



MAY 7, 2024

FISCAL YEAR 2022-23 AUDIT PROGRESS REPORT

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County of Mendocino

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OVERVIEW

The County of Mendocino Fiscal Year (FY) 2022-23 Audit Progress Report contains updates on the status of the outside financial audit, obstacles encountered, a list of pending items to address, and Teeter plan management. The report also includes an unaudited financial report of **County General Fund (Fund 1100)** expenditures, revenues, and fund balances, for the period fiscal year ended June 30, 2023.

Please note, future presentations will include non-general fund information, but due to this being the first-time financials are being presented, and the topics being covered, it was determined prioritizing general fund was ideal.

County staff, with guidance from Regional Government Services (RGS), has been working over the last quarter to finalize the close for the fiscal year ended June 30, 2023. RGS was contracted in October 2022 but was not brought on board to assist the County until October 2023. The closing of the books has been challenging, due to various factors, but the challenges have allowed the Auditor Controller's Office to reevaluate practices and implement new standards which will allow for a timely close process and more importantly the changes increase transparency and accountability.

PROGRESS REPORT

Audit Status

The County is contracted with CliftonLarsonAllen LLP (CLA) to conduct the annual financial audit, single audit, and creation of the Annual Comprehensive Financial Report (ACFR). The County is on track to receive the finalized audits and ACFR by May 31, 2024.

Challenges Encountered Being Addressed

During the close out process, staff encountered several issues that required research and additional work to resolve.

Below is a list of significant challenges encountered during the close process which are being addressed.

- Equity accounts had to be reconciled to the FY2021-22 ACFR
 - Historically the outside auditor's adjusting journal entries were not recorded or partially recorded in Munis so the fund balances were not accurate.
 - Various adjustments were compiled into one large entry, which was tracked by the outside auditors and updated annually making it difficult to understand impacts year over year.
 - The reconciliation resulted in significant adjustments.
 - The General Fund Equity account drives the carryforward balance.
 - Governmental Accounting Standards Board (GASB) 84 concerning accounting for Fiduciary Activities was not implemented by the County and had to be reconciled based on information provided by the outside auditors.
- The Interest Pool has been over apportioned to other agencies
 - Will work with affected agencies to recoup the overallocated amount.

- Uncollected property tax under the Teeter plan have historically been tracked outside Munis
 - While the ACFR called out the uncollected amount of property tax, the amount and impact has not been fully transparent.

Pending Tasks to Address

Below is a partial list of tasks pending to be addressed.

- Create and/or update multiple policy and procedures within the Auditor-Controller/Treasurer-Tax Collector Offices.
- Deactivate accounts which have had no activity for years
- Fixed asset workflow and accounting process
- Grant funds set up as multi-year funds will be converted to annual budgeted funds
- Implement Munis bank reconciliation process
- Review trust/designated reserve accounts to ensure set-up is proper
 - Currently there are various reserves set up as balance sheet accounts that should be set up as revenue/expense accounts
 - This will allow activity to be budgeted for and for proper appropriations
- Training for staff within the Auditor-Controller's office to ensure staff is up to date with current GASB and Generally Acceptable Accounting Principles (GAAP) requirements.
- Training for departmental fiscal staff
- Work with POB Bond Agent for maximizing interest rate of return.
- The County utilizes Munis for budget and financial tracking and reporting purposes. Munis is a powerful tool, but the County has been under-utilizing Munis, partially due to past practices, but also due to how the system was set-up. While the system was set up well-enough for the County to operate, there are areas for improvement and efficiencies to be gained. Making changes to improve efficiency will require resources. Some efficiencies can be gained by means of the following items:
 - Utilize modules not currently being used such as bank reconciliation Manager and fixed asset tracking.
 - The implementation of multiple upgrades at once has caused extra challenges.
 - Modernize the Chart of Accounts (COA) to make full use of the segments available for financial reporting. Currently, the COA utilizes a small fraction of the options available, causing departments to use Excel worksheets to track and report what Munis track appropriately. Additionally, the County's current COA setup is not traditional and can be confusing.

Teeter Plan Management

As part of the close process staff became aware there is currently \$14.2 million of June 30, 2023, in defaulted property taxes, and an additional \$8.4 million which defaulted July 1, 2023. All agencies have been paid their full allotment under the Teeter Plan. The County is carrying this amount as a receivable in the Tax Resources Fund.

Additionally, the Tax Resource Fund was operating in a deficit cash balance, therefore a due to General Fund and a due from Tax Resource fund of \$5.5 million was required to be booked.

Lastly, there is a requirement to maintain 25% of the total delinquent secured taxes in the tax loss reserve, which required an additional \$5.4 million to be transferred from the General Fund to bring the balance to the minimum requirement.

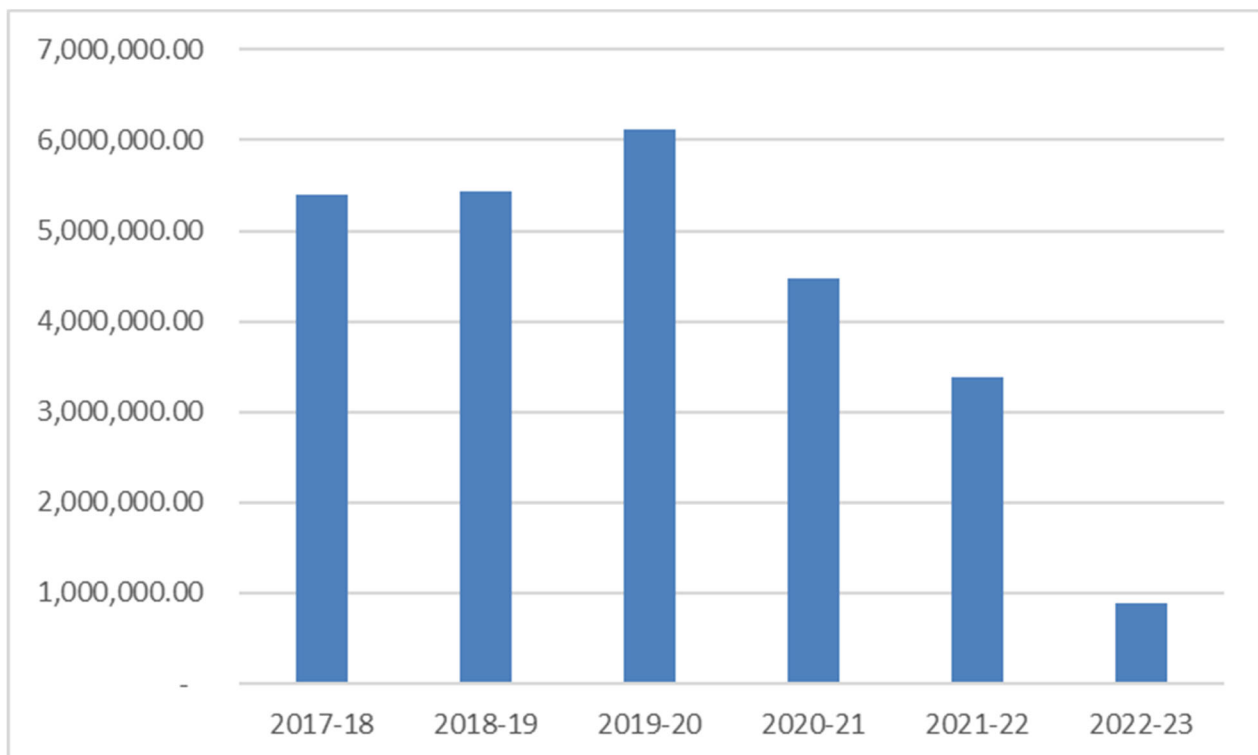
The County has the potential to recoup the defaulted amounts through the property auction process. The Treasurer/Tax Collector Office anticipates completing a Tax Sale in Fiscal Year 2024/25. As discussed before, the last Tax Sale was in 2019.

CARRY FORWARD

The General Fund “Fund Balance Available” also known by the County and public as carry forward is the balance of the general fund which is available to be utilized in the following years.

The anticipated **unaudited** fund balance for FY Ended June 30, 2023 is **\$888,425**. This is subject to change with audit adjustments.

The graph below is a trend of carry forward amounts for the last 6 fiscal years. As you will see the carryforward for FY Ended June 30, 2023 is significantly less than prior years. It is uncertain how prior year’s carryforward balances were calculated based on the fact adjusting entries were not entered into Munis. The County is currently unable to explain the change in amounts year over year.



Unaudited Year-to-Date (YTD) Budget vs Actuals – GENERAL FUND ONLY (FUND 1100)

SUBJECT TO CHANGE AS THE AUDIT HAS NOT BEEN FINALIZED (Ex: Fair Market Value Adj)

Items to Note:

- Variance does NOT equate to a carryforward as there are other transactions which hit the fund balance directly. Until all accounts can be reviewed in Munis for proper set up, the variance total should not be thought of as additional funding available for budgeting purposes.
- Balances below will not total amounts presented in the General Fund section of the ACFR. The General Fund section of the ACFR includes other funds outside of the General Fund 1100, such as realignment.

Category	Revised Budget	YTD Actual	Variance
Revenue	\$247,499,873	\$238,155,665	\$9,344,208
Expense	\$258,672,952	\$243,785,031	\$14,914,921
Total (Over)/Under	(\$11,173,079)	(\$5,602,366)	\$5,570,713

Budget Unit	Budget Unit Description	Revised Budget	YTD Actual	Variance	% of Budget Spent
1000	NON-DEPARTMENTAL REVENUE	(70,665,937)	(72,142,756)	1,476,819	102.1%
1010	CLERK OF THE BOARD	495,565	443,250	52,315	89.4%
1015	BOARD OF SUPERVISORS	1,015,002	961,227	53,775	94.7%
1020	COUNTY EXECUTIVE OFFICE	1,239,558	1,430,696	(191,139)	115.4%
1110	AUDITOR-CONTROLLER	951,635	1,377,338	(425,703)	144.7%
1120	ASSESSOR	2,256,318	2,078,725	177,593	92.1%
1130	TREASURER-TAX COLLECTOR	271,896	271,896	-	100.0%
1140	PAYROLL ADMINISTRATION	162,558	355,431	(192,873)	218.6%
1150	FISCAL SERVICES	-	50,509	(50,509)	
1160	CENTRAL SERVICES	581,532	551,541	29,991	94.8%
1210	COUNTY COUNSEL	1,232,005	1,307,108	(75,104)	106.1%
1320	HUMAN RESOURCES	1,853,176	1,762,837	90,339	95.1%
1410	COUNTY CLERK-ELECTION	580,256	408,595	171,661	70.4%
1610	FACILITIES	5,148,377	4,757,896	390,481	92.4%
1620	FLEET MANAGEMENT	52,808	163,592	(110,784)	309.8%
1810	ECONOMIC DEVELOPMENT	709,283	738,328	(29,045)	104.1%
1910	LAND IMPROVEMENT	935,001	790,496	144,505	84.5%
1930	TEETER PLAN	-	3,803,376	(3,803,376)	
1940	MISCELLANEOUS BUDGET	3,021,970	1,147,793	1,874,177	38.0%
1941	CLERK-RECORDER	(87,055)	81,150	(168,205)	-93.2%
1960	INFORMATION SERVICES	4,292,240	4,185,390	106,850	97.5%

Budget Unit	Budget Unit Description	Revised Budget	YTD Actual	Variance	% of Budget Spent
2012	COURT COLLECTIONS PROGRAM	(69,868)	(284,082)	214,214	406.6%
2060	GRAND JURY	69,180	49,387	19,793	71.4%
2070	DISTRICT ATTORNEY	6,203,098	5,513,230	689,868	88.9%
2080	PUBLIC DEFENDER	3,732,769	3,590,367	142,402	96.2%
2085	ALTERNATE DEFENDER	1,028,780	1,039,395	(10,615)	101.0%
2086	CONFLICT DEFENDER	126,488	147,475	(20,987)	116.6%
2090	CHILD SUPPORT SERVICES	(143,769)	(153,469)	9,700	106.7%
2310	SHERIFF - CORONER	17,010,950	17,685,191	(674,241)	104.0%
2510	JAIL AND REHABILITATION CENTER	10,432,285	10,427,413	4,872	100.0%
2550	JUVENILE HALL	2,354,475	2,085,047	269,427	88.6%
2560	PROBATION OFFICER	2,062,228	1,733,270	328,959	84.0%
2710	AGRICULTURE DEPT	514,116	261,022	253,094	50.8%
2810	CANNABIS MANAGEMENT	39,665	916,340	(876,675)	2310.2%
2830	OFFICE OF EMERGENCY SERVICES	848,754	153,205	695,549	18.1%
2851	PLANNING & BUILDING SERVICES	3,564,548	2,543,759	1,020,789	71.4%
2860	ANIMAL CARE	1,000,000	1,213,886	(213,886)	121.4%
3050	DOT - ROUND VALLEY AIRPORT	209,029	174,422	34,607	83.4%
3060	DOT - LITTLE RIVER AIRPORT	289,763	44,125	245,638	15.2%
4010	PUBLIC HEALTH ADMINISTRATION	59,626	(278,544)	338,170	-467.2%
4011	ENVIRONMENTAL HEALTH SUBSTANCE USE DISORDER	143,734	213,046	(69,313)	148.2%
4012	TREATMENT	101,950	(21,690)	123,640	-21.3%
4013	PUBLIC HEALTH NURSING	186,513	1,235,608	-	662.5%
4016	EMERGENCY MEDICAL SERVICES	1,484,002	1,306,262	177,740	88.0%
4025	EMPLOYEE WELLNESS/ASSISTANCE	-	485	(485)	
4070	COUNTY MEDICAL SERVICES PROG	-	32,051	(32,051)	
4073	TRANSITIONAL HOUSING	493,644	61,496	432,148	12.5%
4080	CALIFORNIA CHILDREN'S SERVICES	(76,146)	(191,378)	115,232	251.3%
4510	TRANSPORTATION - SOLID WASTE	(79,687)	(231,097)	151,410	290.0%
5010	SOCIAL SERVICES ADMINISTRATION	42,219	20,386	21,833	48.3%
5130	CAL WORKS/FOSTER CARE	1,741,285	72,260	1,669,025	4.1%
5170	IN HOME SUPPORTIVE SERVICES	2,251,203	231,675	2,019,528	10.3%
5190	GENERAL RELIEF	511,549	551,903	(40,354)	107.9%
6210	FARM ADVISOR	259,712	218,759	40,952	84.2%
7010	PARKS	320,000	292,719	27,281	91.5%
7110	CULTURAL SERVICES	414,800	424,023	(9,223)	102.2%
Grand Total		11,173,079	5,602,366	5,570,713	50.1%

Below are a few comments about the larger variances

- Public Health Nursing – funds being used to offset expense were applied directly to fund balance
- Cal Works/Foster Care and In Home Support Services – utilized realignment to cover expenses and offset general fund

Unaudited Balance Sheet as of June 30, 2023 – GENERAL FUND ONLY (FUND 1100)

Below is a recap of the unaudited balance sheet for the General Fund (Fund 1100) only as of June 30, 2023.

Please note the balances highlighted in blue below have been committed by the Board during FY2023/24 budget hearings for use in FY2023/24.

Account Name	End Balance
Cash In Treasury	25,369,013
Cash--Imprest	5,214
Other Cash In Bank	97,858
Cash-Fair Value Investments	(728,362)
Accounts Receivable	687,443
Due From Other Governments	2,148,705
Taxes Receivable	3,712,252
Other Receivables	7,470,595
Due From Other Funds	5,500,566
Inventory	159,332
Airport Inventory	42,713
Postage Inventory	25,827
Total Assets	44,491,156
Accounts Payable	5,438,204
Accrued Payroll & Benefits	2,480,707
Stale Checks	215,108
Active Card Integration Payable	334,990
Deferred Revenue	836,058
Unearned Revenue	171,435
Reserve For Encumbrances	964,715
Reserve For Inventory	227,871
Reserve For Imprest Cash	4,914
Total Liability	10,674,002
Unavailable Revenue	6,513,297
Total Deferred Inflows of Resources	6,513,297
Fund Balance-Available	888,425
Tax Collector Trust	1,274,364
County Misc. Trust	878,567
FBR General Reserve	10,287,010
FBR Gen Plan Update	2,726,962
FBR Spay/Neuter Deposit	233,332
FBR Child Car Seat Program	7,083
FBR Sheriff Vehicle Replace	134,670
FBR Civil Automation	84,574
Warrant System Update	116,296
FBR Pub Health Automation	100,375

Account Name	End Balance
FBR CCS Travel	53,295
FBR Alcohol Abuse Education	43,934
FBR Drug Abuse Education	72,511
FBR HHSA Audit Adjustment	1,000,000
FBR Calworks/As/Fam Conn	995,633
FBR CSOC DSS	1,965,208
FBR Animal Rescue	31,596
FBR TCM Audit	76,118
Probation CCP Plan & Training	138,248
Retirement Contribution	3,298,283
FBR Additional Teeter Reserve	325,844
Transitional Housing	403,095
2017 Wildfire PG&E Settlement	668,434
2022 Cops Related Projects	1,500,000
Total Fund Balances	27,303,857
Total Liabilities/Deferred Inflows of Resources, and Fund Balances	44,491,156

Signs have been reversed from standard accounting practices to help with presentation purposes.

LONG TERM DEBT

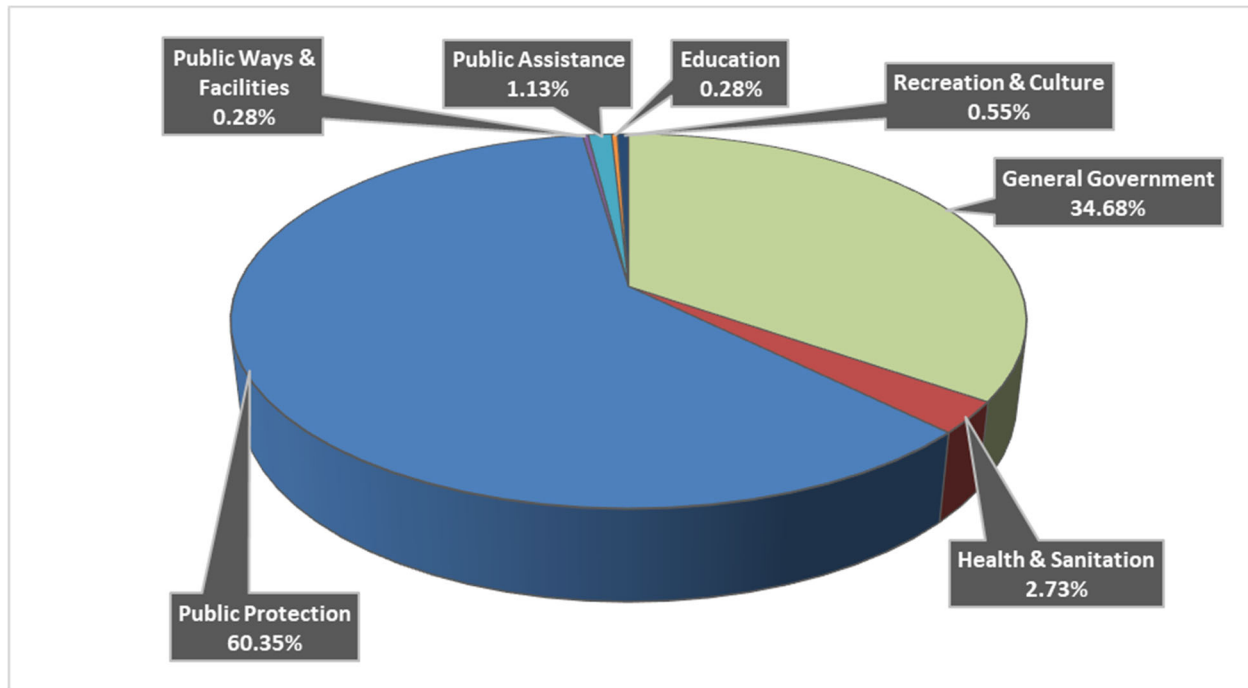
Below is a recap of the long-term debt as of June 30, 2023.

GL Description	GL Account	June 30, 2023	Notes
2002 Pension Obligation Bonds (POB)	600001	27,860,000	Expense to departments ends FY25/26
2022 Refunded Certificate of Participation (COP)	600003	20,855,000	2012 portion of COP will end in FY29/30
Landfill Closure/ Post	600004	9,968,913	
Compensated Absences	600005	6,755,757	
Lease Liabilities	600006	4,854,044	
SBITA Liability	600007	2,527,472	Subscription Based IT Agreements (SBITA)
Liability for Self-Insurance	600009	1,234,090	
Premium - 2022 COP	600010	1,522,369	
2022 Refunding COP	600008	83,874	Interest Payable
2002 POBs	600008	619,409	Interest Payable
Long Term Debt Balance		76,280,928	

GENERAL FUND (FUND 1100) EXPENSE AND REVENUE GRAPHS

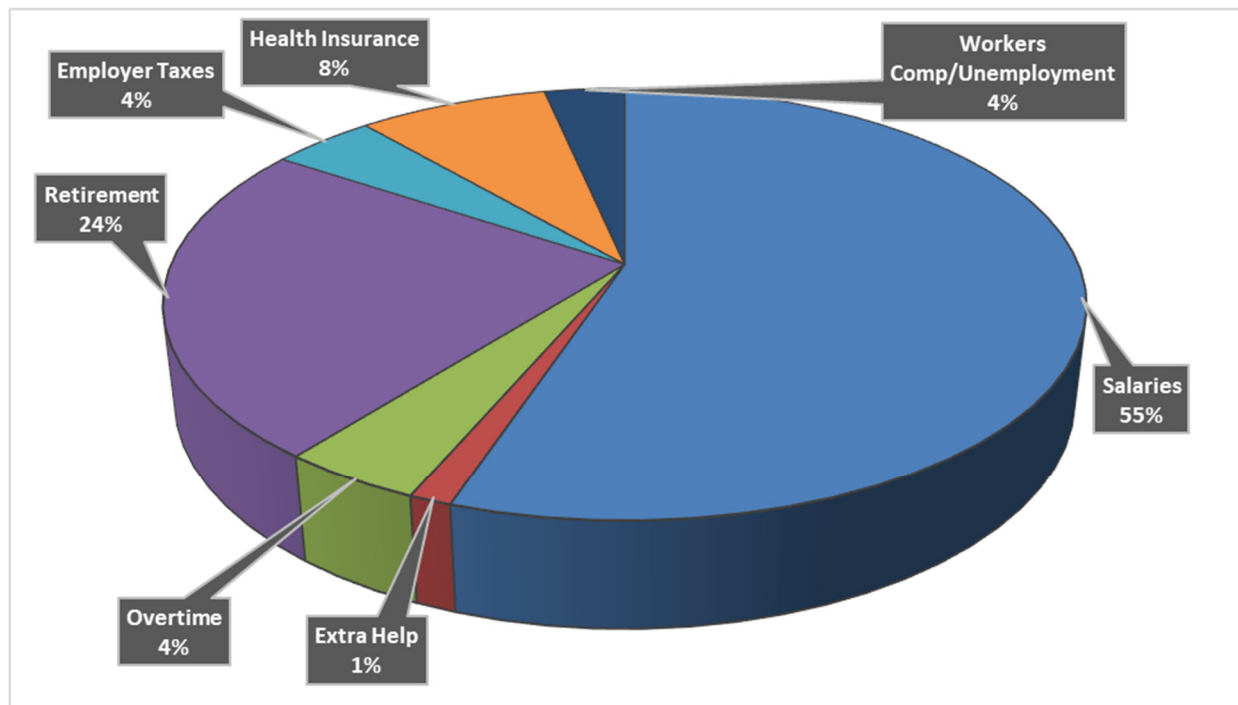
General Fund (Fund 1100) Budget Units – Net Revenue and Expenses by Functional Area (Excludes ND)

The following chart excludes Budget Unit 1000, Non-Department Revenue (ND) as ND is utilized for all general fund functional areas.

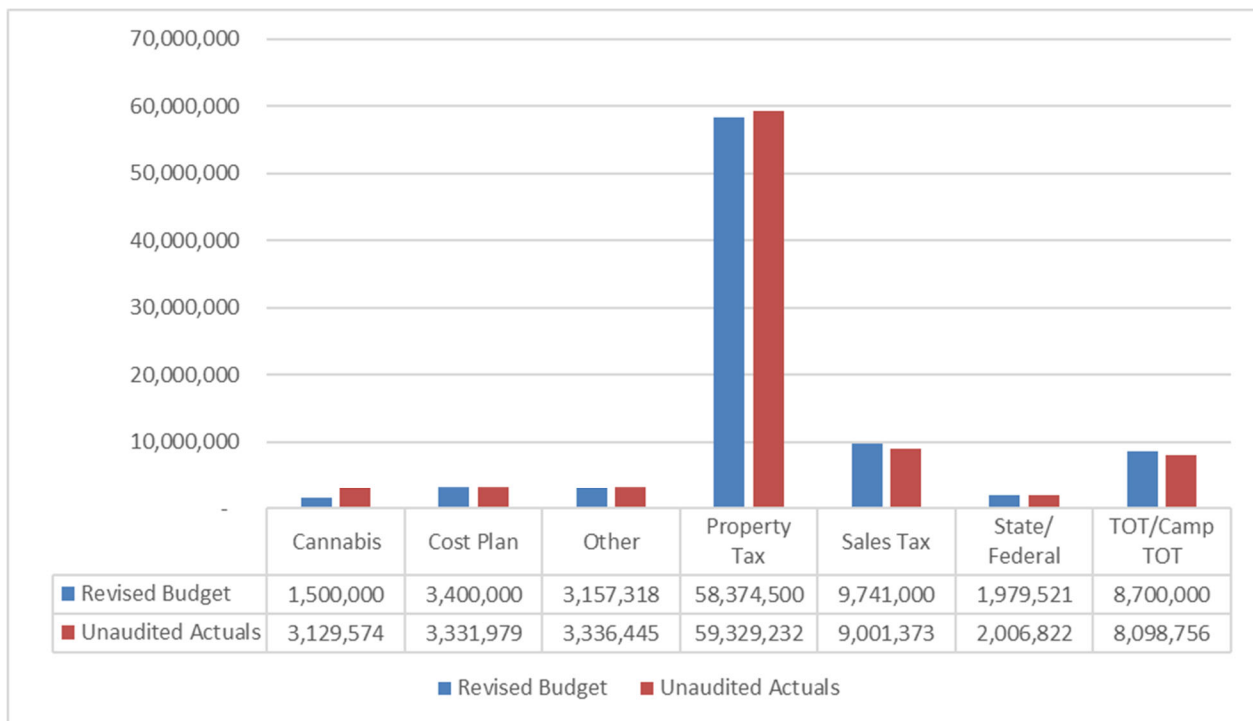


<div>General Government</div> <div><ul style="list-style-type: none">Assessor Clerk RecorderAuditorBoard of SupervisorsCounty CounselExecutive OfficeHuman ResourcesTax Collector</div>	<div>Public Protection</div> <div><ul style="list-style-type: none">AgricultureAnimal Care and ControlCannabisChild SupportDistrict AttorneyPlanning and BuildingProbationPublic/Alternate DefenderSheriff - Coroner</div>	<div>Public Way & Facilities</div> <div><ul style="list-style-type: none">Department of Transportation</div>	<div>Health & Sanitation</div> <div><ul style="list-style-type: none">Behavioral HealthPublic HealthSolid Waste (DOT)</div>	
		<div>Public Assistance</div> <div><ul style="list-style-type: none">Social Services</div>	<div>Education</div> <div><ul style="list-style-type: none">Farm AdvisorLibrary</div>	<div>Recreation & Culture</div> <div><ul style="list-style-type: none">Museum</div>

General Fund (Fund 1100) Budget Units – Categorization of Salaries/Benefits



Non-Departmental Revenue – Categorization of Revenue (Excludes Transfers In and Out)



Other Consists of: Timber Yield Tax, Franchise Fees, Interest, Settlements, Year End Adjustments

ADJUSTING JOURNAL ENTRIES TO BALANCE EQUITY TO FY2021-22 ACFR

The following entries were recorded to have the FY2022-23 beginning balance/equity in Munis match the ending balance of the FY2021-22 ACFR. The items highlighted in green were impacts to revenue and expense accounts.

Please note the entries recorded below in yellow relate to the Teeter plan and had to be reversed out in FY2022-23 due to having a better understanding of the data. The balances for the Teeter should not have been recorded in General Fund, but instead in Tax Resources Fund.

Fund	Fund Description	Org	Org Description	Object/Account	Description	Debit	Credit	Net
1100	General Fund	1100	General Fund	010000	Cash in Treasury	7,720,761	4,039,232	3,681,529
1100	General Fund	1100	General Fund	130008	Tax Receivable Delinquent	16,599,808	-	16,599,808
1100	General Fund	1100	General Fund	130009	Allowance for Uncollectible Taxes	-	14,502,792	(14,502,792)
1100	General Fund	1100	General Fund	610002	Unavailable Revenue	-	6,661,873	(6,661,873)
1100	General Fund	1100	General Fund	750000	Fund Balance Available	8,113,174	3,307,637	4,805,537
1100	General Fund	1100	General Fund	760257	Tax Collector Trust	-	1,274,364	(1,274,364)
1100	General Fund	1100	General Fund	760259	County Misc Trust	-	878,567	(878,567)
1100	General Fund	1100	General Fund	760271	Capital Replacement Reserve-Vehicle	705,462	705,462	-
1100	General Fund	1100	General Fund	760341	Equity	-	1,262,715	(1,262,715)
1100	General Fund	AN	Animal Control	826242	Domestic Animal Control	-	100,000	(100,000)
1100	General Fund	CS	Child Support	862165	Year End Admin Adjustment-Auditor	9,849	-	9,849
1100	General Fund	ND	Non Departmental	862165	Year End Admin Adjustment-Auditor	1,244,886	1,661,300	(416,414)
1200	Roads	1200	Roads	010000	Cash in Treasury	482,860	241,430	241,430
1200	Roads	1200	Roads	610002	Unavailable Revenue	-	663,650	(663,650)
1200	Roads	1200	Roads	750000	Fund Balance Available	905,080	482,860	422,220
1202	Landfill	1202	Landfill	610002	Unavailable Revenue	-	134,108	(134,108)
1202	Landfill	1202	Landfill	750000	Fund Balance Available	134,108	-	134,108
1221	Mental Health	1221	Mental Health	610002	Unavailable Revenue	-	2,128,618	(2,128,618)
1221	Mental Health	1221	Mental Health	750000	Fund Balance Available	2,128,618	-	2,128,618
1225	Disaster Recovery	1225	Disaster Recovery	610002	Unavailable Revenue	-	319,580	(319,580)
1225	Disaster Recovery	1225	Disaster Recovery	750000	Fund Balance Available	319,580	-	319,580
1226	IGT	1226	IGT	010000	Cash in Treasury	-	1,770,101	(1,770,101)
1226	IGT	1226	IGT	750000	Fund Balance Available	1,770,101	-	1,770,101
2110	Agency Payable	2110	Agency Payable	010000	Cash in Treasury	1,690,937	3,378,040	(1,687,103)
2110	Agency Payable	2110	Agency Payable	760000	Fund Balance Trust & Agency	985,474	1,451,301	(465,827)
2110	Agency Payable	2110	Agency Payable	760257	Tax Collector Trust	1,274,364	-	1,274,364
2110	Agency Payable	2110	Agency Payable	760259	County Misc Trust	878,567	-	878,567
2110	Agency Payable	2110	Agency Payable	760271	Capital Replacement Reserve-Vehicle	705,462	705,462	-
2230	Tax Resources	2230	Tax Resources	010000	Cash in Treasury	2,097,016	917,256	1,179,760
2230	Tax Resources	2230	Tax Resources	760334	Due to Other Funds	-	1,179,760	(1,179,760)
2230	Tax Resources	2230	Tax Resources	760340	Current SB813 Receivable	917,256	917,256	-
2250	Tax Losses	2250	Tax Losses	010000	Cash in Treasury	-	1,262,715	(1,262,715)
2250	Tax Losses	2250	Tax Losses	760341	Equity	1,262,715	-	1,262,715
2310	Welfare Advance	2310	Welfare Advance	010000	Cash in Treasury	-	392,649	(392,649)
2310	Welfare Advance	2310	Welfare Advance	760000	Fund Balance Trust & Agency	392,649	-	392,649
2324	Child Support	2324	Child Support	010000	Cash in Treasury	9,849	-	9,849
2324	Child Support	2324	Child Support	760000	Fund Balance Trust & Agency	-	9,849	(9,849)
2810	Realignment	2810	Realignment	610002	Unavailable Revenue	-	1,749,598	(1,749,598)
2810	Realignment	2810	Realignment	760000	Fund Balance Trust & Agency	1,749,598	-	1,749,598
3260	Mendocino County Water Agency	3260	Mendocino County Water Agency	610002	Unavailable Revenue	-	201,219	(201,219)
3260	Mendocino County Water Agency	3260	Mendocino County Water Agency	750000	Fund Balance Available	201,219	-	201,219
4480	SRVP	4480	SRVP	710000	Reserve for Encumbrances	825	-	825
4480	SRVP	4480	SRVP	750000	Fund Balance Available	-	825	(825)
4530	Tobacco Education	4530	Tobacco Education	710000	Reserve for Encumbrances	7,587	-	7,587
4530	Tobacco Education	4530	Tobacco Education	750000	Fund Balance Available	-	7,587	(7,587)
7110	ISF Vehicle Replacement	7110	ISF Vehicle Replacement	340001	Accumulated Depreciation Equipment	-	65,683	(65,683)
7110	ISF Vehicle Replacement	7110	ISF Vehicle Replacement	750001	Retained Earnings Unreserved	65,683	-	65,683
7130	ISF General Liability	7130	ISF General Liability	460000	Amt to be Provided for LTD	-	26,763	(26,763)
7130	ISF General Liability	7130	ISF General Liability	600000	Long Term Debt (LTD)	26,763	-	26,763
7150	ISF Health Insurance	7150	ISF Health Insurance	460000	Amt to be Provided for LTD	-	15,133	(15,133)
7150	ISF Health Insurance	7150	ISF Health Insurance	600000	Long Term Debt (LTD)	15,133	-	15,133
7170	ISF Information Technology	7170	ISF Information Technology	340000	Equipment	73,343	-	73,343
7170	ISF Information Technology	7170	ISF Information Technology	340001	Accumulated Depreciation Equipment	-	207,289	(207,289)
7170	ISF Information Technology	7170	ISF Information Technology	750001	Retained Earnings Unreserved	133,946	-	133,946
						52,622,674	52,622,674	0