	29,542,896
06/30/12	10,595,848	9,626,962	90%	28,574,010

The County and the Solano County Fair have made their ARC for each of the past three years.

4. Funded Status and Funding Progress – Pension Plan

As of June 30, 2011, the most recent actuarial valuation date, the Miscellaneous and Safety plans were funded as noted below:

<u>Plan</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Liability</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a % of Payroll</u>
Miscellaneous	\$ 1,100,723,215	\$ 939,055,569	\$ 161,667,646	85.31%	\$ 156,165,183	103.52%
Safety	323,460,226	279,420,520	44,039,706	86.38%	39,946,278	110.25%

The actuarial assumptions used for the June 30, 2011 valuations changed from those disclosed previously for the June 30, 2009 valuations. The funding progress was determined using the entry age normal actuarial cost method with the contributions determined as a percentage of covered payroll. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.30% to 14.2% depending on age, service, and type of employment; (c) inflation of 2.75%; and (d) payroll growth of 3.00%. The actuarial value of the Plan’s assets was determined using a technique that smoothes the effect of short-term volatility of the market value of investments over a 15 year period. The Plans’ unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on a closed basis.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Post Employment Health Care Benefits

1. Plan Description

The County participates in a single-employer defined benefit healthcare plan administered by the California Public Employees’ Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing a minimum of \$112 per month towards medical insurance benefits. This benefit is provided based on the Board of Supervisor’s election to participate under the Public Employees’ Medical and Hospital Care Act (PEMHCA) [Government Code Section 22750]. The County’s Board may elect to pay more than the minimum contribution; however, the County’s Board has elected to pay the minimum contribution of \$112 per month per eligible retiree. The County has not executed a formal plan document that provides for these benefits and the plan does not have a name.

In addition, the County established an irrevocable trust to pre-fund the other postemployment Annual Required Contribution benefits with the Public Agency Retirement Services (PARS).

2. Funding Policy

The County’s minimum required contribution is set by Government Code Section 22892. Effective January 1, 2011, the CalPERS Board adjusted the rate to reflect any change in the medical care component of the Consumer Price Index. Contribution requirements in excess of the minimum for plan

members and the County are established and may be amended by the Board of Supervisors and the employee associations. Currently, plan members are required to pay the balance of the premiums.

During the fiscal year ended June 30, 2012, the County contributed \$3,398,519 to the OPEB plan. The purpose of these contributions was to cover the Annual Required Contribution rate of 1.87% of covered payroll (annual payroll of active employees covered by the plan) and to fund the postemployment medical benefits. However, for fiscal year 2011/2012, the County Board of Supervisors elected to fund at the rate of 2.0% of covered payroll.

3. Annual OPEB Cost and Net OPEB Liability

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The County's current ARC rate is 1.87% of annual covered payroll.

The following table shows the components of the County's annual OPEB cost for the year, the amount contributed to the plan, and changes in the County's net OPEB liability:

Annual Required Contribution (ARC)	\$ 3,420,000
Interest on Net OPEB Liability	202,838
Amortization of Net OPEB Liability	(290,392)
Annual OPEB Cost (expense)	<u>3,332,446</u>
Contributions Made	<u>(3,398,519)</u>
Decrease in Net OPEB Liability	(66,073)
Net OPEB Liability, July 1, 2011	3,910,308
Net OPEB Liability, June 30, 2012	<u>\$ 3,844,235</u>
% of annual OPEB cost contributed	<u>102%</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB liability for June 30, 2012 and the two preceding years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
6/30/2010	\$ 3,784,713	\$ 1,829,478	48%	\$ (1,787,030)
6/30/2011	3,882,040	1,758,762	45%	(3,910,308)
6/30/2012	3,332,446	3,398,519	102%	(3,844,235)

4. *Funded Status and Funding Progress*

The funded status of the plan as of January 1, 2011, the most recent actuarial valuation date, was as follows:

Actuarially accrued liability (AAL)	\$	36,333,000
Actuarial value of plan assets		9,239,000
Unfunded actuarial accrued liability (UAAL)	\$	<u>27,094,000</u>
Funded ratio (actuarial value of plan assets/AAL)		25%
Covered payroll (active plan members)	\$	183,013,000
UAAL as a percentage of covered payroll		15%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

In the County's January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included an investment rate of return (net of administrative expenses) between 5.2% - 6.5% and an annual healthcare cost trend rate between 9.5% - 10% initially, reduced by decrements to an ultimate rate of 5% after 10 years. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2012 was 25 years.

C. *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 various programs organized by the California State Association of Counties - Excess Insurance Authority (CSAC-EIA), a joint powers authority created to provide 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 purpose of the pool is to spread the adverse effects of losses among the member agencies. The County pays an annual basic premium for excess coverage and is assessed an annual risk premium based on an actuarial review that estimates each of the program's participant's ultimate liabilities. Should actual losses among participants be greater than anticipated, the County will

be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the County will be refunded its pro rata share of the excess. The County paid premiums totaling \$5,422,073 during the fiscal year ended June 30, 2012 for the Primary General Liability, Excess Liability, Special Liability, Pollution, Medical Malpractice, Excess Worker's Compensation, Property, Aviation and Watercraft Insurance Programs.

The County participates in the CSAC-EIA Property Program. The County's deductible is \$5,000 per occurrence. The County has primary, All Risk coverage up to \$610,000,000.

Effective July 1, 2003, the County elected to self-insure for the County's workers' compensation program. The County has a self-insured retention level of \$125,000 per occurrence, and will continue to participate in excess coverage subject to statutory limits. Based on the current trends of the claims filed, the County is expecting a payout of \$3,825,038 in the next fiscal year. The governmental and proprietary funds contribute amounts to the Risk Management Internal Service Fund based on actuarially determined estimates of the settlements. Such estimates are generally based upon a 75% confidence level. As of June 30, 2012, the accrued loss contingency for the County's workers' compensation program was \$11,591,000 and is reported as a liability in the Risk Management Internal Service Fund.

Effective November 1, 1998, the County elected to insure the County's general liability coverage under the CSAC-EIA Primary General Liability Program (PGL). The County self-insures for this risk and purchases the PGL coverage to buy down the Liability Self-Insured Retention of \$100,000 to the PGL deductible of \$10,000. The County also participates in excess coverage up to \$25,000,000.

Insurance and claims expenses are recorded in the Risk Management Internal Service Fund. Insurance expenses represent changes in the estimate of the amounts needed to pay workers' compensation claims, as well as premiums paid to CSAC-EIA for the property, primary general liability, excess liability and excess workers' compensation programs. Revenues for the Risk Management Internal Service Fund are represented by charges to other County funds based on each fund's allocated share of the insurance expenses. Settled claims have not exceeded coverage since the effective dates.

Changes in the Risk Management Internal Service Fund's accrued loss contingency amount for worker's compensation for the years ended June 30, 2012 and 2011 were:

Year Ended	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2011	\$ 9,244,520	\$ 4,582,656	\$ (3,281,635)	\$ 10,545,541
June 30, 2012	10,545,541	4,633,378	(3,587,919)	11,591,000

The claims liabilities above, reported in the Self Insurance Internal Service Fund at June 30, 2012, are based on requirements of *GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and *GASB Statement No. 30, Risk Financing Omnibus*, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. These accruals represent estimates of amounts to be paid for reported claims, and incurred but unreported claims based upon past experience, modified for current trends and information based upon a 75% confidence level.

D. Encumbrances 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.

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.

The Claybank Adult Detention Facility Project has a total budget of \$89,301,385. The project includes the construction of a new 362-bed facility at the existing Claybank site in Fairfield. The anticipated completion date is August 2014. The encumbrances for this project as of June 30, 2012 were \$18.3 million.

E. Restatement of Beginning Fund Balance/Net Assets

1. Prior Period Adjustment

The Health & Social Services Fund: The Health and Social Services fund receives intergovernmental revenues restricted under the Mental Health Services Act (MHSA). Because of these restrictions, the County recognized the revenues as it was expended on programs related to MHSA. The unexpended amounts were classified as deferred revenues in the Health & Social Services fund. However, in fiscal year 2011-2012, the County determined that the mental health intergovernmental revenues qualify as a government-mandated nonexchange transfer and should have been recognized as revenue in the fiscal year that it was received. The impact of the prior period adjustment on beginning fund balances/net assets is presented below:

	Governmental Funds
	Health & Social Services
Fund balance, June 30, 2011, as previously reported	\$ (90,772)
Prior period adjustment for intergovernmental revenues	22,822,524
Fund balance, July 1, 2011 as restated	<u>\$ 22,731,752</u>

	Governmental Activities
Net assets, June 30, 2011, as previously reported	\$ 623,659,936
Prior period adjustment for intergovernmental revenues	22,822,524
Net assets, July 1, 2011 as restated	<u>\$ 646,482,460</u>

F. New Governmental Accounting Standards

The County is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB Statements:

Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements

The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The County has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2013.

Statement No. 61 – The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.

The objective of this Statement is to improve financial reporting for governmental financial reporting entity. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The County has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2013.

Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in various "FASB and AICPA pronouncements" issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The County has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2013.

Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position

The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. GASB Statement No. 63 will be implemented for the County's fiscal year ending June 30, 2013.

Statement No. 65 – Items Previously Reported as Assets and Liabilities

The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The County has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2014.

Statement No. 66 – Technical Corrections – 2012 – an amendment of GASB Statements No.10 and No.62

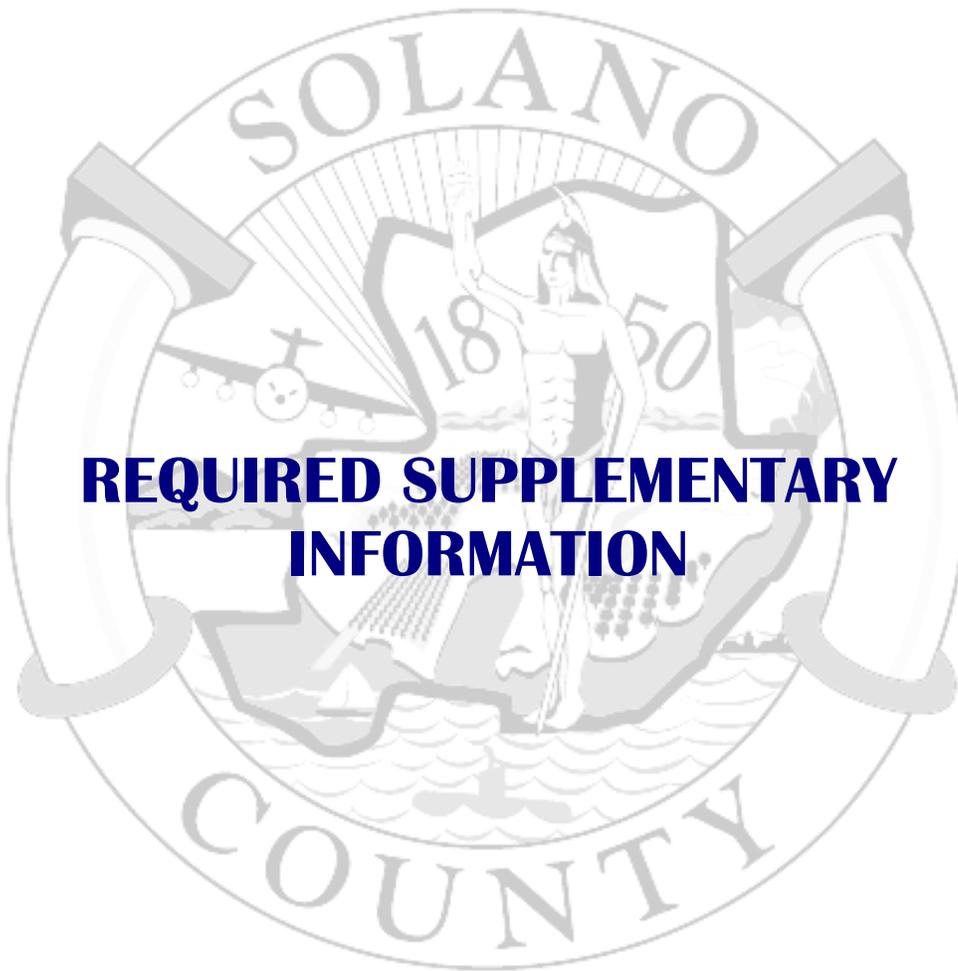
The objective of this statement is to improve accounting and financial reporting for governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No.62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The County has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2014.

Statement No. 68 – Financial Reporting for Pensions – an amendment of GASB Statement No. 27

The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The County has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2015.

G. Subsequent Events

The County had previously established a Refunding Escrow Account to hold securities for the prepayment of the 2002 Certificates of Participation obligations. On November 1, 2012, the County paid the regularly scheduled principal payment of \$3,080,000 and prepaid the remaining outstanding principal balance of \$96,215,000 plus all accrued interest.



**REQUIRED SUPPLEMENTARY
INFORMATION**

COUNTY OF SOLANO, CALIFORNIA
Schedules of Funding Progress
For the Fiscal Year Ended June 30, 2012
Unaudited

**Miscellaneous Plan
Defined Benefit Pension Plan**

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Payroll
6/30/09	\$ 949,807,903	\$ 843,875,739	\$ 105,932,164	88.8%	\$ 176,715,990	59.9%
6/30/10	1,014,371,692	891,130,123	123,241,569	87.9%	163,205,096	75.5%
6/30/11	1,100,723,215	939,055,569	161,667,646	85.3%	156,165,183	103.5%

**Safety Plan
Defined Benefit Pension Plan**

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Payroll
6/30/09	\$ 281,547,170	\$ 250,622,194	\$ 30,924,976	89.0%	\$ 44,235,900	69.9%
6/30/10	300,019,752	264,205,978	35,813,774	88.1%	41,881,151	85.5%
6/30/11	323,460,226	279,420,520	44,039,706	86.4%	39,946,278	110.2%

Other Postemployment Benefits (OPEB) Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Payroll
1/01/07	\$ 24,224,000	\$ -	\$ 24,224,000	0%	\$ 174,910,000	13.85%
1/01/09	33,030,000	5,865,000	27,165,000	17.8%	194,623,000	13.96%
1/01/11	36,333,000	9,239,000	27,094,000	25.4%	183,013,000	14.80%

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Adopted</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Taxes	\$ 101,287,571	\$ 101,287,571	\$ 110,547,795	\$ 9,260,224
Licenses, permits and franchises	5,868,489	5,868,489	6,354,312	485,823
Fines, forfeitures and penalties	1,614,500	1,614,500	1,689,012	74,512
Use of money and property	1,139,080	1,139,080	1,431,363	292,283
Intergovernmental	23,156,117	23,211,049	14,790,907	(8,420,142)
Charges for services	33,685,420	33,802,504	33,820,673	18,169
Miscellaneous	8,707,123	8,807,123	8,837,431	30,308
Total revenues	<u>175,458,300</u>	<u>175,730,316</u>	<u>177,471,493</u>	<u>1,741,177</u>
EXPENDITURES				
Current:				
General government				
BOS-District 1	330,440	330,440	322,877	7,563
BOS-District 2	328,226	328,226	311,869	16,357
BOS-District 3	324,128	324,128	316,726	7,402
BOS-District 4	328,125	328,125	316,535	11,590
BOS-District 5	296,542	296,542	287,525	9,017
BOS-Administration	131,887	131,887	118,053	13,834
Administration	3,171,240	3,212,566	2,861,679	350,887
General Revenue	435,000	456,919	456,918	1
Employee Development & Recognition	450,258	450,258	369,294	80,964
General Services	14,162,281	14,251,676	13,260,378	991,298
Assessor	6,132,717	6,143,229	5,398,600	744,629
Auditor-Controller	3,811,483	3,857,121	3,700,085	157,036
Tax Collector/County Clerk	2,033,018	2,032,640	1,871,036	161,604
Treasurer	1,096,174	1,096,174	908,652	187,522
County Counsel	3,129,324	3,189,324	3,129,990	59,334
Delta Water Activities	270,051	270,051	221,062	48,989
Human Resources	2,790,459	2,792,338	2,557,925	234,413
Registrar of Voters	4,194,044	4,184,082	3,328,584	855,498
Property Management	295,677	224,277	219,055	5,222
Promotion	200,100	200,100	105,584	94,516
General Expenditures	9,279,727	9,259,994	7,443,566	1,816,428
Surveyor/Engineer	32,211	52,211	52,211	-
General Svcs. Special Revenue	12,024	12,024	6,080	5,944
Total general government	<u>53,235,136</u>	<u>53,424,332</u>	<u>47,564,284</u>	<u>5,860,048</u>
Public protection				
Grand Jury	134,584	152,084	142,201	9,883
Agricultural Commissioner	2,580,749	2,600,749	2,475,856	124,893
Animal Care Services	2,474,487	2,474,966	2,276,913	198,053
Recorder	1,585,456	1,585,635	1,517,371	68,264
Resource Management	10,855,724	11,095,485	9,317,409	1,778,076
Office of Family Violence Prevention	886,683	930,199	744,728	185,471
Total public protection	<u>18,517,683</u>	<u>18,839,118</u>	<u>16,474,478</u>	<u>2,364,640</u>
Health services				
Tobacco Settlement	76,500	76,500	-	76,500
Public assistance				
Indigent Burial General Relief	20,986	20,986	20,510	476
Veterans Services	555,097	558,255	558,254	1
Total public assistance	<u>576,083</u>	<u>579,241</u>	<u>578,764</u>	<u>477</u>
Education and recreation				
Cooperative Extension Service	296,734	296,734	235,855	60,879
Non-departmental				
Contingencies	20,000,000	22,595,380	-	22,595,380
Capital outlay:				
Equipment	46,172	315,029	22,363	292,666
Total expenditures	<u>92,748,308</u>	<u>96,126,334</u>	<u>64,875,744</u>	<u>31,250,590</u>
Excess of revenues over expenditures	<u>82,709,992</u>	<u>79,603,982</u>	<u>112,595,749</u>	<u>32,991,767</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	54,957	54,957	6,766	(48,191)
Transfers out	(123,281,186)	(120,666,812)	(107,660,018)	13,006,794
Sale of capital assets	53,500	53,500	330,010	276,510
Total other financing sources (uses)	<u>(123,172,729)</u>	<u>(120,558,355)</u>	<u>(107,323,242)</u>	<u>13,235,113</u>
Net change in fund balance	(40,462,737)	(40,954,373)	5,272,507	46,226,880
Fund balance - beginning	114,346,579	114,346,579	114,346,579	-
Fund balance - ending	<u>\$ 73,883,842</u>	<u>\$ 73,392,206</u>	<u>\$ 119,619,086</u>	<u>\$ 46,226,880</u>

The notes to the required supplementary information is an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Health and Social Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Adopted</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Licenses, permits and franchises	\$ 10,000	\$ 10,000	\$ 11,150	\$ 1,150
Fines, forfeitures and penalties	636,028	636,028	520,088	(115,940)
Use of money and property	16,577	16,577	220,261	203,684
Intergovernmental	213,903,225	224,638,649	199,331,500	(25,307,149)
Charges for services	31,026,049	29,341,334	24,837,202	(4,504,132)
Miscellaneous	900,944	1,528,404	2,605,295	1,076,891
Total revenues	<u>246,492,823</u>	<u>256,170,992</u>	<u>227,525,496</u>	<u>(28,645,496)</u>
EXPENDITURES				
Current:				
Health services	<u>108,070,924</u>	<u>116,629,537</u>	<u>106,864,659</u>	<u>9,764,878</u>
Public assistance	<u>155,912,060</u>	<u>156,170,119</u>	<u>134,631,799</u>	<u>21,538,320</u>
Non-departmental				
Contingencies	<u>65,357</u>	<u>65,357</u>	<u>-</u>	<u>65,357</u>
Capital outlay:				
Buildings and improvements	500,000	-	-	-
Equipment	148,865	357,854	81,704	276,150
Intangibles	2,049,763	2,206,499	639,087	1,567,412
Total capital outlay	<u>2,698,628</u>	<u>2,564,353</u>	<u>720,791</u>	<u>1,843,562</u>
Total expenditures	<u>266,746,969</u>	<u>275,429,366</u>	<u>242,217,249</u>	<u>33,212,117</u>
Deficiency of revenues under expenditures	<u>(20,254,146)</u>	<u>(19,258,374)</u>	<u>(14,691,753)</u>	<u>4,566,621</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	27,471,753	27,471,753	24,504,972	(2,966,781)
Transfers out	<u>(7,282,964)</u>	<u>(8,375,739)</u>	<u>(7,590,659)</u>	<u>785,080</u>
Total other financing sources (uses)	<u>20,188,789</u>	<u>19,096,014</u>	<u>16,914,313</u>	<u>(2,181,701)</u>
Net change in fund balance	(65,357)	(162,360)	2,222,560	2,384,920
Fund balance - beginning, as restated	22,731,752	22,731,752	22,731,752	-
Fund balance - ending	<u>\$ 22,666,395</u>	<u>\$ 22,569,392</u>	<u>\$ 24,954,312</u>	<u>\$ 2,384,920</u>

The notes to the required supplementary information is an integral part of this statement.

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Safety Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Licenses, permits and franchises	\$ 176,543	\$ 176,543	\$ 221,214	\$ 44,671
Fines, forfeitures and penalties	1,779,241	1,526,419	1,644,465	118,046
Use of money and property	33,427	33,427	73,724	40,297
Intergovernmental	48,460,848	63,096,190	55,752,071	(7,344,119)
Charges for services	9,448,751	4,353,531	9,556,196	5,202,665
Miscellaneous	1,890,938	1,890,938	2,164,761	273,823
Total revenues	<u>61,789,748</u>	<u>71,077,048</u>	<u>69,412,431</u>	<u>(1,664,617)</u>
EXPENDITURES				
Current:				
Public protection				
Department of Child Support Services	12,266,292	12,247,516	11,571,546	675,970
EMPG Grants	-	65,885	65,746	139
Sheriff OES	-	15,625	15,616	9
Vallejo Settlement -SCRIP	-	8,739	8,739	-
Homeland Security Grant	401,627	899,125	531,854	367,271
Sheriff's Office Grants	560,365	555,007	373,190	181,817
District Attorney	17,440,549	17,647,937	16,783,285	864,652
Public Defender	9,571,789	9,774,694	8,867,819	906,875
Conflict Public Defender	2,925,888	3,005,742	2,748,580	257,162
Sheriff	72,219,100	74,412,295	70,195,288	4,217,007
Probation	27,781,956	30,846,603	27,749,207	3,097,396
Other Public Defense	2,600,000	2,600,000	1,777,065	822,935
CMF Cases	249,503	250,547	250,546	1
Administration	-	323,826	250,273	73,553
Public Protection Other Special Revenue	241,219	255,042	140,700	114,342
Total public protection	<u>146,258,288</u>	<u>152,908,583</u>	<u>141,329,454</u>	<u>11,579,129</u>
Non-departmental				
Contingencies	3,571,852	3,296,468	-	3,296,468
Debt service:				
Principal	211,564	211,532	211,531	1
Interest and other charges	18,593	18,625	18,625	-
Total debt service	<u>230,157</u>	<u>230,157</u>	<u>230,156</u>	<u>1</u>
Capital outlay:				
Construction in progress	876,722	1,362,278	727,543	634,735
Equipment	547,817	907,278	259,565	647,713
Total capital outlay	<u>1,424,539</u>	<u>2,269,556</u>	<u>987,108</u>	<u>1,282,448</u>
Total expenditures	<u>151,484,836</u>	<u>158,704,764</u>	<u>142,546,718</u>	<u>16,158,046</u>
Deficiency of revenues under expenditures	<u>(89,695,088)</u>	<u>(87,627,716)</u>	<u>(73,134,287)</u>	<u>14,493,429</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	90,893,714	88,280,834	78,050,800	(10,230,034)
Transfers out	(5,192,881)	(5,300,333)	(4,859,775)	440,558
Sale of capital assets	-	-	3,700	3,700
Total other financing sources (uses)	<u>85,700,833</u>	<u>82,980,501</u>	<u>73,194,725</u>	<u>(9,785,776)</u>
Net change in fund balance	(3,994,255)	(4,647,215)	60,438	4,707,653
Fund balance - beginning	4,608,953	4,608,953	4,608,953	-
Fund balance - ending	<u>\$ 614,698</u>	<u>\$ (38,262)</u>	<u>\$ 4,669,391</u>	<u>\$ 4,707,653</u>

The notes to the required supplementary information is an integral part of this statement.

**COUNTY OF SOLANO, CALIFORNIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Budgetary Information

In accordance with the 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 by July 1.

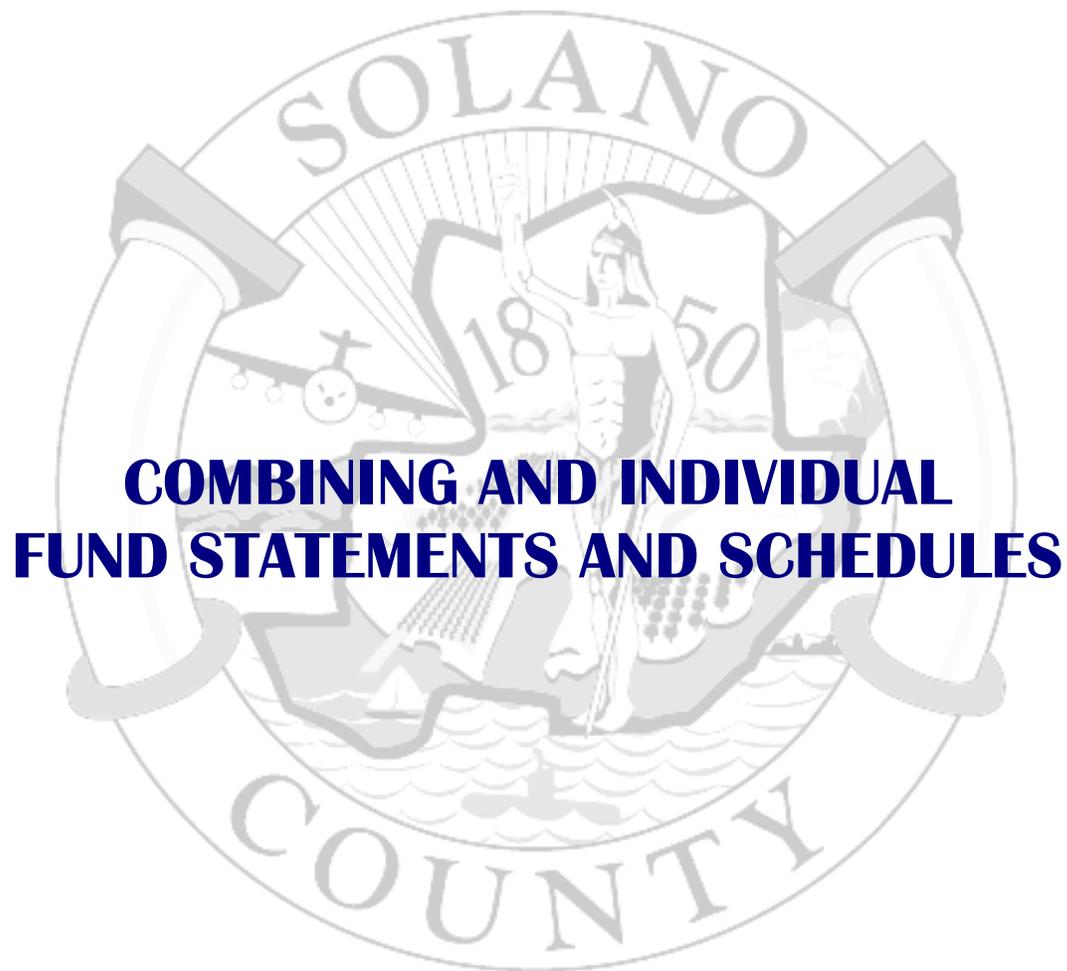
An operating budget prepared on the modified accrual basis is adopted each fiscal year for the general, special revenue, capital projects and debt service funds. Public hearings are conducted on the proposed budget to review all appropriations and sources of financing. Any shortfall in revenues requires 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. The legal level of budgetary control is at the department level. This is the level at which expenditures may not legally exceed appropriations. The Board must approve supplemental appropriations generally financed by unanticipated revenues during the year, and any other amendments or transfers.

Pursuant to the Board of Supervisors' Budget Policy, amendments or transfers of appropriations between object levels within a department may be authorized by the County Administrator's Office provided the total appropriation of the department is not changed. Therefore, final budget amounts in the accompanying required supplementary information are reported as amended. Individual budget amendments during the fiscal year ended June 30, 2012, were not material in relation to the original appropriations.

The County uses an encumbrance system as an extension of budgetary accounting for the general, special revenue and capital projects funds to assist in controlling appropriations. Under this system, purchase orders, contracts and other commitments are recorded in order to reserve that portion of applicable appropriations. Outstanding encumbrances at year-end are automatically reappropriated the following year. Unencumbered and unexpended appropriations lapse at year-end.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

Other Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. This encompasses legal restrictions imposed by parties outside the government as well as those imposed by the governing body.

Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds

Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for 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.

COUNTY OF SOLANO, CALIFORNIA
Combining Balance Sheet
Other Governmental Funds
June 30, 2012

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and investments	\$ 54,674,559	\$ 1,767,094	\$ 56,441,653
Accounts receivable	255,060	-	255,060
Due from other agencies	6,298,534	-	6,298,534
Due from other funds	32,083	-	32,083
Other assets	2,615,862	-	2,615,862
Total assets	<u>\$ 63,876,098</u>	<u>\$ 1,767,094</u>	<u>\$ 65,643,192</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Outstanding warrants	\$ 666,643	\$ 20	\$ 666,663
Payables	2,253,636	-	2,253,636
Deferred revenue	1,901,929	-	1,901,929
Due to other funds	571,537	-	571,537
Advance from other funds	2,367,187	-	2,367,187
Other liabilities	415,174	-	415,174
Due to other agencies	894,412	-	894,412
Total liabilities	<u>9,070,518</u>	<u>20</u>	<u>9,070,538</u>
Fund balances:			
Nonspendable	225,128	-	225,128
Restricted	54,510,149	1,767,074	56,277,223
Assigned	70,303	-	70,303
Total fund balances	<u>54,805,580</u>	<u>1,767,074</u>	<u>56,572,654</u>
Total liabilities and fund balances	<u>\$ 63,876,098</u>	<u>\$ 1,767,094</u>	<u>\$ 65,643,192</u>

COUNTY OF SOLANO, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Other Governmental Funds</u>
REVENUES			
Taxes	\$ 11,841,425	\$ -	\$ 11,841,425
Licenses, permits and franchises	174,640	-	174,640
Fines, forfeitures and penalties	3,391	-	3,391
Use of money and property	352,055	2,190	354,245
Intergovernmental	22,449,250	105,000	22,554,250
Charges for services	12,186,146	1,716,212	13,902,358
Miscellaneous	162,477	-	162,477
Total revenues	<u>47,169,384</u>	<u>1,823,402</u>	<u>48,992,786</u>
EXPENDITURES			
Current:			
General government	491,068	106,686	597,754
Public protection	3,620,576	-	3,620,576
Public ways and facilities	11,085,389	-	11,085,389
Health services	6,973,802	-	6,973,802
Education and recreation	16,704,764	-	16,704,764
Debt service:			
Principal	-	4,970,000	4,970,000
Interest and other charges	28,721	5,460,744	5,489,465
Capital outlay	6,767,808	-	6,767,808
Total expenditures	<u>45,672,128</u>	<u>10,537,430</u>	<u>56,209,558</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,497,256</u>	<u>(8,714,028)</u>	<u>(7,216,772)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,225,535	8,715,973	9,941,508
Transfers out	(4,876,016)	-	(4,876,016)
Sale of capital assets	99,590	-	99,590
Total other financing sources (uses)	<u>(3,550,891)</u>	<u>8,715,973</u>	<u>5,165,082</u>
EXTRAORDINARY ITEM			
Extinguishment of AB99 Liability	8,809,741	-	8,809,741
Net change in fund balances	6,756,106	1,945	6,758,051
Fund balances - beginning	48,049,474	1,765,129	49,814,603
Fund balances - ending	<u>\$ 54,805,580</u>	<u>\$ 1,767,074</u>	<u>\$ 56,572,654</u>

Nonmajor Special Revenue Funds

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

Library Fund – This fund is used to account for the County’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 provide transportation facilities and services for the benefit and convenience of the traveling public by providing a roadway system that is safe, well maintained, and efficient and without congestion. The fund is primarily funded through state and federal grants.

First 5 Solano Fund – 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.

Home Loan Program Fund – 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 Redevelopment Settlement, a Home Loan Program and a Community Development Block Grant (CDBG).

Micrographics and Modernization Fund – 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 and recording fees.

Other Special Revenue Funds:

- *East Vallejo Fire District Fund* – This fund is used to provide fire protection services to an area of East Vallejo. The funding for this district is through property taxes.
- *Fish/Wildlife Propagation Fund* – This fund is used to provide for 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 Fund* – This fund is used to provide housing assistance through the Section 8 Housing Assistance Payments program for the unincorporated areas of Solano County. The funding for this program is through federal pass-through grants.
- *Consolidated County Service Area Fund* - This fund is used to account for the overhead street lighting in the unincorporated areas of Solano County. The funding is through property taxes.
- *Parks and Recreation Fund* – 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 Fund* – 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.

COUNTY OF SOLANO, CALIFORNIA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	<u>Public Facilities</u>				
	<u>Fees</u>	<u>Library</u>	<u>Transportation</u>	<u>First 5 Solano</u>	
ASSETS					
Cash and investments	\$ 7,100,012	\$ 8,924,544	\$ 12,245,762	\$ 13,603,137	
Accounts receivable	-	5,271	240,299	-	
Due from other agencies	1,382,509	1,045,981	2,847,987	1,005,037	
Due from other funds	-	-	30,512	-	
Other assets	13,872	163,852	173,239	5,299	
Total assets	<u>\$ 8,496,393</u>	<u>\$ 10,139,648</u>	<u>\$ 15,537,799</u>	<u>\$ 14,613,473</u>	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Outstanding warrants	\$ -	\$ 154,003	\$ 288,217	\$ 156,492	
Payables	-	433,573	834,801	850,442	
Deferred revenue	13,872	-	1,420,669	296,214	
Due to other funds	9,165	77,851	4,668	465,130	
Advance from other funds	-	-	2,367,187	-	
Other liabilities	-	-	415,174	-	
Due to other agencies	125,277	66,668	39,228	186,341	
Total liabilities	<u>148,314</u>	<u>732,095</u>	<u>5,369,944</u>	<u>1,954,619</u>	
Fund balances:					
Nonspendable	-	-	173,240	5,299	
Restricted	8,348,079	9,407,553	9,994,615	12,653,555	
Assigned	-	-	-	-	
Total fund balances	<u>8,348,079</u>	<u>9,407,553</u>	<u>10,167,855</u>	<u>12,658,854</u>	
Total liabilities and fund balances	<u>\$ 8,496,393</u>	<u>\$ 10,139,648</u>	<u>\$ 15,537,799</u>	<u>\$ 14,613,473</u>	

COUNTY OF SOLANO, CALIFORNIA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

Home Loan Program	Micrographics & Modernization	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds																																																																																																																																																																																																																															
<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">\$</td> <td style="width: 15%;">3,377,442</td> <td style="width: 15%;">\$</td> <td style="width: 15%;">8,033,462</td> <td style="width: 15%;">\$</td> <td style="width: 15%;">1,390,200</td> <td style="width: 15%;">\$</td> <td style="width: 15%;">54,674,559</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">4,796</td> <td></td> <td style="text-align: right;">4,694</td> <td></td> <td style="text-align: right;">255,060</td> <td>ASSETS</td> </tr> <tr> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">17,020</td> <td></td> <td style="text-align: right;">6,298,534</td> <td>Cash and investments</td> </tr> <tr> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">1,571</td> <td></td> <td style="text-align: right;">32,083</td> <td>Accounts receivable</td> </tr> <tr> <td></td> <td style="text-align: right;">2,041,376</td> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">218,224</td> <td></td> <td style="text-align: right;">2,615,862</td> <td>Due from other agencies</td> </tr> <tr> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">-</td> <td>Due from other funds</td> </tr> <tr> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">-</td> <td></td> <td style="text-align: right;">-</td> <td>Other assets</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>5,418,818</u></td> <td></td> <td style="text-align: right;"><u>8,038,258</u></td> <td></td> <td style="text-align: right;"><u>1,631,709</u></td> <td></td> <td style="text-align: right;"><u>63,876,098</u></td> <td>Total assets</td> </tr> </table>	\$	3,377,442	\$	8,033,462	\$	1,390,200	\$	54,674,559			-		4,796		4,694		255,060	ASSETS		-		-		17,020		6,298,534	Cash and investments		-		-		1,571		32,083	Accounts receivable		2,041,376		-		218,224		2,615,862	Due from other agencies		-		-		-		-	Due from other funds		-		-		-		-	Other assets		<u>5,418,818</u>		<u>8,038,258</u>		<u>1,631,709</u>		<u>63,876,098</u>	Total assets	<table border="0" style="width: 100%; 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COUNTY OF SOLANO, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Public Facilities			
	Fees	Library	Transportation	First 5 Solano
REVENUES				
Taxes	\$ -	\$ 10,133,789	\$ 810,571	\$ -
Licenses, permits and franchises	-	-	174,640	-
Fines, forfeitures and penalties	-	-	-	-
Use of money and property	38,189	53,196	100,116	73,762
Intergovernmental	-	1,007,135	14,108,329	4,469,175
Charges for services	3,775,958	4,839,820	1,908,947	446,264
Miscellaneous	-	112,962	24,730	2,500
Total revenues	<u>3,814,147</u>	<u>16,146,902</u>	<u>17,127,333</u>	<u>4,991,701</u>
EXPENDITURES				
Current:				
General government	490,513	-	555	-
Public protection	-	-	-	-
Public ways and facilities	-	-	11,022,560	-
Health services	-	-	-	6,973,802
Education	-	15,528,417	-	-
Debt service:				
Interest and other charges	-	-	28,721	-
Capital outlay	-	75,195	6,674,355	-
Total expenditures	<u>490,513</u>	<u>15,603,612</u>	<u>17,726,191</u>	<u>6,973,802</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,323,634</u>	<u>543,290</u>	<u>(598,858)</u>	<u>(1,982,101)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	991,694	-	-
Transfers out	(3,257,630)	(930,333)	(414,112)	(39,048)
Sale of capital assets	-	-	89,590	-
Total other financing sources (uses)	<u>(3,257,630)</u>	<u>61,361</u>	<u>(324,522)</u>	<u>(39,048)</u>
EXTRAORDINARY ITEM				
Extinguishment of AB99 Liability	-	-	-	8,809,741
Net change in fund balances	66,004	604,651	(923,380)	6,788,592
Fund balances - beginning	8,282,075	8,802,902	11,091,235	5,870,262
Fund balances - ending	<u>\$ 8,348,079</u>	<u>\$ 9,407,553</u>	<u>\$ 10,167,855</u>	<u>\$ 12,658,854</u>

COUNTY OF SOLANO, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

Home Loan Program	Micrographics & Modernization	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds	
\$ -	\$ -	\$ 897,065	\$ 11,841,425	REVENUES
-	-	-	174,640	Taxes
-	-	3,391	3,391	Licenses, permits and franchises
22,153	43,185	21,454	352,055	Fines, forfeitures and penalties
150,207	-	2,714,404	22,449,250	Use of money and property
-	709,602	505,555	12,186,146	Intergovernmental
-	-	22,285	162,477	Charges for services
172,360	752,787	4,164,154	47,169,384	Miscellaneous
				Total revenues
				EXPENDITURES
				Current:
-	-	-	491,068	General government
107,273	202,170	3,311,133	3,620,576	Public protection
-	-	62,829	11,085,389	Public ways and facilities
-	-	-	6,973,802	Health and sanitation
-	-	1,176,347	16,704,764	Education and recreation
-	-	-	28,721	Debt service:
-	-	18,258	6,767,808	Interest and other charges
107,273	202,170	4,568,567	45,672,128	Capital outlay
				Total expenditures
65,087	550,617	(404,413)	1,497,256	Excess (deficiency) of revenues over (under) expenditures
				OTHER FINANCING SOURCES (USES)
-	-	233,841	1,225,535	Transfers in
(6,766)	(203,881)	(24,246)	(4,876,016)	Transfers out
-	-	10,000	99,590	Sale of capital assets
(6,766)	(203,881)	219,595	(3,550,891)	Total other financing sources (uses)
				EXTRAORDINARY ITEM
-	-	-	8,809,741	Extinguishment of AB99 Liability
58,321	346,736	(184,818)	6,756,106	Net change in fund balances
4,848,259	7,689,362	1,465,379	48,049,474	Fund balances - beginning
\$ 4,906,580	\$ 8,036,098	\$ 1,280,561	\$ 54,805,580	Fund balances - ending

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Facilities Fees Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 52,537	\$ 52,537	\$ 38,189	\$ (14,348)
Charges for services	3,060,879	3,060,879	3,775,958	715,079
Total revenues	<u>3,113,416</u>	<u>3,113,416</u>	<u>3,814,147</u>	<u>700,731</u>
EXPENDITURES				
Current:				
General government				
Public facilities fees	871,787	3,378,095	490,513	2,887,582
Non-departmental				
Contingencies	3,817,201	1,310,893	-	1,310,893
Total expenditures	<u>4,688,988</u>	<u>4,688,988</u>	<u>490,513</u>	<u>4,198,475</u>
Excess (deficiency) of revenues over (under) expenditures	(1,575,572)	(1,575,572)	3,323,634	4,899,206
OTHER FINANCING USES				
Transfers out	<u>(3,257,630)</u>	<u>(3,257,630)</u>	<u>(3,257,630)</u>	-
Net change in fund balance	(4,833,202)	(4,833,202)	66,004	4,899,206
Fund balance - beginning	8,282,075	8,282,075	8,282,075	-
Fund balance - ending	<u>\$ 3,448,873</u>	<u>\$ 3,448,873</u>	<u>\$ 8,348,079</u>	<u>\$ 4,899,206</u>

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Library Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 8,831,056	\$ 8,831,056	\$ 10,133,789	\$ 1,302,733
Use of money and property	79,366	79,366	53,196	(26,170)
Intergovernmental	1,343,135	1,343,135	1,007,135	(336,000)
Charges for services	4,696,181	4,696,181	4,839,820	143,639
Miscellaneous	136,250	136,250	112,962	(23,288)
Total revenues	<u>15,085,988</u>	<u>15,085,988</u>	<u>16,146,902</u>	<u>1,060,914</u>
EXPENDITURES				
Current:				
Education				
Library	17,364,512	17,780,663	15,412,985	2,367,678
Library - Friends & Foundation	137,100	137,100	80,263	56,837
Library Zone 1	23,397	23,397	23,085	312
Library Zone 2	979	1,206	1,206	-
Library Zone 6	770	770	699	71
Library Zone 7	11,781	11,781	10,179	1,602
Total education	<u>17,538,539</u>	<u>17,954,917</u>	<u>15,528,417</u>	<u>2,426,500</u>
Non-departmental				
Contingencies	<u>3,011,635</u>	<u>2,946,779</u>	<u>-</u>	<u>2,946,779</u>
Capital outlay:				
Leasehold improvements	250,000	250,000	13,162	236,838
Equipment	350,000	368,700	62,033	306,667
Total capital outlay	<u>600,000</u>	<u>618,700</u>	<u>75,195</u>	<u>543,505</u>
Total expenditures	<u>21,150,174</u>	<u>21,520,396</u>	<u>15,603,612</u>	<u>5,916,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,064,186)</u>	<u>(6,434,408)</u>	<u>543,290</u>	<u>6,977,698</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	992,518	992,518	991,694	(824)
Transfers out	(973,098)	(972,871)	(930,333)	42,538
Total other financing sources (uses)	<u>19,420</u>	<u>19,647</u>	<u>61,361</u>	<u>41,714</u>
Net change in fund balance	(6,044,766)	(6,414,761)	604,651	7,019,412
Fund balance - beginning	8,802,902	8,802,902	8,802,902	-
Fund balance - ending	<u>\$ 2,758,136</u>	<u>\$ 2,388,141</u>	<u>\$ 9,407,553</u>	<u>\$ 7,019,412</u>

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,215,453	\$ 1,215,453	\$ 810,571	\$ (404,882)
Licenses, permits and franchises	127,500	127,500	174,640	47,140
Use of money and property	116,200	116,200	100,116	(16,084)
Intergovernmental	15,366,892	15,366,892	14,108,329	(1,258,563)
Charges for services	1,157,135	1,157,135	1,908,947	751,812
Miscellaneous	5,500	5,500	24,730	19,230
Total revenues	<u>17,988,680</u>	<u>17,988,680</u>	<u>17,127,333</u>	<u>(861,347)</u>
EXPENDITURES				
Current:				
General government				
Survey monument	20,555	20,555	555	20,000
Public ways and facilities				
Transportation	11,383,976	13,370,201	10,971,612	2,398,589
Public works improvement	5,000	5,000	1,000	4,000
Regional transportation project	60,000	70,296	49,948	20,348
Total public ways and facilities	<u>11,448,976</u>	<u>13,445,497</u>	<u>11,022,560</u>	<u>2,422,937</u>
Non-departmental				
Contingencies	83,487	83,487	-	83,487
Debt service:				
Interest and other charges	40,000	40,000	28,721	11,279
Capital outlay:				
Land	85,000	140,000	38,608	101,392
Construction in progress	10,235,000	10,454,548	6,190,989	4,263,559
Equipment	530,000	561,000	442,758	118,242
Intangibles	100,000	60,000	2,000	58,000
Total capital outlay	<u>10,950,000</u>	<u>11,215,548</u>	<u>6,674,355</u>	<u>4,541,193</u>
Total expenditures	<u>22,543,018</u>	<u>24,805,087</u>	<u>17,726,191</u>	<u>7,078,896</u>
Deficiency of revenues under expenditures	<u>(4,554,338)</u>	<u>(6,816,407)</u>	<u>(598,858)</u>	<u>6,217,549</u>
OTHER FINANCING SOURCES (USES)				
Proceeds for long-term debt	100,000	-	-	-
Transfers in	10,068	10,068	-	(10,068)
Transfers out	(454,723)	(454,723)	(414,112)	40,611
Sale of capital assets	50,000	50,000	89,590	39,590
Total other financing sources (uses)	<u>(294,655)</u>	<u>(394,655)</u>	<u>(324,522)</u>	<u>70,133</u>
Net change in fund balance	(4,848,993)	(7,211,062)	(923,380)	6,287,682
Fund balance - beginning	11,091,235	11,091,235	11,091,235	-
Fund balance - ending	<u>\$ 6,242,242</u>	<u>\$ 3,880,173</u>	<u>\$ 10,167,855</u>	<u>\$ 6,287,682</u>

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
First 5 Solano Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 65,635	\$ 65,635	\$ 73,762	\$ 8,127
Intergovernmental	4,320,217	4,320,217	4,469,175	148,958
Charges for services	456,000	456,000	446,264	(9,736)
Miscellaneous	-	-	2,500	2,500
Total revenues	<u>4,841,852</u>	<u>4,841,852</u>	<u>4,991,701</u>	<u>149,849</u>
EXPENDITURES				
Current:				
Health services				
First 5 Solano	7,614,855	7,737,201	6,973,802	763,399
Non-departmental				
Contingencies	9,000,000	9,000,000	-	9,000,000
Total expenditures	<u>16,614,855</u>	<u>16,737,201</u>	<u>6,973,802</u>	<u>9,763,399</u>
Deficiency of revenues under expenditures	(11,773,003)	(11,895,349)	(1,982,101)	9,913,248
OTHER FINANCING USES				
Transfers out	(42,357)	(42,357)	(39,048)	3,309
EXTRAORDINARY ITEM				
Extinguishment of AB99 Liability	-	-	8,809,741	8,809,741
Net change in fund balance	(11,815,360)	(11,937,706)	6,788,592	18,726,298
Fund balance - beginning	5,870,262	5,870,262	5,870,262	-
Fund balance - ending	<u>\$ (5,945,098)</u>	<u>\$ (6,067,444)</u>	<u>\$ 12,658,854</u>	<u>\$ 18,726,298</u>

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Home Loan Program Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 14,750	\$ 14,750	\$ 22,153	\$ 7,403
Intergovernmental	504,837	504,837	150,207	(354,630)
Total revenues	<u>519,587</u>	<u>519,587</u>	<u>172,360</u>	<u>(347,227)</u>
EXPENDITURES				
Current:				
Public protection				
Homeacres Loan Program	304,601	304,601	107,273	197,328
Non-departmental				
Contingencies	<u>1,305,699</u>	<u>1,305,699</u>	-	<u>1,305,699</u>
Total expenditures	<u>1,610,300</u>	<u>1,610,300</u>	<u>107,273</u>	<u>1,503,027</u>
Excess (deficiency) of revenues over (under) expenditures	(1,090,713)	(1,090,713)	65,087	1,155,800
OTHER FINANCING USES				
Transfers out	<u>(10,465)</u>	<u>(10,465)</u>	<u>(6,766)</u>	<u>3,699</u>
Net change in fund balance	(1,101,178)	(1,101,178)	58,321	1,159,499
Fund balance - beginning	4,848,259	4,848,259	4,848,259	-
Fund balance - ending	<u>\$ 3,747,081</u>	<u>\$ 3,747,081</u>	<u>\$ 4,906,580</u>	<u>\$ 1,159,499</u>

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Micrographics and Modernization Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 47,636	\$ 47,636	\$ 43,185	\$ (4,451)
Charges for services	676,000	676,000	709,602	33,602
Total revenues	<u>723,636</u>	<u>723,636</u>	<u>752,787</u>	<u>29,151</u>
EXPENDITURES				
Current:				
Public protection				
Recorder Special Revenue	736,404	736,404	202,170	534,234
Non-departmental				
Contingencies	6,283,536	6,283,536	-	6,283,536
Total expenditures	<u>7,019,940</u>	<u>7,019,940</u>	<u>202,170</u>	<u>6,817,770</u>
Excess (deficiency) of revenues over (under) expenditures	(6,296,304)	(6,296,304)	550,617	6,846,921
OTHER FINANCING USES				
Transfers out	<u>(203,881)</u>	<u>(203,881)</u>	<u>(203,881)</u>	<u>-</u>
Net change in fund balance	(6,500,185)	(6,500,185)	346,736	6,846,921
Fund balance - beginning	7,689,362	7,689,362	7,689,362	-
Fund balance - ending	<u>\$ 1,189,177</u>	<u>\$ 1,189,177</u>	<u>\$ 8,036,098</u>	<u>\$ 6,846,921</u>

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Other Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 849,547	\$ 849,547	\$ 897,065	\$ 47,518
Fines, forfeitures and penalties	3,000	3,000	3,391	391
Use of money and property	35,500	35,500	21,454	(14,046)
Intergovernmental	4,042,615	4,177,485	2,714,404	(1,463,081)
Charges for services	494,735	494,735	505,555	10,820
Miscellaneous	4,625	4,625	22,285	17,660
Total revenues	<u>5,430,022</u>	<u>5,564,892</u>	<u>4,164,154</u>	<u>(1,400,738)</u>
EXPENDITURES				
Current:				
Public protection				
Housing Authority of Solano County	3,922,757	3,922,757	2,640,706	1,282,051
East Vallejo Fire District	388,096	388,096	386,146	1,950
Fish/Wildlife Propagation	313,591	634,807	284,281	350,526
Total public protection	<u>4,624,444</u>	<u>4,945,660</u>	<u>3,311,133</u>	<u>1,634,527</u>
Public ways and facilities				
County Consolidated Service Area	212,751	212,751	62,829	149,922
Recreation				
Parks & Recreation	1,177,915	1,312,761	1,176,347	136,414
Non-departmental				
Contingencies	218,450	218,450	-	218,450
Capital outlay:				
Equipment	41,000	41,000	18,258	22,742
Total expenditures	<u>6,274,560</u>	<u>6,730,622</u>	<u>4,568,567</u>	<u>2,162,055</u>
Deficiency of revenues under expenditures	<u>(844,538)</u>	<u>(1,165,730)</u>	<u>(404,413)</u>	<u>761,317</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	233,841	233,841	233,841	-
Transfers out	(24,222)	(24,246)	(24,246)	-
Sale of capital assets	-	-	10,000	10,000
Total other financing sources (uses)	<u>209,619</u>	<u>209,595</u>	<u>219,595</u>	<u>10,000</u>
Net change in fund balance	(634,919)	(956,135)	(184,818)	771,317
Fund balance - beginning	1,465,379	1,465,379	1,465,379	-
Fund balance - ending	<u>\$ 830,460</u>	<u>\$ 509,244</u>	<u>\$ 1,280,561</u>	<u>\$ 771,317</u>

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Accumulated Capital Outlay Capital Projects Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,581,536	\$ 1,581,536	\$ 1,802,073	\$ 220,537
Use of money and property	183,500	183,500	176,547	(6,953)
Intergovernmental	934,668	2,950,078	2,889,242	(60,836)
Charges for services	547,529	547,529	547,529	-
Miscellaneous	76,688	157,018	425,258	268,240
Total revenues	<u>3,323,921</u>	<u>5,419,661</u>	<u>5,840,649</u>	<u>420,988</u>
EXPENDITURES				
Current:				
General government				
Capital Projects	4,055,203	9,034,709	3,564,055	5,470,654
Non-departmental				
Contingencies	1,092,582	792,582	-	792,582
Capital outlay:				
Construction in progress	2,511,656	46,643,360	20,359,874	26,283,486
Equipment	-	1,473,459	18,054	1,455,405
Intangibles	-	1,428	-	1,428
Artwork	175,500	133,654	53,687	79,967
Total capital outlay	<u>2,687,156</u>	<u>48,251,901</u>	<u>20,431,615</u>	<u>27,820,286</u>
Total expenditures	<u>7,834,941</u>	<u>58,079,192</u>	<u>23,995,670</u>	<u>34,083,522</u>
Deficiency of revenues under expenditures	<u>(4,511,020)</u>	<u>(52,659,531)</u>	<u>(18,155,021)</u>	<u>34,504,510</u>
OTHER FINANCING SOURCES (USES)				
Proceeds for long-term debt	4,509,369	4,509,369	-	(4,509,369)
Transfers in	1,267,043	2,397,043	2,394,043	(3,000)
Transfers out	(903,000)	(903,000)	(900,000)	3,000
Total other financing sources (uses)	<u>4,873,412</u>	<u>6,003,412</u>	<u>1,494,043</u>	<u>(4,509,369)</u>
Net change in fund balance	362,392	(46,656,119)	(16,660,978)	29,995,141
Fund balance - beginning	45,761,648	45,761,648	45,761,648	-
Fund balance - ending	<u>\$ 46,124,040</u>	<u>\$ (894,471)</u>	<u>\$ 29,100,670</u>	<u>\$ 29,995,141</u>

Nonmajor Debt Service Funds

2009 Certificates of Participation Fund – This fund was established for the payment of debt used to defease the 1999 Certificates of Participation. This payment is funded through the Health and Social Services Department.

Government Center Debt Service Fund – This fund was established for the payment of the debt used in the construction of the Solano County Government Center, Probation facility and improvement of the Cogeneration Plant and Fairfield library.

COUNTY OF SOLANO, CALIFORNIA
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2012

	<u>2009 Certificates of Participation</u>	<u>Government Center Debt Service Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
ASSETS			
Cash and investments	<u>\$ 1,763,478</u>	<u>\$ 3,616</u>	<u>\$ 1,767,094</u>
FUND BALANCES			
Liabilities:			
Outstanding warrants	\$ 20	\$ -	\$ 20
Fund balances:			
Restricted	<u>1,763,458</u>	<u>3,616</u>	<u>1,767,074</u>
Total liabilities and fund balances	<u>\$ 1,763,478</u>	<u>\$ 3,616</u>	<u>\$ 1,767,094</u>

COUNTY OF SOLANO, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Fiscal Year Ended June 30, 2012

	<u>2009</u> <u>Certificates of</u> <u>Participation</u>	<u>Government</u> <u>Center Debt</u> <u>Service Fund</u>	<u>Total Nonmajor</u> <u>Debt Service Funds</u>
REVENUES			
Use of money and property	\$ 69	\$ 2,121	\$ 2,190
Intergovernmental	-	105,000	105,000
Charges for services	-	1,716,212	1,716,212
Total revenues	<u>69</u>	<u>1,823,333</u>	<u>1,823,402</u>
EXPENDITURES			
Current:			
General government	53,068	53,618	106,686
Debt service:			
Principal	1,845,000	3,125,000	4,970,000
Interest and other charges	666,238	4,794,506	5,460,744
Total expenditures	<u>2,564,306</u>	<u>7,973,124</u>	<u>10,537,430</u>
Deficiency of revenues under expenditures	(2,564,237)	(6,149,791)	(8,714,028)
OTHER FINANCING SOURCES			
Transfers in	<u>2,563,723</u>	<u>6,152,250</u>	<u>8,715,973</u>
Net change in fund balances	(514)	2,459	1,945
Fund balances - beginning	1,763,972	1,157	1,765,129
Fund balances - ending	<u>\$ 1,763,458</u>	<u>\$ 3,616</u>	<u>\$ 1,767,074</u>

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Pension Debt Service Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 11,000	\$ 11,000	\$ (18,976)	\$ (29,976)
Miscellaneous	870,000	870,000	892,387	22,387
Total revenues	<u>881,000</u>	<u>881,000</u>	<u>873,411</u>	<u>(7,589)</u>
EXPENDITURES				
Current:				
General government				
Pension Obligation Bonds Administration	38,521	38,521	8,545	29,976
Debt service:				
Principal	5,175,000	8,175,000	8,175,000	-
Interest and other charges	4,276,549	4,276,549	4,216,128	60,421
Total debt service	<u>9,451,549</u>	<u>12,451,549</u>	<u>12,391,128</u>	<u>60,421</u>
Total expenditures	<u>9,490,070</u>	<u>12,490,070</u>	<u>12,399,673</u>	<u>90,397</u>
Deficiency of revenues under expenditures	<u>(8,609,070)</u>	<u>(11,609,070)</u>	<u>(11,526,262)</u>	<u>82,808</u>
OTHER FINANCING SOURCES				
Proceeds from refunding bonds issued	11,844,611	11,828,976	-	(11,828,976)
Transfers in	12,121,281	12,136,916	10,854,926	(1,281,990)
Total other financing sources	<u>23,965,892</u>	<u>23,965,892</u>	<u>10,854,926</u>	<u>(13,110,966)</u>
Net change in fund balance	15,356,822	12,356,822	(671,336)	(13,028,158)
Fund balance (deficit) - beginning	(8,809,392)	(8,809,392)	(8,809,392)	-
Fund balance (deficit) - ending	<u>\$ 6,547,430</u>	<u>\$ 3,547,430</u>	<u>\$ (9,480,728)</u>	<u>\$ (13,028,158)</u>

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
2009 Certificates of Participation Debt Service Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 402	\$ 402	\$ 69	\$ (333)
EXPENDITURES				
Current:				
General government				
HSS Admin Refinance	54,124	54,124	53,068	1,056
Debt service:				
Principal	1,845,000	1,845,000	1,845,000	-
Interest and other charges	666,238	666,238	666,238	-
Total debt service	2,511,238	2,511,238	2,511,238	-
Total expenditures	2,565,362	2,565,362	2,564,306	1,056
Deficiency of revenues under expenditures	(2,564,960)	(2,564,960)	(2,564,237)	723
OTHER FINANCING SOURCES				
Transfers in	2,564,960	2,564,960	2,563,723	(1,237)
Net change in fund balance	-	-	(514)	(514)
Fund balance - beginning	1,763,972	1,763,972	1,763,972	-
Fund balance - ending	<u>\$ 1,763,972</u>	<u>\$ 1,763,972</u>	<u>\$ 1,763,458</u>	<u>\$ (514)</u>

COUNTY OF SOLANO, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Government Center Debt Service Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 1,300	\$ 1,300	\$ 2,121	\$ 821
Intergovernmental	104,000	104,000	105,000	1,000
Charges for services	1,716,212	1,716,212	1,716,212	-
Total revenues	<u>1,821,512</u>	<u>1,821,512</u>	<u>1,823,333</u>	<u>1,821</u>
EXPENDITURES				
Current:				
General government				
Government Center	55,409	55,409	53,618	1,791
Debt service:				
Principal	3,125,000	3,125,000	3,125,000	-
Interest and other charges	4,794,506	4,794,506	4,794,506	-
Total debt service	<u>7,919,506</u>	<u>7,919,506</u>	<u>7,919,506</u>	<u>-</u>
Total expenditures	<u>7,974,915</u>	<u>7,974,915</u>	<u>7,973,124</u>	<u>1,791</u>
Deficiency of revenues under expenditures	(6,153,403)	(6,153,403)	(6,149,791)	3,612
OTHER FINANCING SOURCES				
Transfers in	6,152,250	6,152,250	6,152,250	-
Net change in fund balance	(1,153)	(1,153)	2,459	3,612
Fund balance - beginning	1,157	1,157	1,157	-
Fund balance - ending	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 3,616</u>	<u>\$ 3,612</u>

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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 governmental units, on a cost reimbursement basis.

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

Risk Management Fund – This fund is used to account for the administration and management of the County's insurance and safety plans and employee benefit services to County employees.

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

Reprographics Fund – This fund is used to account for reprographic services to County departments. This fund was closed as of July 1, 2011.

COUNTY OF SOLANO, CALIFORNIA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
ASSETS				
Current assets				
Cash and investments	\$ 2,538,132	\$ 19,238,415	\$ 2,205,861	\$ 23,982,408
Accounts receivable	64,453	289,870	153,290	507,613
Due from other agencies	264	18,596	36,808	55,668
Due from other funds	14,425	-	419,098	433,523
Other assets	270,185	500,000	-	770,185
Total current assets	<u>2,887,459</u>	<u>20,046,881</u>	<u>2,815,057</u>	<u>25,749,397</u>
Noncurrent assets				
Capital assets:				
Construction in progress	-	-	32,923	32,923
Buildings and improvements	114,471	-	150,000	264,471
Equipment	11,128,959	-	9,663,438	20,792,397
Intangibles	-	-	5,509,834	5,509,834
Accumulated depreciation	<u>(6,740,063)</u>	<u>-</u>	<u>(8,919,731)</u>	<u>(15,659,794)</u>
Total capital assets	<u>4,503,367</u>	<u>-</u>	<u>6,436,464</u>	<u>10,939,831</u>
Total assets	<u>\$ 7,390,826</u>	<u>\$ 20,046,881</u>	<u>\$ 9,251,521</u>	<u>\$ 36,689,228</u>
LIABILITIES				
Current liabilities				
Outstanding warrants	\$ 31,826	\$ 373,997	\$ 421,081	\$ 826,904
Payables	149,748	238,937	1,478,267	1,866,952
Unearned revenue	-	324,670	-	324,670
Due to other funds	1,423	42,411	4,223	48,057
Due to other agencies	5,781	12,132	37,248	55,161
Current portion of long-term obligations	<u>49,700</u>	<u>3,859,937</u>	<u>309,533</u>	<u>4,219,170</u>
Total current liabilities	<u>238,478</u>	<u>4,852,084</u>	<u>2,250,352</u>	<u>7,340,914</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	<u>238,001</u>	<u>7,812,395</u>	<u>680,906</u>	<u>8,731,302</u>
Total liabilities	<u>476,479</u>	<u>12,664,479</u>	<u>2,931,258</u>	<u>16,072,216</u>
NET ASSETS				
Invested in capital assets	4,503,367	-	6,436,464	10,939,831
Unrestricted	<u>2,410,980</u>	<u>7,382,402</u>	<u>(116,201)</u>	<u>9,677,181</u>
Total net assets	<u>6,914,347</u>	<u>7,382,402</u>	<u>6,320,263</u>	<u>20,617,012</u>
Total liabilities and net assets	<u>\$ 7,390,826</u>	<u>\$ 20,046,881</u>	<u>\$ 9,251,521</u>	<u>\$ 36,689,228</u>

COUNTY OF SOLANO, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2012

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES				
Charges for sales and services:				
Internal services	\$ 3,951,627	\$ 14,757,053	\$ 17,207,468	\$ 35,916,148
OPERATING EXPENSES				
Personnel services	945,809	700,276	5,436,857	7,082,942
Maintenance	593,153	683	657,173	1,251,009
Materials and supplies	1,022,192	10,897	452,700	1,485,789
Depreciation	1,076,808	-	1,827,343	2,904,151
Insurance	24,131	11,375,403	87,806	11,487,340
Rent, utilities and others	450,155	1,534,833	9,162,351	11,147,339
Total operating expenses	<u>4,112,248</u>	<u>13,622,092</u>	<u>17,624,230</u>	<u>35,358,570</u>
Operating income (loss)	<u>(160,621)</u>	<u>1,134,961</u>	<u>(416,762)</u>	<u>557,578</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	12,578	88,894	6,540	108,012
Other revenue	102,852	144,157	155,127	402,136
Other expenses	-	(14,259)	-	(14,259)
Gain on disposal of capital assets	161,809	-	158	161,967
Total nonoperating revenues, net	<u>277,239</u>	<u>218,792</u>	<u>161,825</u>	<u>657,856</u>
Income (loss) before transfers	<u>116,618</u>	<u>1,353,753</u>	<u>(254,937)</u>	<u>1,215,434</u>
Transfers out	<u>(35,839)</u>	<u>(29,189)</u>	<u>(233,798)</u>	<u>(298,826)</u>
Change in net assets	80,779	1,324,564	(488,735)	916,608
Total net assets - beginning	6,833,568	6,057,838	6,808,998	19,700,404
Total net assets - ending	<u>\$ 6,914,347</u>	<u>\$ 7,382,402</u>	<u>\$ 6,320,263</u>	<u>\$ 20,617,012</u>

COUNTY OF SOLANO, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2012

	Fleet Management	Risk Management
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,031,403	\$ 14,607,872
Receipts from interfund services provided	-	-
Payments to suppliers	(2,189,111)	(11,932,298)
Payments to employees	(867,861)	(766,966)
Payments for interfund services used		
Net cash provided (used) by operating activities	974,431	1,908,608
Cash flows from noncapital financing activities:		
Transfers out	(35,839)	(29,189)
Cash flows from capital and related financing activities:		
Debt issued	-	-
Debt principal paid	-	-
Acquisition of capital assets	(1,937,040)	-
Proceeds from sale of capital assets	203,650	-
Net cash used by capital and related financing activities	(1,733,390)	-
Cash flows from investing activities:		
Investment income	12,578	88,894
Net increase (decrease) in cash and cash equivalents	(782,220)	1,968,313
Cash and cash equivalents - beginning	3,320,352	17,270,102
Cash and cash equivalents - ending	\$ 2,538,132	\$ 19,238,415
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (160,621)	\$ 1,134,961
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,076,808	-
Other nonoperating revenue	102,852	129,898
Changes in assets and liabilities:		
(Increase) decrease in receivables, net	(9,600)	(185,087)
(Increase) decrease in due from other funds	(13,476)	(17,525)
Decrease in due from other agencies	7,340	-
Increase in other assets	(19,924)	(250,000)
Increase (decrease) in outstanding warrants	(119,039)	255,027
Increase (decrease) in payables	28,775	(50,354)
Decrease in due to other funds	(2,413)	(70,940)
Increase in due to other agencies	5,781	4,531
Decrease in unearned revenue	-	(90,726)
Increase in accrued compensated absences	78,175	3,542
Decrease in other postemployment benefits	(227)	(178)
Increase in self-insurance liability	-	1,045,459
Total adjustments	1,135,052	773,647
Net cash provided (used) by operating activities	\$ 974,431	\$ 1,908,608
Noncash investing, capital, and financing activities		
Change in fair value of investments	\$ (3,346)	\$ (1,077)

COUNTY OF SOLANO, CALIFORNIA
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Fiscal Year Ended June 30, 2012

Information Technology	Reprographics	Total Internal Service Funds	
\$ 17,375,167	\$ 5,233	\$ 36,019,675	Cash flows from operating activities:
-	32	32	Receipts from customers and users
(11,240,978)	(10,188)	(25,372,575)	Receipts from interfund services provided
(5,308,171)	-	(6,942,998)	Payments to suppliers
-	-	-	Payments to employees
826,018	(4,923)	3,704,134	Payments for interfund services used
			Net cash provided (used) by operating activities
(233,798)	-	(298,826)	Cash flows from noncapital financing activities:
			Transfers out
39,663	-	39,663	Cash flows from capital and related financing activities:
(7,931)	-	(7,931)	Debt issued
(771,503)	-	(2,708,543)	Debt principal paid
-	-	203,650	Acquisition of capital assets
(739,771)	-	(2,473,161)	Proceeds from sale of capital assets
			Net cash used by capital and related financing activities
6,540	-	108,012	Cash flows from investing activities:
			Investment income
(141,011)	(4,923)	1,040,159	Net increase (decrease) in cash and cash equivalents
2,346,872	4,923	22,942,249	Cash and cash equivalents - beginning
\$ 2,205,861	\$ -	\$ 23,982,408	Cash and cash equivalents - ending
\$ (416,762)	\$ -	\$ 557,578	Reconciliation of operating income (loss) to net cash provided (used) by operating activities:
			Operating income (loss)
			Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:
1,827,343	-	2,904,151	Depreciation
155,127	-	387,877	Other nonoperating revenue
6,125	5,233	(183,329)	Changes in assets and liabilities:
(406,385)	32	(437,354)	(Increase) decrease in receivables, net
6,447	-	13,787	(Increase) decrease in due from other funds
-	-	(269,924)	Decrease in due from other agencies
(221,243)	(1,016)	(86,271)	Increase in other assets
73,223	(8,068)	43,576	Increase (decrease) in outstanding warrants
(363,484)	(1,104)	(437,941)	Increase (decrease) in payables
36,941	-	47,253	Decrease in due to other funds
-	-	(90,726)	Increase in due to other agencies
130,149	-	211,866	Decrease in unearned revenue
(1,463)	-	(1,868)	Increase in accrued compensated absences
-	-	1,045,459	Decrease in other postemployment benefits
1,242,780	(4,923)	3,146,556	Increase in self-insurance liability
\$ 826,018	\$ (4,923)	\$ 3,704,134	Total adjustments
			Net cash provided (used) by operating activities
\$ (1,251)	\$ -	\$ (5,674)	Noncash investing, capital, and financing activities
			Change in fair value of investments

Agency Funds

Agency Funds are custodial in nature and do not measure the results of operations. Such funds have no equity account since all assets are due to individuals or entities at some future time.

Property Tax Collection Fund – This fund is used to account for property tax collections awaiting apportionment to governmental agencies.

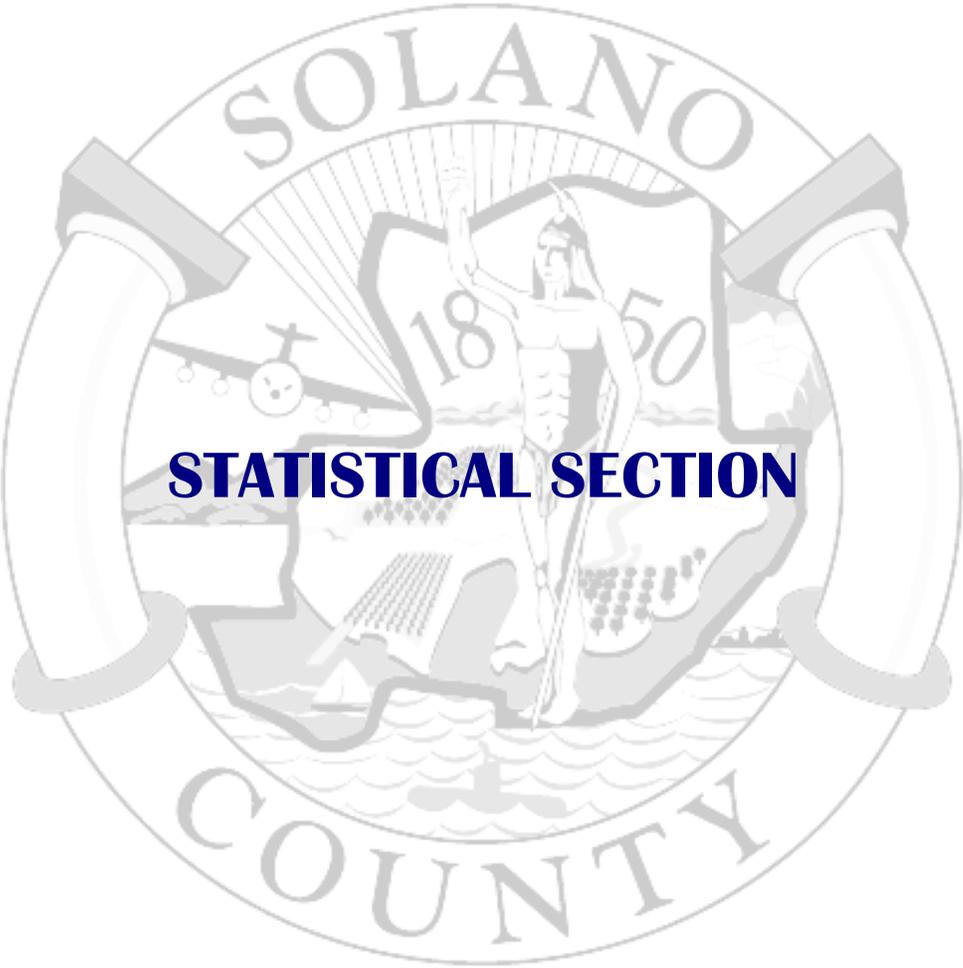
Local Transportation Fund – This fund is used to account for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the county of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

All Other Agency Funds – This fund is used to account for assets held for other governmental agencies by the County in a fiduciary capacity.

COUNTY OF SOLANO, CALIFORNIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012

PROPERTY TAX COLLECTION	Balance			Balance
	July 1, 2011	Additions	Deductions	June 30, 2012
Assets				
Cash and investments	\$ -	\$ 438,753,655	\$ 437,651,651	\$ 1,102,004
Property taxes receivable	34,790,558	522,267,380	525,225,156	31,832,782
Total assets	<u>\$ 34,790,558</u>	<u>\$ 961,021,035</u>	<u>\$ 962,876,807</u>	<u>\$ 32,934,786</u>
Liabilities				
Due to others	<u>\$ 34,790,558</u>	<u>\$ 961,021,035</u>	<u>\$ 962,876,807</u>	<u>\$ 32,934,786</u>
 LOCAL TRANSPORTATION				
	Balance			Balance
	July 1, 2011	Additions	Deductions	June 30, 2012
Assets				
Cash and investments	<u>\$ 11,965,243</u>	<u>\$ 14,952,951</u>	<u>\$ 16,763,217</u>	<u>\$ 10,154,977</u>
Liabilities				
Due to others	<u>\$ 11,965,243</u>	<u>\$ 14,952,951</u>	<u>\$ 16,763,217</u>	<u>\$ 10,154,977</u>
 ALL OTHER AGENCY FUNDS				
	Balance			Balance
	July 1, 2011	Additions	Deductions	June 30, 2012
Assets				
Cash and investments	<u>\$ 20,450,065</u>	<u>\$ 19,324,545</u>	<u>\$ 12,439,294</u>	<u>\$ 27,335,316</u>
Liabilities				
Due to others	<u>\$ 20,450,065</u>	<u>\$ 19,324,545</u>	<u>\$ 12,439,294</u>	<u>\$ 27,335,316</u>
 TOTAL - ALL AGENCY FUNDS				
	Balance			Balance
	July 1, 2011	Additions	Deductions	June 30, 2012
Assets				
Cash and investments	\$ 32,415,308	\$ 473,031,151	\$ 466,854,162	\$ 38,592,297
Property taxes receivable	34,790,558	522,267,380	525,225,156	31,832,782
Total assets	<u>\$ 67,205,866</u>	<u>\$ 995,298,531</u>	<u>\$ 992,079,318</u>	<u>\$ 70,425,079</u>
Liabilities				
Due to others	<u>\$ 67,205,866</u>	<u>\$ 995,298,531</u>	<u>\$ 992,079,318</u>	<u>\$ 70,425,079</u>

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the County of Solano's comprehensive annual financial report provides supplemental information for the benefit of the readers. This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the County's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends Information <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i>	124
Revenue Capacity Information <i>These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.</i>	132
Debt Capacity Information <i>These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.</i>	136
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.</i>	139
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.</i>	142

COUNTY OF SOLANO, CALIFORNIA
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental activities					
Invested in capital assets, net of related debt	380,366,107	\$ 364,775,065	\$ 366,707,988	\$ 338,045,459	\$ 306,156,899
Restricted	117,783,378	84,063,560	49,100,180	66,684,155	72,516,573
Unrestricted	170,013,282	174,821,311	208,557,054	223,968,696	257,528,047
Total governmental activities net assets	<u>\$ 668,162,767</u>	<u>\$ 623,659,936</u>	<u>\$ 624,365,222</u>	<u>\$ 628,698,310</u>	<u>\$ 636,201,519</u>
Business-type activities					
Invested in capital assets, net of related debt	18,601,811	\$ 19,226,808	\$ 19,827,763	\$ 20,389,570	\$ 20,790,532
Restricted	-	-	-	-	-
Unrestricted	(2,443,915)	(2,701,490)	(4,064,292)	(3,673,335)	(5,570,038)
Total business-type activities net assets	<u>\$ 16,157,896</u>	<u>\$ 16,525,318</u>	<u>\$ 15,763,471</u>	<u>\$ 16,716,235</u>	<u>\$ 15,220,494</u>
Primary government					
Invested in capital assets, net of related debt	\$ 398,967,918	\$ 384,001,873	\$ 386,535,751	\$ 358,435,029	\$ 326,947,431
Restricted	117,783,378 ¹	84,063,560	49,100,180	66,684,155	72,516,573
Unrestricted	167,569,367	172,119,821	204,492,762	220,295,361	251,958,009
Total primary government net assets	<u>\$ 684,320,663</u>	<u>\$ 640,185,254</u>	<u>\$ 640,128,693</u>	<u>\$ 645,414,545</u>	<u>\$ 651,422,013</u>

¹ Includes restriction of governmental activities net assets for the restatement of \$22.7M of MHSA (Mental Health Services Act) funds. See Note E.1 - Prior Period Adjustment for more specific details.

Source: Audited Financial Statements

COUNTY OF SOLANO, CALIFORNIA
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year					
2007	2006	2005	2004	2003	
					Governmental activities
\$ 290,318,976	\$ 273,169,996	\$ 274,177,088	\$ 270,350,715	\$ 256,654,269	Invested in capital assets, net of related debt
70,229,693	67,227,824	40,996,161	70,579,011	119,862,509	Restricted
251,684,500	218,470,331	185,407,179	134,490,563	62,014,197	Unrestricted
<u>\$ 612,233,169</u>	<u>\$ 558,868,151</u>	<u>\$ 500,580,428</u>	<u>\$ 475,420,289</u>	<u>\$ 438,530,975</u>	Total governmental activities net assets
					Business-type activities
\$ 14,896,619	\$ 11,809,809	\$ 10,270,009	\$ 9,621,167	\$ 8,509,364	Invested in capital assets, net of related debt
-	-	-	-	1,300,000	Restricted
(1,441,992)	(2,847,845)	(1,013,848)	(530,539)	(24,291)	Unrestricted
<u>\$ 13,454,627</u>	<u>\$ 8,961,964</u>	<u>\$ 9,256,161</u>	<u>\$ 9,090,628</u>	<u>\$ 9,785,073</u>	Total business-type activities net assets
					Primary government
\$ 305,215,595	\$ 284,979,805	\$ 284,447,097	\$ 279,971,882	\$ 265,163,633	Invested in capital assets, net of related debt
70,229,693	67,227,824	40,996,161	70,579,011	121,162,509	Restricted
250,242,508	215,622,486	184,393,331	133,960,024	61,989,906	Unrestricted
<u>\$ 625,687,796</u>	<u>\$ 567,830,115</u>	<u>\$ 509,836,589</u>	<u>\$ 484,510,917</u>	<u>\$ 448,316,048</u>	Total primary government net assets

Source: Audited Financial Statements

COUNTY OF SOLANO, CALIFORNIA
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
Expenses					
Governmental activities:					
General government	\$ 56,978,971	\$ 62,456,530	\$ 62,720,766	\$ 68,697,921	\$ 66,076,091
Public protection	158,553,975	157,078,830	164,196,516	175,498,575	167,025,179
Public ways and facilities	15,182,777	12,760,561	12,148,729	12,765,552	13,749,283
Health services	110,120,877	108,700,791	104,435,728	106,791,512	106,905,228
Public assistance	133,556,741	144,667,818	140,870,819	144,896,972	140,654,444
Education and recreation	16,783,519	17,739,331	19,241,131	21,109,579	21,958,611
Interest /Principal on long-term debt	9,528,897	10,186,688	11,038,872	12,124,643	13,010,423
Total governmental activities expenses	500,705,757	513,590,549	514,652,561	541,884,754	529,379,259
Business-type activities:					
Nut Tree Airport	1,609,696	1,817,231	2,531,275	2,241,236	2,022,955
Fouts Springs Youth Facility	635,756	4,073,152	3,888,424	3,713,188	3,649,876
Total business-type activities expenses	2,245,452	5,890,383	6,419,699	5,954,424	5,672,831
Total primary government expenses	\$ 502,951,209	\$ 519,480,932	\$ 521,072,260	\$ 547,839,178	\$ 535,052,090
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 21,363,951	\$ 22,521,426	\$ 24,664,412	\$ 28,899,543	\$ 26,780,958
Public protection	20,122,142	20,203,371	18,382,235	19,694,270	19,913,381
Public ways and facilities	1,769,591	1,191,080	1,081,929	1,223,163	1,507,009
Health services	22,441,636	21,718,347	18,236,407	16,130,208	17,499,502
Public assistance	860,217	1,193,714	987,213	839,430	810,422
Education and recreation	5,277,053	5,223,005	5,154,002	5,753,093	6,231,823
Operating grants and contributions	287,589,862	290,072,372	264,136,077	281,259,235	295,815,325
Capital grants and contributions	4,286,121	3,165,238	14,076,600	6,303,034	-
Total governmental activities program revenues	363,710,573	365,288,553	346,718,875	360,101,976	368,558,420
Business-type activities					
Charges for services:					
Nut Tree Airport	477,917	525,217	1,277,477	1,292,875	1,141,736
Fouts Springs Youth Facility	400,353	3,126,145	3,310,703	3,203,533	3,184,236
Operating grants and contributions	165,321	540,479	548,965	528,000	540,360
Capital grants and contributions	-	2,098,493	-	2,189,182	2,296,465
Total business-type activities	1,043,591	6,290,334	5,137,145	7,213,590	7,162,797
Total primary government program revenues	\$ 364,754,164	\$ 371,578,887	\$ 351,856,020	\$ 367,315,566	\$ 375,721,217
Net (Expenses)/Revenue					
Governmental activities	\$ (136,995,184)	\$ (148,301,996)	\$ (167,933,686)	\$ (181,782,778)	\$ (160,820,839)
Business-type activities	(1,201,861)	399,951	(1,282,554)	1,259,166	1,489,966
Total primary government net expenses	\$ (138,197,045)	\$ (147,902,045)	\$ (169,216,240)	\$ (180,523,612)	\$ (159,330,873)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes ^{1,2}	\$ 116,937,628	\$ 109,322,638	\$ 112,720,861	\$ 124,364,351	\$ 129,866,189
Sales and use tax	1,851,294	1,203,681	3,802,198	4,277,127	2,338,436
Property transfer tax	1,622,877	1,490,597	1,652,158	1,730,179	1,708,439
Intergovernmental not restricted for specific programs ^{1,2}	12,120,126	23,601,639	20,607,668	22,666,383	22,701,977
Interest & investment earnings	1,525,567	1,926,203	2,744,934	5,729,000	13,477,706
Proceeds from sale of tobacco settlement revenues	-	-	-	-	-
Other	16,125,278	18,716,998	19,692,717	16,497,109	14,487,535
Gain on sale of capital assets	115,259	-	37,694	229,676	-
Extraordinary item	8,809,741	(8,809,741)	-	-	-
Transfers	(432,279)	144,695	93,446	163,667	208,907
Total governmental activities	158,675,491	147,596,710	161,351,676	175,657,492	184,789,189
Business-type activities:					
Property taxes	265,191	239,913	246,828	273,693	287,733
Intergovernmental not restricted to specific programs	27,214	48,430	50,857	54,693	54,251
Interest & investment earnings	(1,778)	453	1,168	8,138	22,835
Other	107,233	217,795	109,083	63,418	119,989
Gain on sale of capital assets	4,300	-	15,300	300	-
Transfers	432,279	(144,695)	(93,446)	(163,667)	(208,907)
Total business-type activities	834,439	361,896	329,790	236,575	275,901
Total primary government	\$ 159,509,930	\$ 147,958,606	\$ 161,681,466	\$ 175,894,067	\$ 185,065,090
Change in net assets					
Governmental activities	\$ 21,680,307	\$ (705,286)	\$ (6,582,010)	\$ (6,125,286)	\$ 23,968,350
Business-type activities	(367,422)	761,847	(952,764)	1,495,741	1,765,867
Total primary government	\$ 21,312,885	\$ 56,561	\$ (7,534,774)	\$ (4,629,545)	\$ 25,734,217

¹ Beginning in fiscal year 2006, as a result of legislation and as prescribed by the State, amounts previously recorded as Motor Vehicle In Lieu revenues are recorded as Property Taxes.

² Beginning in February 2012, as a result of the dissolution of redevelopment agencies by the State, amounts previously recorded as Intergovernmental revenues are recorded as Property Taxes.

Source: Audited Financial Statements

COUNTY OF SOLANO, CALIFORNIA
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

		Fiscal Year								
		2007	2006	2005	2004	2003				
		Expenses								
		Governmental activities:								
\$	53,610,176	\$	56,558,886	\$	50,668,082	\$	43,489,603	\$	45,032,722	General government
	152,135,516		145,029,057		143,497,198		132,128,495		125,585,195	Public protection
	12,524,903		14,258,190		13,111,022		11,175,121		10,911,632	Public ways and facilities
	101,162,646		98,074,826		103,089,445		94,775,322		82,980,974	Health services
	132,795,943		130,957,165		122,936,114		129,712,495		120,898,958	Public assistance
	21,241,168		19,140,185		15,887,886		14,212,564		12,663,165	Education and recreation
	12,781,989		12,848,298		12,548,175		8,233,665		6,176,532	Interest /Principal on long-term debt
	486,252,341		476,866,607		461,737,922		433,727,265		404,249,178	Total governmental activities expenses
	1,639,976		1,592,100		1,362,902		1,262,109		1,180,824	Business-type activities:
	3,398,461		3,301,242		3,948,500		4,389,289		4,531,095	Nut Tree Airport
	5,038,437		4,893,342		5,311,402		5,651,398		5,711,919	Fouts Springs Youth Facility
\$	491,290,778	\$	481,759,949	\$	467,049,324	\$	439,378,663	\$	409,961,097	Total primary government expenses
		Program Revenues								
		Governmental activities:								
		Charges for services:								
\$	31,241,019	\$	32,187,356	\$	37,600,101	\$	31,920,886	\$	26,329,308	General government
	21,567,229		23,935,472		20,665,232		18,014,578		17,424,843	Public protection
	1,595,475		2,059,559		1,818,144		1,776,921		1,699,829	Public ways and facilities
	12,367,246		14,788,760		14,952,284		12,834,358		12,156,224	Health services
	736,622		813,877		792,650		714,228		711,058	Public assistance
	5,502,044		5,989,917		3,580,595		3,896,130		4,120,252	Education and recreation
	288,680,255		278,885,706		264,093,871		264,202,785		249,276,485	Operating grants and contributions
	-		-		1,809,000		5,154,984		2,281,016	Capital grants and contributions
	361,689,890		358,660,647		345,311,877		338,514,870		313,999,015	Total governmental activities program revenues
	949,070		995,659		913,935		1,043,051		929,509	Business-type activities
	3,081,184		2,346,732		2,531,598		2,846,865		3,220,755	Charges for services:
	648,139		748,146		689,649		-		-	Nut Tree Airport
	2,918,130		280,415		1,079,079		-		-	Fouts Springs Youth Facility
	7,596,523		4,370,952		5,214,261		3,889,916		4,150,264	Operating grants and contributions
\$	369,286,413	\$	363,031,599	\$	350,526,138	\$	342,404,786	\$	318,149,279	Capital grants and contributions
	-		-		-		-		-	Total business-type activities
	-		-		-		-		-	Total primary government program revenues
\$	(124,562,451)	\$	(118,205,960)	\$	(116,426,045)	\$	(95,212,395)	\$	(90,250,163)	Net (Expenses)/Revenue
	2,558,086		(522,390)		(97,141)		(1,761,482)		(1,561,655)	Governmental activities
\$	(122,004,365)	\$	(118,728,350)	\$	(116,523,186)	\$	(96,973,877)	\$	(91,811,818)	Business-type activities
	-		-		-		-		-	Total primary government net expenses
		General Revenues and Other Changes in Net Assets								
		Governmental activities:								
\$	121,438,731	\$	113,372,286	\$	65,735,256	\$	56,309,939	\$	49,265,614	Property taxes ^{1,2}
	2,115,430		2,439,283		2,410,695		1,545,460		1,829,179	Sales and use tax
	3,413,296		4,485,753		4,946,514		3,603,308		2,763,374	Property transfer tax
	20,122,940		17,112,250		49,225,813		50,590,802		39,605,008	Intergovernmental not restricted
	14,671,265		8,998,933		6,107,084		6,725,817		3,554,065	for specific programs ^{1,2}
	-		17,397,252		-		-		55,088,473	Interest & investment earnings
	17,339,503		12,236,879		13,084,692		11,939,541		8,341,841	Proceeds from sale of tobacco settlement revenues
	233,932		-		1,432		1,384,309		-	Other
	(1,407,628)		86,047		74,698		2,533		(176,324)	Gain on sale of capital assets
	177,927,469		176,493,683		141,586,184		132,101,709		160,271,230	Extraordinary item
	270,370		258,855		215,716		190,885		167,562	Transfers
	47,008		40,679		37,072		855,988		1,024,104	Total governmental activities
	27,837		(39,227)		20,345		4,788		28,494	Business-type activities:
	181,734		53,933		64,239		17,909		7,914	Property taxes
	-		-		-		-		10,500	Intergovernmental not restricted
	1,407,628		(86,047)		(74,698)		(2,533)		176,324	for specific programs
	1,934,577		228,193		262,674		1,067,037		1,414,898	Interest & investment earnings
\$	179,862,046	\$	176,721,876	\$	141,848,858	\$	133,168,746	\$	161,686,128	Other
	-		-		-		-		-	Gain on sale of capital assets
	-		-		-		-		-	Transfers
	-		-		-		-		-	Total business-type activities
\$	53,365,018	\$	58,287,723	\$	25,160,139	\$	36,889,314	\$	70,021,067	Total primary government
	4,492,663		(294,197)		165,533		(694,445)		(146,757)	Change in net assets
\$	57,857,681	\$	57,993,526	\$	25,325,672	\$	36,194,869	\$	69,874,310	Governmental activities
	-		-		-		-		-	Business-type activities
	-		-		-		-		-	Total primary government

¹ Beginning in fiscal year 2006, as a result of legislation and as prescribed by the State, amounts previously recorded as Motor Vehicle In Lieu revenues are recorded as Property Taxes.

² Beginning in February 2012, as a result of the dissolution of redevelopment agencies by the State, amounts previously recorded as Intergovernmental revenues are recorded as Property Taxes.

Source: Audited Financial Statements

COUNTY OF SOLANO, CALIFORNIA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2012	Fiscal Year 2011 ¹	2010	2009	2008
General Fund					
Nonspendable	\$ 28,132,718	\$ 26,693,402	\$ -	\$ -	\$ -
Committed	-	6,939,235	-	-	-
Assigned	52,648,041	44,755,155	-	-	-
Unassigned	38,838,327	35,958,787	-	-	-
Reserved	-	-	32,155,440	6,909,142	9,591,064
Unreserved	-	-	72,033,076	101,068,378	111,054,606
Total General Fund	<u>119,619,086</u>	<u>114,346,579</u>	<u>104,188,516</u>	<u>107,977,520</u>	<u>120,645,670</u>
All Other Governmental Funds					
Nonspendable	1,336,399	210,939	-	-	-
Restricted	105,372,056 ²	77,133,751	-	-	-
Committed	130,470	-	-	-	-
Assigned	8,458,102	22,939,415	-	-	-
Unassigned	(9,480,728)	(8,999,065)	-	-	-
Reserved	-	-	55,243,886	65,271,318	56,504,466
Unreserved, reported in:					
Special revenue funds	-	-	58,798,913	76,053,180	76,665,059
Capital projects funds	-	-	2,449,680	6,261,034	55,852,298
Debt service funds	-	-	(14,940,959)	(10,437,736)	-
Total all other governmental funds	<u>105,816,299</u>	<u>91,285,040</u>	<u>101,551,520</u>	<u>137,147,796</u>	<u>189,021,823</u>
	<u>\$ 225,435,385</u>	<u>\$ 205,631,619</u>	<u>\$ 205,740,036</u>	<u>\$ 245,125,316</u>	<u>\$ 309,667,493</u>

¹ In Fiscal Year 2010-11 the County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned.

² Includes restriction of governmental funds for the restatement of \$22.7M of MHSA (Mental Health Services Act) funds. See Note E.1 - Prior Period Adjustment for more specific details.

Source: Audited Financial Statements

COUNTY OF SOLANO, CALIFORNIA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Fiscal Year 2004</u>	<u>2003</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	General Fund
-	-	-	-	-	Nonspendable
-	-	-	-	-	Committed
-	-	-	-	-	Assigned
-	-	-	-	-	Unassigned
4,150,844	3,575,776	2,650,417	1,158,613	3,415,066	Reserved
117,465,640	88,104,809	69,817,153	54,064,235	45,491,994	Unreserved
<u>121,616,484</u>	<u>91,680,585</u>	<u>72,467,570</u>	<u>55,222,848</u>	<u>48,907,060</u>	Total General Fund
-	-	-	-	-	All Other Governmental Funds
-	-	-	-	-	Nonspendable
-	-	-	-	-	Restricted
-	-	-	-	-	Committed
-	-	-	-	-	Assigned
-	-	-	-	-	Unassigned
91,344,253	34,558,867	31,951,339	41,474,664	57,585,083	Reserved
75,946,573	133,282,448	131,227,828	118,657,450	102,116,827	Unreserved, reported in:
13,049,077	15,255,723	2,585,051	17,041,854	68,841,392	Special revenue funds
-	-	-	-	-	Capital projects funds
-	-	-	-	-	Debt service funds
<u>180,339,903</u>	<u>183,097,038</u>	<u>165,764,218</u>	<u>177,173,968</u>	<u>228,543,302</u>	Total all other governmental funds
<u>\$ 301,956,387</u>	<u>\$ 274,777,623</u>	<u>\$ 238,231,788</u>	<u>\$ 232,396,816</u>	<u>\$ 277,450,362</u>	

COUNTY OF SOLANO, CALIFORNIA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
Revenues					
Taxes ^{1,2}	\$ 124,191,293	\$ 116,385,423	\$ 121,801,475	\$ 134,613,147	\$ 138,987,233
Licenses, permits and franchises	6,761,316	6,580,255	5,763,943	6,690,257	6,180,001
Fines, forfeitures and penalties	3,856,956	4,146,885	4,883,821	4,772,315	5,458,554
Use of money and property	2,237,164	2,542,856	3,419,568	5,917,139	13,022,335
Intergovernmental ^{1,2}	295,317,970	309,499,470	297,119,249	301,278,100	312,049,066
Charges for services	82,663,958	89,632,816	86,456,048	79,371,133	77,340,255
Miscellaneous	15,087,609	17,068,861	17,617,361	15,087,909	12,457,166
Total revenues	530,116,266	545,856,566	537,061,465	547,730,000	565,494,610
Expenditures					
General government	51,734,638	55,690,156	57,522,204	60,531,698	57,450,491
Public protection	161,424,508	162,891,649	170,823,420	178,454,399	170,321,250
Public ways and facilities	11,085,389	9,619,806	9,170,245	9,380,649	9,925,757
Health services	113,838,461	112,350,121	108,637,073	107,488,354	107,707,061
Public assistance	135,210,563	146,596,884	144,765,442	146,364,841	141,943,318
Education and recreation	16,940,619	18,828,034	20,215,842	21,482,110	22,292,796
Debt service:					
Principal	13,356,531	8,663,794	12,465,882	39,691,364	11,685,419
Interest and other charges	9,724,218	10,227,822	11,266,372	12,870,803	13,171,464
Debt issuance cost	-	25,590	254,727	-	-
Capital outlay	28,929,685	13,007,061	41,366,813	37,841,019	22,992,641
Total expenditures	542,244,612	537,900,917	576,488,020	614,105,237	557,490,197
Excess of revenues over (under) expenditures	(12,128,346)	7,955,649	(39,426,555)	(66,375,237)	8,004,413
Other Financing Sources (Uses)					
Capital lease financing	-	-	-	-	-
Payment to refunded bond escrow agent	-	(10,000,000)	(17,970,000)	-	-
Proceeds from refunding bonds issued	-	10,000,000	16,745,000	-	-
Proceeds from sale of tobacco settlement revenues	-	-	-	-	-
Debt proceeds	-	-	-	1,385,806	1,023,891
Premium on debt	-	-	889,673	-	-
Transfers in	125,753,015	148,145,491	165,741,868	223,869,357	169,578,877
Transfers out	(125,886,468)	(147,627,772)	(165,502,698)	(223,394,950)	(171,010,215)
Sale of capital assets	433,300	227,956	137,432	130,957	114,140
Total other financing sources (uses)	299,847	745,675	41,275	1,991,170	(293,307)
Extraordinary Item					
Amount to be paid to State of California per AB99	8,809,741	(8,809,741)	-	-	-
Net change in fund balances	\$ (3,018,758)	\$ (108,417)	\$ (39,385,280)	\$ (64,384,067)	\$ 7,711,106
Debt service as a percentage of noncapital expenditures	4.50%	3.60%	4.43%	9.12%	4.65%

¹ Beginning in fiscal year 2006, as a result of legislation and as prescribed by the State, amounts previously recorded as Motor Vehicle In Lieu revenues are recorded as Property Taxes.

² Beginning in February 2012, as a result of the dissolution of redevelopment agencies by the State, amounts previously recorded as Intergovernmental revenues are recorded as Property Taxes.

Source: Audited Financial Statements

COUNTY OF SOLANO, CALIFORNIA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

		Fiscal Year					
2007	2006	2005	2004	2003			
					Revenues		
\$ 132,730,738	\$ 126,709,867	\$ 78,793,277	\$ 66,961,051	\$ 59,246,973	Taxes ^{1,2}		
6,758,843	7,260,201	5,658,034	5,094,159	4,998,512	Licenses, permits and franchises		
5,870,027	7,389,580	6,038,097	4,220,235	4,729,387	Fines, forfeitures and penalties		
14,115,648	9,038,296	6,415,122	6,981,278	3,980,609	Use of money and property		
299,974,644	289,299,129	315,166,573	308,978,705	277,130,397	Intergovernmental ^{1,2}		
75,908,930	79,239,520	77,819,413	69,730,559	59,721,371	Charges for services		
15,709,000	10,364,009	11,532,508	10,377,470	7,693,931	Miscellaneous		
<u>551,067,830</u>	<u>529,300,602</u>	<u>501,423,024</u>	<u>472,343,457</u>	<u>417,501,180</u>	Total revenues		
					Expenditures		
49,616,574	58,726,098	55,536,885	49,188,749	40,861,290	General government		
162,742,367	169,226,372	138,939,757	172,365,652	128,691,041	Public protection		
9,664,948	11,838,586	9,706,357	10,112,629	8,152,377	Public ways and facilities		
103,618,977	106,548,470	103,458,326	111,715,224	84,249,844	Health services		
135,117,611	142,105,049	123,248,736	150,785,051	121,296,428	Public assistance		
22,087,999	21,363,419	15,670,356	18,172,806	12,713,005	Education and recreation		
					Debt service:		
11,080,862	16,689,194	8,043,797	8,394,452	7,193,245	Principal		
12,405,119	12,321,580	10,561,243	8,069,620	5,157,325	Interest and other charges		
1,650,505	646,905	-	1,466,120	-	Debt issuance cost		
16,423,879	13,068,467	30,852,017	86,478,021	42,466,841	Capital outlay		
<u>524,408,841</u>	<u>552,534,140</u>	<u>496,017,474</u>	<u>616,748,324</u>	<u>450,781,396</u>	Total expenditures		
<u>26,658,989</u>	<u>(23,233,538)</u>	<u>5,405,550</u>	<u>(144,404,867)</u>	<u>(33,280,216)</u>	Excess of revenues over (under) expenditures		
					Other Financing Sources (Uses)		
-	-	56,736	-	-	Capital lease financing		
(100,769,924)	-	-	-	-	Payment to refunded bond escrow agent		
99,860,000	-	-	-	-	Proceeds from refunding bonds issued		
-	17,397,252	-	-	55,088,473	Proceeds from sale of tobacco settlement revenues		
-	42,385,000	-	96,665,000	123,862,438	Debt proceeds		
2,568,489	-	-	-	4,628,748	Premium on debt		
140,741,691	131,966,707	120,245,003	99,408,010	92,684,021	Transfers in		
(142,086,480)	(132,032,827)	(120,065,726)	(99,674,693)	(93,047,766)	Transfers out		
205,999	63,241	193,409	2,953,004	87,332	Sale of capital assets		
<u>519,775</u>	<u>59,779,373</u>	<u>429,422</u>	<u>99,351,321</u>	<u>183,303,246</u>	Total other financing sources (uses)		
					Extraordinary Item		
-	-	-	-	-	AB99 funds transfer to State		
<u>\$ 27,178,764</u>	<u>\$ 36,545,835</u>	<u>\$ 5,834,972</u>	<u>\$ (45,053,546)</u>	<u>\$ 150,023,030</u>	Net change in fund balances		
4.62%	5.38%	4.00%	3.10%	3.02%	Debt service as a percentage of noncapital expenditures		

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² Beginning in February 2012, as a result of the dissolution of redevelopment agencies by the State, amounts previously recorded as Intergovernmental revenues are recorded as Property Taxes.

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

Fiscal Year	Real Property [^]				Personal Property	Exemptions	Total	Total Direct Tax Rate
	Residential Property	Commercial Property	Manufacturing Property	Other				
2012	\$ 25,406,736,940	\$ 4,391,896,802	\$ 5,221,209,453	\$ 2,882,813,020	\$ 2,602,009,561	\$ (1,705,033,678)	\$ 38,799,632,098	1.000000
2011	26,431,821,835	4,437,102,001	5,436,513,066	2,816,813,953	2,357,649,133	(2,835,879,182)	38,644,020,806	1.000000
2010	27,075,951,692	4,508,746,880	5,168,402,363	2,843,365,829	2,327,189,005	(2,666,710,367)	39,256,945,402	1.000000
2009	28,395,282,085	4,580,407,775	5,288,088,227	2,820,224,711	2,393,310,544	(2,604,270,423)	40,873,042,919	1.000000
2008	33,516,047,975	4,458,259,827	5,137,584,301	2,515,019,359	1,948,949,721	(2,257,758,318)	45,318,102,865	1.000000
2007	34,906,817,027	4,141,589,706	4,555,284,699	2,147,909,474	1,940,449,367	(2,003,357,049)	45,688,693,224	1.000000
2006	31,908,618,677	3,658,979,117	4,058,927,403	1,756,602,406	1,776,148,772	(1,614,923,088)	41,544,353,287	1.000000
2005	27,646,850,121	3,346,190,948	3,755,064,101	1,578,129,310	1,560,714,346	(1,500,576,703)	36,386,372,123	1.000000
2004	23,918,105,041	3,136,567,889	3,658,065,965	1,480,141,832	1,538,561,960	(1,451,287,952)	32,280,154,735	1.000000
2003	21,383,381,995	2,982,448,323	3,567,983,071	1,341,406,615	1,267,778,516	(1,189,231,896)	29,353,766,624	1.000000

[^] Due to passage of the Proposition 13 (Prop 13) property tax initiative in 1978, the County does not track the estimated value of all properties in the County. Under Prop 13 property is assessed at the 1975 market value with an annual increase limited to 2% on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop 13 limits the property tax rate to 1% of assessed value, plus the rate necessary to fund local voter-approved bonds and special assessments.

Source: County of Solano - Assessor's Office

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

Fiscal Year	County Direct Rates (1)	Overlapping Rates (1)			Total
	Countywide Tax	Local Special Districts	Schools	Cities	
2012	1.000000	1.731065	0.618556	0.054277	3.403898
2011	1.000000	1.730896	0.561446	0.053492	3.345834
2010	1.000000	2.405334	0.501169	0.052144	3.958647
2009	1.000000	2.074797	0.461648	0.047902	3.584347
2008	1.000000	2.074750	0.392148	0.049006	3.515904
2007	1.000000	1.676970	0.477510	0.051024	3.205504
2006	1.000000	1.670438	0.450651	0.051243	3.172332
2005	1.000000	1.669975	0.409660	0.055807	3.135442
2004	1.000000	1.674536	0.450608	0.061253	3.186397
2003	1.000000	1.668724	0.423867	0.065584	3.158175

Note:

¹ County Direct Rates are ad valorem taxes levied by the County and authorized by Article 13A of the Constitution of the State of California. Overlapping rates are taxes levied to service voter-approved debt of overlapping jurisdictions such as local special districts, schools or cities.

Source: County of Solano Auditor-Controller's Property Tax Division

COUNTY OF SOLANO, CALIFORNIA
Principal Property Tax Payers
June 30, 2012 and June 30, 2003

Taxpayer	June 30, 2012			June 30, 2003		
	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Genentech Inc	\$ 1,249,161,110	1	3.22%	\$ 353,599,474	2	1.20%
Valero Refining Company - Calif	1,006,340,380	2	2.59%	986,258,604	1	3.36%
Pacific Gas & Electric Company	539,314,459	3	1.39%	292,841,555	3	1.00%
Shiloh Wind Project II, LLC	294,739,509	4	0.76%			
Anheuser-Busch, Inc.	287,746,084	5	0.74%	246,218,746	4	0.84%
Shiloh I Wind Project, LLC	167,576,164	6	0.43%			
High Winds LLC	136,675,226	7	0.35%			
Alza Corporation	135,841,098	8	0.35%	105,501,633	8	0.36%
Pacific Bell Telephone Company	130,109,786	9	0.34%	170,893,385	6	0.58%
California Northern Railroad	118,363,358	10	0.31%	106,808,481	7	0.36%
BNP Leasing				221,336,854	5	0.75%
Park Management Corp				98,024,319	9	0.33%
Solano Mall LLC				86,965,547	10	0.30%
Totals	<u>\$ 4,065,867,174</u>		<u>10.48%</u>	<u>\$ 2,668,448,598</u>		<u>9.08%</u>

Sources: Adopted Budget Document and County of Solano Assessor-Recorder's Office

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

Fiscal Year	(1) Taxes Levied for the Fiscal Year	(2) Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2012	\$ 422,207,151	\$ 412,665,682	97.74%	\$ -	\$ 412,665,682	97.74%
2011	429,379,973	418,950,465	97.57%	5,145,803	424,096,268	98.77%
2010	443,248,555	426,044,998	96.12%	9,957,064	436,002,062	98.37%
2009	494,946,065	466,126,504	94.18%	21,032,498	487,159,002	98.43%
2008	507,245,315	472,447,183	93.14%	32,837,134	505,284,317	99.61%
2007	477,498,909	449,992,917	94.24%	24,529,447	474,522,364	99.38%
2006	429,891,175	413,880,171	96.28%	13,783,713	427,663,884	99.48%
2005	377,639,034	368,064,913	97.46%	4,390,154	372,455,067	98.63%
2004	338,754,419	332,042,337	98.02%	6,520,854	338,563,191	99.94%
2003	304,563,538	295,257,014	96.94%	9,226,875	304,483,889	99.97%

Notes:

- (1) Secured and Unitary tax levy for the County itself, school districts, cities, and special districts under the supervision of their own governing boards.
- (2) Included are amounts collected by the County for itself, school districts, cities, and special districts under the supervision of their own governing boards.

Source: County of Solano Treasurer - Tax Collector - County Clerk

COUNTY OF SOLANO, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Fiscal Year				
	2012	2011	2010	2009	2008
General Government					
Notes payable	1,055,622	\$ 1,023,890	\$ 1,023,890	\$ 1,023,890	\$ 1,171,043 ³
Capital leases	302,261	513,792	1,122,586	1,303,468	16,874
Certificates of participation	115,668,426	120,868,119	125,852,804	130,649,735	138,013,241
Pension obligation bonds	69,630,000	77,805,000	81,105,000	88,830,000	121,020,000
Business-Type Activities					
Notes payable	-	-	39,297	94,854	149,853
Capital leases	-	-	-	-	-
Total primary government	<u>\$ 186,656,309</u>	<u>\$ 200,210,801</u>	<u>\$ 209,143,577</u>	<u>\$ 221,901,947</u>	<u>\$ 260,371,011</u>
Percentage of Personal Income ¹	1.13%	1.24%	1.33%	1.40%	1.62%
Percentage of Actual Value of Taxable Property ²	0.48%	0.52%	0.53%	0.54%	0.57%
Per Capita ¹	\$ 451.09	\$ 484.03	\$ 506.13	\$ 537.96	\$ 630.18

¹ See the 'Demographic and Economic Statistics' table for the population and personal income figures. Note that these ratios are calculated using data from January 1.

² See the 'Assessed Value and Actual Value of Taxable Property' table for total taxable assessed value.

³ Please note that Rural North Vacaville Water District has become a Special District in FY 2007/08 and therefore is not part of the General Government. The decrease of \$11 million in 'Notes Payable' from FY 2006/07 to FY 2007/08 was due to that reason.

Source: Audited Financial Statements

COUNTY OF SOLANO, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

		Fiscal Year					
2007	2006	2005	2004	2003			
					General Government		
\$ 11,864,718	\$ 13,356,468	\$ 14,897,413	\$ 16,637,923	\$ 18,022,764	Notes payable		
28,968	88,080	191,329	377,880	937,955	Capital leases		
142,576,213	146,692,575	155,954,388	162,086,201	168,748,015	Certificates of participation		
127,805,000	133,195,000	96,665,000	96,665,000	-	Pension obligation bonds		
					Business-Type Activities		
200,965	247,631	318,517	1,420,051	1,608,192	Notes payable		
-	-	5,106	12,394	30,088	Capital leases		
<u>\$ 282,475,864</u>	<u>\$ 293,579,754</u>	<u>\$ 268,031,753</u>	<u>\$ 277,199,449</u>	<u>\$ 189,347,014</u>	Total primary government		
1.81%	1.97%	1.90%	2.05%	1.46%	Percentage of Personal Income ¹		
0.62%	0.71%	0.74%	0.86%	0.65%	Percentage of Actual Value of Taxable Property ²		
\$ 684.56	\$ 713.70	\$ 652.83	\$ 673.81	\$ 463.03	Per Capita ¹		

COUNTY OF SOLANO, CALIFORNIA
Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year	(1) Assessed Value of Property	(2) Debt Limit, 5% of Assessed Value	(3) Debt Applicable to the Limit	(4) Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2012	\$ 38,799,632,098	\$ 1,939,981,605	\$ -	\$ 1,939,981,605	0.00%
2011	38,644,020,806	1,932,201,040	-	1,932,201,040	0.00%
2010	39,256,945,402	1,962,847,270	-	1,962,847,270	0.00%
2009	40,873,042,919	2,043,652,146	-	2,043,652,146	0.00%
2008	45,318,102,865	2,265,905,143	-	2,265,905,143	0.00%
2007	45,688,693,224	2,284,434,661	-	2,284,434,661	0.00%
2006	41,544,353,287	2,077,217,664	-	2,077,217,664	0.00%
2005	36,386,372,123	1,819,318,606	-	1,819,318,606	0.00%
2004	32,280,154,735	1,614,007,737	-	1,614,007,737	0.00%
2003	29,353,766,624	1,467,688,331	-	1,467,688,331	0.00%

Notes:

- (1) Assessed property value data can be found in Schedule "Assessed Value of Taxable Property and Actual Value of Property".
- (2) California Government Code, Section 29909, states the total amount of bonded indebtedness shall not at any time exceed 5 percent of the taxable property of the county as shown by the last equalized assessment roll.
- (3) Bonded debt applicable to the limit only includes general obligation bonds.
- (4) The legal debt margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

COUNTY OF SOLANO, CALIFORNIA
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Year</u> ¹	<u>Population</u> ²	<u>Personal Income</u> ³	<u>Per Capita Personal Income</u> ³	<u>Unemployment Rate</u> ⁵
2012	413,786	16,542,329,347 ⁴	\$ 39,978 ⁴	11.1%
2011	413,635	16,120,652,744 ⁴	38,973 ⁴	12.3%
2010	413,220	15,709,725,000	37,935	12.2%
2009	412,488	15,866,085,000	38,961	11.3%
2008	413,167	16,024,991,000	39,181	7.0%
2007	412,636	15,606,372,000	38,503	5.3%
2006	411,351	14,875,748,000	36,623	5.1%
2005	410,570	14,105,481,000	34,691	5.4%
2004	411,389	13,531,998,000	33,138	5.9%
2003	408,929	12,957,017,000	31,726	6.4%

Detail of estimated population, as of January 1, 2012:

Incorporated Cities

Benicia	26,919
Dixon	18,282
Fairfield	106,379
Rio Vista	7,418
Suisun City	27,978
Vacaville	92,092
Vallejo	115,928
Total of Incorporated	394,996
Total of Unincorporated Areas	18,790
Total Population	413,786

¹ Calendar year

² Obtained from State of California, Department of Finance, Demographics Research Unit

³ Obtained from US Department of Commerce - Bureau of Economic Analysis, updated as of April 2012

⁴ Estimated amounts

⁵ Obtained from State of California Employment Development Department

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COUNTY OF SOLANO, CALIFORNIA
Principal Employers
June 30, 2012 and June 30, 2003

Employer	June 30, 2012			June 30, 2003		
	Employees	Rank	Percentage of Total County Employment ¹	Employees	Rank	Percentage of Total County Employment ¹
Travis AFB	14,353 ^{2,3}	1	7.38%	n/a ⁵		
Kaiser Permanente	5,131 ³	2	2.64%	3,110	1	1.60%
County of Solano	2,401 ⁴	3	1.24%	3,103	2	1.60%
California Medical Facility	2,200 ³	4	1.13%	n/a ⁵		
Fairfield-Suisun Unified School District	2,000 ³	5	1.03%	n/a ⁵		
Vallejo City Unified School District	1,600	6	0.82%	n/a ⁵		
Six Flags Marine World	1,600 ³	7	0.82%	1,688	3	0.87%
California State Prison Solano	1,400 ⁴	8	0.72%	n/a ⁵		
NorthBay Healthcare System	1,115 ³	9	0.57%	1,000	4	0.52%
Vacaville Unified School District	1,100 ³	10	0.57%	n/a ⁵		
Valero Refining Company				995	5	0.51%
Albertson's Distribution Center				700	6	0.36%
Alza Corporation				700	7	0.36%
Sutter Solano Medical Center				581	8	0.30%
Westamerica Bancorporation				542	9	0.28%
Anheuser-Busch				500	10	0.26%
Totals	<u>32,900</u>		<u>16.92%</u>	<u>12,919</u>		<u>6.66%</u>

¹ Total County employment figure-obtained from State of California Employment Development Department

² Travis AFB employment figure-consists of active USAF military personnel and civilians

³ Employment figure from the Solano Economic Development Corporation

⁴ County of Solano employment figure-actual from Human Resources Department, not from Recommended Budget

⁵ Employment figure as of 6/30/03 not available

Sources: County of Solano, Travis AFB Website, School Districts staff

COUNTY OF SOLANO, CALIFORNIA
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years
Full-time Equivalent Employees as of June 30

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Function/Program					
General government	227.05	250.25	271.50	288.00	280.00
Public protection	951.50	992.25	1,160.00	1,243.50	1,237.00
Public ways and facilities	61.50	63.50	73.50	75.50	76.50
Health services	421.70	460.10	477.10	520.08	520.83
Public assistance	623.30	639.00	674.50	711.50	713.50
Education and recreation	124.23	140.50	151.23	153.73	152.23
Nut Tree Airport	3.00	4.00	5.00	5.00	4.00
Fouts Springs Youth Facility	-	29.00	30.00	30.00	29.00
Internal service	57.00	64.00	79.50	88.50	86.50
Total	<u>2,469.28</u>	<u>2,642.60</u>	<u>2,922.33</u>	<u>3,115.81</u>	<u>3,099.56</u>

Source: County of Solano Adopted Budget

COUNTY OF SOLANO, CALIFORNIA
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years
Full-time Equivalent Employees as of June 30

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
					Function/Program
272.00	263.00	250.00	245.00	247.00	General government
1,194.00	1,191.50	1,180.50	1,241.50	1,279.50	Public protection
74.50	73.00	73.00	74.00	74.00	Public ways and facilities
532.63	483.05	498.08	491.16	511.66	Health services
720.50	738.60	718.00	750.50	786.55	Public assistance
149.73	140.23	137.23	131.13	130.13	Education and recreation
4.00	3.00	3.00	3.00	3.00	Nut Tree Airport
29.00	30.00	41.00	55.50	55.50	Fouts Springs Youth Facility
82.50	73.50	72.50	71.50	73.50	Internal service
<u>3,058.86</u>	<u>2,995.88</u>	<u>2,973.31</u>	<u>3,063.29</u>	<u>3,160.84</u>	Total

COUNTY OF SOLANO, CALIFORNIA
Operating Indicators by Function
Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Function/Program										
General government										
Clerk-Recorder-Assessor - documents recorded	133,970	131,249	122,646	110,104	119,333	172,494	213,267	227,032	240,195	231,751
Public protection										
Number of felony cases filed-District Attorney #	3,030	3,538	3,722	3,820	3,961	4,198	3,804	4,122	3,795	3,661
Number of misdemeanor cases filed-District Attorney #	5,676	9,281	8,211	10,056	11,382	9,404	7,680	8,085	9,819	9,853
Number of juvenile petitions-District Attorney #	534	876	1,191	1,496	1,746	1,964	1,516	1,470	1,367	1,273
Number of Bookings-Sheriff	14,628	14,767	16,323	18,485	19,629	25,415	17,780	17,901	17,939	19,174
Average Daily Population-Juvenile Hall	73	76	80	86	76	89	58	78	78	71
Average Daily Population-New Foundation	23	29	24	26	21	26	24	25	24	22
Average Intake-Juvenile Hall	106	133	141	175	173	180	111	175	153	130
Number of building permits issued	729	614	545	699	760	990	829	923	890	940
Public ways and facilities										
Miles of roads maintained	585	586	586	587	587	587	589	595	595	600
Health services & public assistance										
Average monthly medical clinic visits	3,700	3,886	3,641	3,348	3,259	2,757	2,331	2,547	2,561	2,565
Average monthly dental clinic visits	514	608	616	396	429	354	344	368	344	403
Average monthly food stamp recipients	39,539	37,051	33,102	27,662	22,590	20,599	18,271	16,096	13,878	12,202
Average monthly MediCal beneficiaries	68,652	67,867	65,850	62,197	59,706	57,487	57,373	54,651	52,466	49,694
Average monthly CalWorks cash assistance recipients	14,215	15,466	15,443	14,359	13,390	12,486	11,970	11,118	10,330	9,623
Average monthly General Relief recipients	1,018	1,128	1,141	973	792	685	651	456	371	306
Education and recreation										
Total circulation	3,700,433	3,961,868	4,101,677 *	3,794,831	3,283,812	2,951,709	2,686,203	2,753,787	2,646,019	2,418,093
Total circulation - SNAPweb	808,163	838,622	812,830 *	670,825	568,493	478,578	448,410	409,897	355,256	287,369
Number of library patrons	1,875,945	2,041,610	2,206,518	2,248,937	2,063,232	1,928,345	1,497,667	1,549,998	1,529,006	1,435,064
Number of parks	4	4	4	4	4	4	3	3	3	3
Number of park visitors	180,495	185,453	182,434	189,703	221,806	261,351	166,735	179,371	171,144	172,143
Nut Tree Airport										
Takeoffs and landings	101,500	100,500	104,000	102,500	102,500	105,000	101,500	n/a	n/a	n/a
Fouts Springs Youth Facility										
Average Daily Population	- ^	43	47	54	58	56	49	65	81	102
Internal service										
Number of Fleet Vehicles	468	482	480	514	502	502	507	500	498	462
Number of Annual Fleet Miles Driven	4,133,096	4,025,516	4,299,929	5,214,737	5,300,563	4,947,911	4,529,923	4,519,141	4,579,844	4,443,087

** Information not available

Information based on calendar year

* Adjusted figures as of 6/30/11

^ No figure since FSYP closed in July 2011

Source: Various County departments

COUNTY OF SOLANO, CALIFORNIA
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Function/Program										
General government										
Buildings	17	17	16	16	15	13	13	12	11	11
Public protection										
Sheriff sub stations	-	-	1	2	3	3	3	3	3	3
Patrol units	21	21	20	23	20	20	22	22	22	n/a
Jail and detention facilities	3	3	3	3	3	3	3	3	3	3
Public ways and facilities										
Miles of roads [#]	585	586	586	587	587	587	589	595	595	600
Health services & public assistance										
Clinics & administration buildings	6	6	8	6	7	7	7	7	7	7
Education and recreation										
Branch libraries	8	8	8	8	8	8	7	6	6	6
Veterans buildings	6	6	6	6	5	5	5	5	5	5
Public parks acreage	1,259	1,259	1,259	1,259	1,259	1,259	225	225	225	225
Nut Tree Airport										
Number of runways	1	1	1	1	1	1	1	1	1	1
Fouts Springs Youth Facility										
Detention facilities	1	1	1	1	1	1	1	1	1	1

^{n/a} Information not available

[#]Information based on calendar year

Source: Various County departments

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COUNTY OF SOLANO, CALIFORNIA

Single Audit Reports
(OMB Circular A-133)

For the Fiscal Year Ended June 30, 2012

**COUNTY OF SOLANO, CALIFORNIA
SINGLE AUDIT REPORTS
(OMB CIRCULAR A-133)**

For the Fiscal Year Ended June 30, 2012

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COUNTY OF SOLANO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Agency			Agency	
Pass-Through Agency	CFDA		Pass-Through	Program
Federal Program Title	Number		Number	Expenditures
U.S. Department of Agriculture				
Direct Programs:				
Farmers' Market Promotion Program	10.168		N/A	\$ 24,153
Pass Through Programs:				
California Department of Food and Agriculture				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		11-8520-1317-CA	22,718
Plant and Animal Disease, Pest Control, and Animal Care	10.025		11-8520-0934-GR	40,520
Plant and Animal Disease, Pest Control, and Animal Care	10.025		11-8500-0484-CA	56,573
Plant and Animal Disease, Pest Control, and Animal Care	10.025		11-8520-1164-CA	59,873
Plant and Animal Disease, Pest Control, and Animal Care	10.025		11-8523-0572-CA	37,933
Total Plant and Animal Disease, Pest Control, and Animal Care				<u>217,617</u>
Specialty Crop Block Grant Program	10.170		SCB11036	<u>2,683</u>
California Department of Education				
School Breakfast Program	10.553		48-10488-6051569-01	61,612
National School Lunch Program	10.555		48-10488-6051569-01	95,323
Total Child Nutrition Cluster (10.553 and 10.555)				<u>156,935</u>
California Department of Public Health				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		4260	2,359,334
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		4260	269,269
California Department of Social Services				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		1946001347-A7	5,232,806
Total State Administrative Matching Grants for Supplemental Nutrition Assistance Program				<u>5,502,075</u>
Subtotal - Pass Through Programs				<u>8,238,644</u>
Total U.S. Department of Agriculture				<u>8,262,797</u>
U.S. Department of Housing and Urban Development				
Direct Programs:				
Section 8 Housing Assistance Payments Program	14.195		N/A	2,200,488
Community Development Block Grant/Entitlement Grants	14.218		N/A	423,716
Supportive Housing Program	14.235		N/A	467,306
Economic Development Initiative-Special Project	14.251		N/A	184,897
Subtotal Direct Programs				<u>3,276,407</u>
Pass Through Programs:				
California Department of Housing and Community Development				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		08-EDEF-5892	105,632
Home Investment Partnerships Program	14.239		10-HOME-6860	7,490
California Department of Public Health				
Housing Opportunities for Persons with AIDS	14.241		4260	425,761
Subtotal - Pass Through Programs				<u>538,883</u>
Total U.S. Department of Housing and Urban Development				<u>3,815,290</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SOLANO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Agency			
Pass-Through Agency	CFDA	Agency	Program
Federal Program Title	Number	Pass-Through	Expenditures
		Number	
U.S. Department of Interior			
Direct Program			
Coastal Impact Assistance Program (CIAP)	15.426	N/A	\$ 22,391
Total U.S. Department of Interior			22,391
U.S. Department of Justice			
Direct Programs:			
Law Enforcement Assistance - Narcotics and Dangerous Drugs - Laboratory Analysis	16.001	N/A	122,723
Supervised Visitation, Safe Havens for Children	16.527	N/A	60,416
Drug Court Discretionary Grant Program	16.585	N/A	14,878
Edward Byrne Memorial State and Local Law Enforcement Assistance	16.580	N/A	1,673
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	N/A	233,083
State Criminal Alien Assistance Program	16.606	N/A	283,406
Bulletproof Vest Partnership Program	16.607	N/A	3,060
Public Safety Partnership and Community Policing Grants	16.710	N/A	147,104
Second Chance Act Prisoner Reentry Initiative	16.812	N/A	329,405
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	843
Subtotal - Direct Programs			<u>1,196,591</u>
Pass Through Programs:			
California Emergency Management Agency			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC11240480	250,636
Suisun City			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3139	4,238
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>255,717</u>
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	16.803	ZP09010480 & ZM9010480	4,074
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	16.803	095-00000	72,076
Total Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories			<u>76,150</u>
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804	ZA09010480	112,040
JAG Program Cluster (16.738, 16.803, and 16.804)			<u>443,907</u>
California Emergency Management Agency			
Juvenile Accountability Block Grants	16.523	CSA 103-07/CSA 103-10	50,142
Crime Victim Assistance	16.575	VW10290480	125,641
Subtotal - Pass Through Programs			<u>618,847</u>
Total U.S. Department of Justice			1,815,438

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SOLANO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Agency			
Pass-Through Agency	CFDA	Agency	Program
Federal Program Title	Number	Pass-Through	Expenditures
U.S. Department of Labor		Number	
Pass Through Programs:			
California Employment Development Department			
WIA Adult Program	17.258	K074176	\$ 91,320
WIA Adult Program	17.258	K178695	815,366
WIA Adult Program	17.258	K282509	821,579
Total WIA Adult Program			<u>1,728,265</u>
WIA Youth Activities	17.259	K178695	179,877
WIA Youth Activities	17.259	K282509	854,735
Total WIA Youth Activities			<u>1,034,612</u>
WIA Dislocated Workers	17.260	K074176	290,687
ARRA - WIA Dislocated Workers	17.260	K074176	145,784
Total WIA Dislocated Workers			<u>436,471</u>
WIA National Emergency Grants	17.277	K178695	75,236
WIA Dislocated Worker Formula Grants	17.278	K178695	400,835
WIA Dislocated Worker Formula Grants	17.278	K282509	1,255,573
Total WIA Dislocated Workers			<u>1,656,408</u>
Total WIA Cluster (17.258, 17.259, 17.260, 17.277, and 17.278)			<u>4,930,992</u>
Total U.S. Department of Labor			<u>4,930,992</u>
U.S. Department of Transportation			
Direct Program:			
Airport Improvement Program	20.106	N/A	121,298
Pass Through Programs:			
California Department of Transportation			
Highway Planning and Construction	20.205	5923	4,171,910
ARRA - Highway Planning and Construction	20.205	5923	6,599
Total Highway Planning and Construction			<u>4,178,509</u>
California Office of Traffic Safety (OTS)			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL 1186 Solano	10,989
California Department of Public Health			
Child Safety and Child Booster Seats Incentive Grants	20.613	4260	52,203
Subtotal - Pass Through Programs			<u>4,241,701</u>
Total U.S. Department of Transportation			<u>4,362,999</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SOLANO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Agency Pass-Through Agency Federal Program Title	CFDA Number	Agency Pass-Through Number	Program Expenditures
National Endowment for the Humanities			
Pass Through Programs:			
California State Library Grants to States	45.310	LS-00-10-0006-11	\$ 2,590
Total National Endowment for the Humanities			<u>2,590</u>
U.S. Department of Education			
Pass Through Programs:			
California Department of Rehabilitation Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	not available	40,851
Total U.S. Department of Education			<u>40,851</u>
U.S. Department of Health and Human Services			
Direct Programs:			
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	N/A	914,768
Drug-Free Communities Support Program Grants	93.276	N/A	118,094
Child Abuse and Neglect Discretionary Activities	93.670	N/A	2,685
ARRA - Grants to Health Center Programs	93.703	N/A	1,684,514
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	360,201
Subtotal - Direct Programs			<u>3,080,262</u>
Pass Through Programs:			
California Department of Public Health			
Public Health Emergency Preparedness	93.069	4260	547,009
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	4260	88,389
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	4260	36,491
Immunization Grants	93.268	4260	118,290
Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program	93.505	4260	1,068,765
National Bioterrorism Hospital Preparedness Program	93.889	4260	302,414
HIV Care Formula Grants	93.917	4260	254,830
HIV Prevention Activities - Health Department Based	93.940	4260	172,903
Preventative Health and Health Services Block Grant	93.977	4260	100
Maternal and Child Health Services Block Grant to the States	93.994	4260	2,743,638
California Department of Health Care Services			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	not available	42,158
Block Grants for Community Mental Health Services	93.958	not available	152,253
California Department of Social Services			
Guardian Assistance	93.090	194-600-1347-A7	5,880
Promoting Safe and Stable Families	93.556	194-600-1347-A7	283,898
Temporary Assistance for Needy Families (TANF)	93.558	194-600-1347-A7	29,496,881
Refugee and Entrant Assistance - State Administered Programs	93.566	194-600-1347-A7	6,577
Child Welfare Services - State Grants	93.645	194-600-1347-A7	184,619
Foster Care (Title IV-E)	93.658	194-600-1347-A7	7,551,987
Adoption Assistance	93.659	194-600-1347-A7	2,345,563
Social Services Block Grant	93.667	194-600-1347-A7	1,635,729
Chafee Foster Care Independence Program	93.674	194-600-1347-A7	160,605
California Department of Child Support Services			
Child Support Enforcement	93.563	1-94600-1347-P-9	8,050,206

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SOLANO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Agency Pass-Through Agency Federal Program Title	CFDA Number	Agency Pass-Through Number	Program Expenditures
U.S. Department of Health and Human Services (Continued)			
Pass Through Programs (continued):			
California Department of Alcohol and Drug Programs Block Grants for Prevention and Treatment of Substance Abuse	93.959	not available	\$ 2,358,997
California Department of Social Services Medical Assistance Program	93.778	194-600-1347-A7	12,198,376
California Department of Health Care Services Medical Assistance Program	93.778	not available	4,353,123
Total Medical Assistance Program			16,551,499
Subtotal - Pass Through Programs			74,159,681
Total U.S. Department of Health and Human Services			77,239,943
U.S. Department of Homeland Security			
Pass Through Programs:			
California Emergency Management Agency Emergency Management Performance Grants	97.042	095-00000	201,834
Homeland Security Grant Program	97.067	095-00000	1,276,102
Buffer Zone Protection Program (BZPP)	97.078	095-00000	193,956
Total U.S. Department of Homeland Security			1,671,892
Total Expenditures of Federal Awards			\$ 102,165,183

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SOLANO, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

NOTE 1 – GENERAL

The Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County of Solano (the County). Expenditures of federal awards received directly from federal agencies, as well as expenditures of federal awards passed through other governmental agencies, are included on the SEFA. Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix “ARRA” in the federal program title.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting and the accrual basis of accounting for program expenditures accounted for in governmental funds and proprietary funds, respectively, as described in Note I of the County’s basic financial statements.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information, and the Office of Management and Budget’s Catalog of Federal Domestic Assistance.

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying SEFA agree or can be reconciled with amounts reported in the related federal financial assistance reports.

NOTE 5 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the County’s basic financial statements.

NOTE 6 – AMOUNTS PROVIDED TO SUBRECIPIENTS

Of the federal expenditures presented in the SEFA, the County provided federal awards to subrecipients as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
Section 8 Housing Assistance Payment Program	14.195	\$ 2,200,488
Community Development Block Grants/State’s Program	14.218	423,716
Supportive Housing Program	14.235	467,306
WIA Adult Program	17.258	6,284
WIA Youth Activities	17.259	928
WIA Dislocated Worker Formula Grants	17.278	17,297
Total		<u>\$ 3,116,019</u>

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the County of Solano, California (County) as of and for the fiscal year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 28, 2012. Our report contained explanatory language describing our reliance upon the report of other auditors for the Solano County Fair. 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.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We followed up on the status of prior year matters reported to management of the County of Solano in a separate letter dated December 28, 2012.

This report is intended solely for the information and use of the County Board of Supervisors, Grand Jury, County management and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macinnis & O'Connell LLP

Sacramento, California
December 28, 2012

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Compliance

We have audited the County of Solano's, California (County) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material affect on each of the County's major federal programs for the fiscal year ended June 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the County's major federal programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-01.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-01. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the County as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated December 28, 2012. Our report contained explanatory language describing our reliance upon the report of other auditors for the Solano County Fair. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Board of Supervisors, Grand Jury, County management and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macie Mini & O'Connell LLP

Sacramento, California
January 15, 2013, except for the Schedule
of Expenditures of Federal Awards as to
which the date is December 28, 2012

COUNTY OF SOLANO, CALIFORNIA

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses	Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

Federal Program Cluster/Title	CFDA Number
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561
JAG Program Cluster:	
Edward Byrne Memorial Justice Assistance Grant Program	16.738
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	16.803
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Foster Care – Title IV-E	93.658
ARRA – Grants to Health Center Programs	93.703

Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	No

COUNTY OF SOLANO, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Reference Number: 2012-01
Federal Program Title: Temporary Assistance for Needy Families
Federal Catalog Number: 93.558
Federal Agency: U.S. Department of Health and Human Services
Pass-Through Entity: California Department of Social Services
Pass-Through Number and Year: 194-600-1347-A7; 2011
Category of Finding: Special Tests and Provisions

Criteria:

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133, *AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS (OMB CIRCULAR A-133)*, Subpart C – Federal Agencies and Pass-Through Entities, Section. 300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

TITLE 45 – PUBLIC WELFARE, PART 205.55 – Requirements for requesting and furnishing eligibility and income information. A State plan under title I, IV-A, X, XIV, or XVI (AABD) of the Social Security Act must provide that:

- (a) Except as provided in paragraph (b), the State agency will request through the IEVS:
 - (1) Wage information from the SWICA for all applicants at the first opportunity following receipt of the application and for all recipients on a quarterly basis.
 - (2) Unemployment compensation information for the agency administering the State’s unemployment compensation program under section 3304 of the Internal Revenue Code of 1954 and section 303 of the Act as follows:
 - (i) For applicants at the first opportunity following receipt of the application and in each of the first three months in which the individual is receiving aid, unless the individual is found to be receiving unemployment compensation, in which case the information will be requested until benefits are exhausted; and
 - (ii) In each of the first three months following any recipient-reported loss of employment, unless the individual is found to be receiving unemployment compensation, in which case the information will be requested until the benefits are exhausted.

COUNTY OF SOLANO, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs (Continued)

Condition:

It was noted that there were 8 cases in which there was no documentation that the County reviewed information from the Income Eligibility and Verification System (IEVS) used to help assist in the determination of the appropriate level of assistance under the program. The 8 noted cases were determined to have the appropriate level of assistance based upon subsequent review of IEVS performed for the audit.

The County is required to request information from IEVS for all applicants at the first opportunity following receipt of the application and for all recipients on a quarterly basis. In the 8 cases reported above, there was no documentation that the IEVS information had been reviewed as far back as June 2008.

Cause:

Through discussion with management, it was noted that the County did not have a system to internally track the cases to ensure that applicable compliance requirement was being met prior to January 2012. This is a continued finding from FY 2011/12, finding 2011-01. As a result of the prior year finding, management implemented a process in January 2012 to ensure the compliance requirement is being met. Per review of the testing, it appears that 7 of 8 cases had redetermination dates prior to the implementation of the new process.

Effect:

The County has not fully adhered to the internal policies and potentially could provide aid payments to applicants that are not eligible under the program guidelines.

Questioned Costs:

Since it was subsequently determined that the appropriate level of assistance was provided in the 8 noted cases, there are no questioned costs.

Recommendation:

We recommend the County continue with the newly implemented policies and procedures requiring supervisors to review their caseworkers assigned tasks on a normal basis as well as develop a mechanism to ensure that all relevant information is reviewed and documented.

Management Response and Corrective Action:

While there may not have been accurate documentation of the applicant IEVS review at redetermination in 8 of these cases, staff established eligibility correctly, ensuring that the appropriate assistance was provided, without any over or underpayments. However, the County does intend to continue the supervisor reviews and reminding staff to review and document applicant IEVS at redetermination.

COUNTY OF SOLANO, CALIFORNIA

Summary Schedule of Prior Audit Findings For the Fiscal Year Ended June 30, 2012

Reference Number: 2011-01
Federal Program Cluster/Titles: TANF Cluster:
Temporary Assistance for Needy Families
ARRA – Emergency Contingency Fund for Temporary
Assistance for Needy Families (TANF) State Program
Federal Catalog Numbers: 93.558 and 93.714
Federal Agency: U.S. Department of Health and Human Services
Pass-Through Entity: California Department of Social Services
Federal Award Numbers and Year: 194-600-1347-A7; 2010
Category of Finding: Eligibility

Criteria:

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133, *AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS (OMB CIRCULAR A-133)*, Subpart C – Federal Agencies and Pass-Through Entities, Section. 300 – Auditee Responsibilities

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

TITLE 45 – PUBLIC WELFARE, PART 205.55 – Requirements for requesting and furnishing eligibility and income information. A State plan under title I, IV-A, X, XIV, or XVI (AABD) of the Social Security Act must provide that:

- (a) Except as provided in paragraph (b), the State agency will request through the IEVS:
- (1) Wage information from the SWICA for all applicants at the first opportunity following receipt of the application and for all recipients on a quarterly basis.
 - (2) Unemployment compensation information for the agency administering the State's unemployment compensation program under section 3304 of the Internal Revenue Code of 1954 and section 303 of the Act as follows:
 - (i) For applicants at the first opportunity following receipt of the application and in each of the first three months in which the individual is receiving aid, unless the individual is found to be receiving unemployment compensation, in which case the information will be requested until benefits are exhausted; and
 - (ii) In each of the first three months following any recipient-reported loss of employment, unless the individual is found to be receiving unemployment compensation, in which case the information will be requested until the benefits are exhausted.

COUNTY OF SOLANO, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued) For the Fiscal Year Ended June 30, 2012

Condition:

During performance of testing over the eligibility requirements for the TANF Cluster, 40 active cases were reviewed and it was noted that there were 5 cases in which the County did not review information from the Income Eligibility and Verification System (IEVS) in order to help assist in the determination of eligibility and the appropriate level of assistance under the program. IEVS information contains primary and secondary social security pension data, as well as Medicaid, railroad retirement, and disability payments. It also contains earnings reported by employers on Internal Revenue Service (IRS) forms, primarily, the W-2 and 1099P. This includes regular wages, self-employment and agricultural earnings, and private and governmental pensions. The record will also contain Title II data including whether an individual is a primary or secondary beneficiary.

The County is required to request information from IEVS for all applicants at the first opportunity following receipt of the application and for all recipients on a quarterly basis. In the 5 cases reported above, there were instances where IEVS information has not been reviewed since March 2007.

Furthermore, during the review of the 40 active cases, it was also noted that there were 6 cases in which the County did not provide evidence to indicate that the appropriate review and approval of the required forms under the program took place. Specifically, we noted that four SAWS 2A, *Rights, Responsibilities and Other Important Information* forms, one SAWS 2, *Statement of Facts*, used as a multipurpose form to gather information necessary to determine eligibility for cash aid, food stamps, and/or Medi-Cal, and one SAWS 1, *Application for Cash Aid, Food Stamps, Medical Assistance and/or any General Assistance*, used as an internal application, were not signed by the applicants or eligibility workers.

The County eligibility workers are required to explain to applicants the program requirements and limitations, the applicant's rights and responsibilities, what s/he can expect from the agency and the types of different services that are being offered by the County. Furthermore, the above forms are required to be filled out by the applicant and printed out for applicant signature.

Cause:

Through discussion with management, it was noted that the County does not have a system to internally track the cases to ensure that applicable compliance requirements are being met.

Effect:

By not obtaining, reviewing and approving all of the required information and forms, the County has not fully adhered to internal policies and potentially has provided aid payments to applicants that are not eligible under program guidelines.

Questioned Costs:

Of the amounts tested, we determined that there was \$2,844 of known questioned costs.

Context:

The five cases in which the County did not review information from the Income Eligibility and Verification System (IEVS) represented \$2,844 of the \$23,051 tested. The total amount of aid payments for the current fiscal year was \$20,714,109 for the TANF Cluster.

Recommendation:

It is recommended that the County implement policies and procedures requiring supervisors to review their caseworkers assigned tasks on a normal basis as well as develop a mechanism to ensure that all relevant information is reviewed and approved as required by regulations.

COUNTY OF SOLANO, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued) For the Fiscal Year Ended June 30, 2012

Management Response and Corrective Action:

Solano County will implement a Corrective Action Plan to comply with the CalWORKS Program Single Audit that identified a need for corrective action in the following areas:

- Completion of all required signatures on the SAWS 1 (Application for Aid), SAWS 2 (Statement of Facts) and SAWS 2A (Rights and Responsibilities) and,
- Completion of Applicant IEVS at Redetermination.

The Corrective Action Plan is a concentrated effort on the part of the county to improve services by the correct application of regulations. Specific actions have been outlined to prevent these errors from recurring. Implementation of the corrective action will be accomplished through the Management Team and the CalWORKs Corrective Action Team (CCAT).

It is Solano County's policy that the SAWS 1 (Application for Aid), SAWS 2A (Rights and Responsibilities) and the SAWS 2 (Statement of Facts) forms be reviewed and signed appropriately. Caseworkers are required to:

- Review the SAWS 2A with the applicant or recipient to determine that it is understood
- Review the Statement of Facts for completeness
- Initiate the required case actions based upon information provided on the forms
- Ensure the forms have been signed and dated by the applicant or recipient
- Document the County Use Section, which requires the worker's signature and date

In addition, Applicant Income and Eligibility Verification System (IEVS) is required to be reviewed for CalWORKs at Application and Redetermination. Caseworkers are required to:

- Review the Applicant IEVS information and record results in CalWIN at every application
- Request and review Applicant IEVS from CalWIN at every Redetermination.
- Initiate case action as appropriate based upon information received from IEVS

A CCAT will be formed in January 2012 to study and make recommendations to improve performance. This team will be comprised of Management, Supervisors, Quality Assurance Staff and the CalWORKs Program Specialist who will meet monthly to monitor the CalWORKs Corrective Action Plan and provide ongoing support structure for the CalWORKs program.

In addition, the CCAT will perform focused case reviews for an initial three (3) month period. This is to ensure that regulations are being adhered to and provide a measure of accountability for staff.

- A total of three (3) cases per month per worker will be selected to conduct focused reviews on the completion of SAWS1, 2, 2A and required signatures; and, three (3) cases per month per worker will be selected to conduct focused reviews on the applicant IEVS to continue for an initial three-month period and if accuracy is below 95% to follow up with another three month review period as above..

Supervisors will provide in-service training to line staff, which will include a "Back to Basics" curriculum, CalWIN processes, how to request an applicant/recipient IEVS, and mandated requirements for county forms to be signed and dated by the caseworker and applicant or recipient.

COUNTY OF SOLANO, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued) For the Fiscal Year Ended June 30, 2012

The Case Review Checklist was revised. The checklist is designed to monitor and track error trends.

- Case review information will be forwarded to the Management team for monitoring, assessment, and corrective action on a monthly basis.

Staff has been instructed to follow our existing CalWIN Policy and Procedures of processing IEVS applicant and recipient information.

Solano County is committed to improving the standards in regulatory application processes and requirements. On-going case review monitoring of application standards and in-service training are designed to improve standards in the CalWORKs program.

Status:

The Solano County Department of Health & Human Services – CalWORKS division, formed CCAT effective January 1, 2012, implementing policies and procedures to ensure the completions of all required signatures on the SAWS1 (Application for Aid), SAWS 2 (Statement of Facts) and SAWS 2A (Rights and Responsibilities) and the completion of Applicant IEVS at Redetermination. Upon testing of the program in FY 2011/12, the completion of the required signatures for SAWS 1, SAWS 2, SAWS 2A was met, therefore this part of the condition has been resolved. However, see finding 2012-01 for continuation of the IEVS part of the condition.

COUNTY OF SOLANO, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

Reference Number: 2011-02
Federal Program Title: Child Support Enforcement
ARRA – Child Support Enforcement
Federal Catalog Number: 93.563
Federal Agency: U.S. Department of Health and Human Services
Pass-Through Entity: California Department of Child Support Services
Federal Award Number and Year: 1-94600-1347-P-9; 2010
Category of Finding: Special Tests and Provisions – Establishment of Paternity and Support Obligations

Criteria:

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133, *AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS (OMB CIRCULAR A-133)*, Subpart C – Federal Agencies and Pass-Through Entities, Section. 300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

TITLE 22 – SOCIAL SECURITY, DIVISION 13 – DEPARTMENT OF CHILD SUPPORT SERVICES, CHAPTER 6 – ENFORCEMENT ACTIONS, SUBCHAPTER 6.1 – IMMEDIATE ENFORCEMENT ACTIONS, ARTICLE 1 – INCOME WITHHOLDING ORDERS, Section 116100 – Preparing and Serving an Income Withholding Order – General Requirements and Timeframes

- (C) An income withholding order and the documents specified in subsection (b) shall be served on an obligor’s employer:
 - (1) Within 15 days of the following:
 - (A) The date the support order is received by the local child support agency, if the address of the obligor’s employer is known on that date.
 - (2) Within two business days after the date information regarding a newly hired employee is entered into the State Directory of New hires.

TITLE 45 – PUBLIC WELFARE, PART 303.32 – NATIONAL MEDICAL SUPPORT NOTICE, SUBPART C

- (2) The State agency must transfer the NMSN to the employer within two business days after the date of entry of an employee who is an obligor in a IV-D case in the State Directory of New Hires.

COUNTY OF SOLANO, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

TITLE 45 – PUBLIC WELFARE, PART 303.4 – ESTABLISHMENT OF SUPPORT OBLIGATIONS

- (a) When necessary, establish paternity pursuant to the standards of §303.5;
- (d) Within 90 calendar days of locating the alleged father or noncustodial parent, regardless of whether paternity has been established, establish an order for support or complete service of process necessary to commence proceedings to establish a support order and, if necessary, paternity (or document unsuccessful attempts to serve process, in accordance with the State's guidelines defining diligent efforts under §303.3(c)).

2010 CALIFORNIA CODE: FAMILY CODE, DIVISION 13, ADOPTION, CHAPTER 2 – CHILD SUPPORT ENFORCEMENT, ARTICLE 1 – SUPPORT OBLIGATIONS, Section 17401

If the parent who is receiving support enforcement services provides to the local child support agency substantial, credible, information regarding the residence or work address of the support obligor, the agency shall initiate an establishment or enforcement action and serve the defendant, if service is required, within 60 days and inform the parent in writing when those actions have been taken. If the address or any other information provided by the support obligee is determined by the local child support agency to be inaccurate and if, after reasonable diligence, the agency is unable to locate and serve the support obligor within that 60-day period, the local child support agency shall inform the support obligee in writing of those facts. The requirements of this section shall be in addition to the time standards established by the Department of Child Support Services pursuant to subdivision (l) of Section 17400.

Condition:

During performance of testing over the special tests and provisions requirements for the Child Support Enforcement program, 40 active cases were reviewed and it was noted that there was 1 case in which the County did not serve the National Medical Support Notice (NMSN) within 15 days of receipt of the court order or attempt to secure medical support information and establish and enforce medical support obligations for the individual eligible. The Local Child Support Agency (LCSA) must serve the employer the NMSN within 2 business days of intercept of the new employee information from the National Directory of New Hires (NDHN) or 15 calendar days (if by another source) of the date an employer was known. Furthermore during our testing of the 40 active cases, we identified 2 cases in which the County did not attempt to establish paternity and support obligations within the 60 or 90 day timeframe. When paternity is at issue, the (LCSA) is required to attempt to establish paternity. They must attempt to establish paternity within 60 calendar days of receiving information from the custodian parent or 90 calendar days of receiving information through a source other than the custodian parent. The LCSA must complete service of process or document unsuccessful attempts to serve process in accordance with guidelines defining diligent efforts.

Cause:

Through discussions with management, it was noted that the County does not have a system to internally track the cases to ensure compliance requirements are being met. The only way the County can track cases is through the state-wide child support system (CCSAS-CSE), which alerts caseworkers of upcoming deadlines on their assigned cases based on compliance requirements (deadlines). In these two instances, the deadlines were missed.

Effect:

The County is exposed to missing compliance requirement deadlines and possibly grantor sanctions.

COUNTY OF SOLANO, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

Questioned Costs:

There are no known questioned costs.

Recommendation:

It is recommended that the County implement policies and procedures requiring supervisors to review their caseworkers' assigned tasks within the CCSAS-CSE system on a normal basis.

Management Response and Corrective Action:

The Department acknowledges that the NMSN was not served within the required timeframe. Furthermore, the Department also acknowledges that Service of Process was not attempted within the 60 or 90-day required timeframe. The Department will implement policies and procedures to ensure that both delivery of the NMSN and Service of Process is attempted within the required timeframe.

Status:

The Solano County Child Support Services Department implemented policies and procedures to ensure the delivery of the NMSN and Service of Process is attempted in required timeframe. This condition was tested in PY 2011-12 without exception, therefore this condition is considered resolved.

COUNTY OF SOLANO, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

Reference Number: 2011-03
Federal Program Title: Foster Care (Title IV-E)
ARRA – Foster Care (Title IV-E)
Federal Catalog Number: 93.658
Federal Agency: U.S. Department of Health and Human Services
Pass-Through Entity: California Department of Social Services
Federal Award Number and Year: 194-600-1347-A7; 2010
Category of Finding: Allowable Costs

Criteria:

OMB Circular A-133 Sec .105 – Internal Control Pertaining to the Compliance Requirements for Federal Programs

Internal control over Federal programs means a process--affected by an entity's management and other personnel--designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs:

- (1) Transactions are properly recorded and accounted for to:
 - (i) Permit the preparation of reliable financial statements and Federal reports;
 - (ii) Maintain accountability over assets; and
 - (iii) Demonstrate compliance with laws, regulations, and other compliance requirements;
- (2) Transactions are executed in compliance with:
 - (i) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
 - (ii) Any other laws and regulations that are identified in the compliance supplement; and
- (3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

OMB Circular OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments". The individual State/local departments or agencies (also known as operating agencies) are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement under Federal awards, the department or agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with A-87.

- (a) Be necessary and reasonable for the performance and administration of Federal awards
- (b) Be allocable to Federal awards under the provisions of A-87.
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, paragraph C.4 for additional information on applicable credits.)
- (j) Be adequately documented.

COUNTY OF SOLANO, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued) For the Fiscal Year Ended June 30, 2012

Condition:

During testing of the indirect cost rate plan, it was noted that management was not able to provide supporting documentation for an amount of \$329,976, which was represented to be an allocation of pension obligation bonds (POB) repayment. As a result of additional research by management, it was determined that the POB repayment amount was already considered and allocated as part of the overhead/administration support costs and should not have been re-allocated under a separate POB repayment line item. This resulted in a double claiming of expenditures, resulting in a higher indirect cost rate, which caused an overstatement of indirect costs submitted for reimbursement from the awarding agency.

Cause:

There is no indication that a review of amounts used to calculate the department's indirect cost rate for overhead/administration support was conducted during the year. As a result, the consideration of POB repayment was not detected and included twice when determining the indirect cost rate for overhead/administration support for the current year.

Effect:

During the first three quarters of the year, the County claimed program expenditures in excess of allowable costs by incorrectly including POB repayments in the calculation of the indirect cost rate.

Questioned Costs:

For the first three quarters there was a total questioned cost of \$5,274, however, as a result of the discovery of the issue, management has since corrected the 4th quarter claim, and reduced the amount claimed in the 4th quarter by amounts over-claimed in the first three quarters.

Recommendation:

It is recommended that management implement policies and procedures to ensure all indirect cost rate calculations are reviewed and approved by someone independent of the preparation process to ensure accuracy in calculation.

Management Response and Corrective Action:

Probation agrees with the preliminary finding regarding questioned costs resulting from use of its indirect cost rate (ICR). In response, Probation revised its ICR, recalculated allowable costs for quarters 1 through 3 and determined the claimed cost overage. Probation then used the revised ICR to complete the 4th quarter claim, adjusting its 4th quarter allowable costs by the overage. As a result, the total fiscal year costs claimed were allowable. Going forward, Probation will work annually with the Auditor-Controller's Property Tax-Grants Division to review and approve Probation's ICR used for Title IV-E claiming.

Status:

The Solano County Department of Probation worked with Auditor-Controller's Property Tax-Grants Division and reviewed and approved the Probation's ICR used for Title IV-E claiming in FY 11/12. Based on testing of the program in FY 2011/12, this issue is considered resolved.