

COUNTY OF MADERA
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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COUNTY OF MADERA
AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Madera
Madera, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Madera, California (the County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Action Partnership (Partnership) of Madera County and Madera County Workforce Investment Corporation (Corporation), which represent 100 percent of the assets, net position, and revenue of the County's discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Partnership and Corporation, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Board of Supervisors
County of Madera
Madera, California

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, pension plan funded status, and the trend information of the post-employment benefits other than pensions, as listed 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.



Roseville, California
March 24, 2015

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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COUNTY OF MADERA

Statement of Net Position
June 30, 2014

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Totals | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 120,549,070 | \$ 13,174,863 | \$ 133,723,933 | \$ 1,583,998 |
| Restricted assets: | | | | |
| Cash and investments | -- | 8,028,617 | 8,028,617 | -- |
| Cash with fiscal agent | 45,237 | 240,525 | 285,762 | -- |
| Accounts receivable | 1,714,065 | 1,942,199 | 3,656,264 | 228,275 |
| Interest receivable | 227,513 | 42,899 | 270,412 | -- |
| Due from other governments | 20,032,648 | 620,551 | 20,653,199 | 1,298,547 |
| Internal balances | 412,642 | (412,642) | -- | -- |
| Prepaid expenses | 504,478 | -- | 504,478 | 26,581 |
| Inventories | 336,221 | -- | 336,221 | 71,451 |
| Deposits with others | 49,588 | -- | 49,588 | 199,659 |
| Total current assets | <u>143,871,462</u> | <u>23,637,012</u> | <u>167,508,474</u> | <u>3,408,511</u> |
| Noncurrent assets: | | | | |
| Taxes receivable | 9,704,945 | 1,631 | 9,706,576 | -- |
| Long-term receivables | -- | 11,249,263 | 11,249,263 | -- |
| Loan and notes receivable | 6,406,332 | -- | 6,406,332 | -- |
| Capital assets: | | | | |
| Nondepreciable | 93,758,066 | 8,289,029 | 102,047,095 | -- |
| Depreciable, net | 166,048,760 | 39,640,005 | 205,688,765 | 2,763,495 |
| Total capital assets, net | <u>259,806,826</u> | <u>47,929,034</u> | <u>307,735,860</u> | <u>2,763,495</u> |
| Total noncurrent assets | <u>275,918,103</u> | <u>59,179,928</u> | <u>335,098,031</u> | <u>2,763,495</u> |
| Total assets | <u>419,789,565</u> | <u>82,816,940</u> | <u>502,606,505</u> | <u>6,172,006</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 10,591,061 | 1,048,662 | 11,639,723 | 2,495,851 |
| Salaries and benefits payable | 3,644,652 | -- | 3,644,652 | 77,848 |
| Retention payable | 161,285 | 72,606 | 233,891 | -- |
| Interest payable | 273,763 | 222,852 | 496,615 | -- |
| Due to other governments | 1,519,379 | 96,092 | 1,615,471 | -- |
| Deposits payable | 1,694,344 | 3,935,034 | 5,629,378 | 46,653 |
| Unearned revenue | 2,100,341 | 57,321 | 2,157,662 | 62,371 |
| Claims payable | 2,490,799 | -- | 2,490,799 | -- |
| Compensated absences, due within one year | 5,853,203 | -- | 5,853,203 | -- |
| Long-term debt, due within one year | 1,416,646 | 328,009 | 1,744,655 | 23,024 |
| Total current liabilities | <u>29,745,473</u> | <u>5,760,576</u> | <u>35,506,049</u> | <u>2,705,747</u> |
| Noncurrent liabilities: | | | | |
| Claims payable | 7,627,201 | -- | 7,627,201 | -- |
| Compensated absences, due in more than one year | 7,383,436 | -- | 7,383,436 | -- |
| Long-term debt, due in more than one year | 16,005,380 | 14,106,178 | 30,111,558 | 61,689 |
| Net OPEB obligation | 81,028,001 | -- | 81,028,001 | -- |
| Liability for landfill closure | -- | 9,859,669 | 9,859,669 | -- |
| Total noncurrent liabilities | <u>112,044,018</u> | <u>23,965,847</u> | <u>136,009,865</u> | <u>61,689</u> |
| Total liabilities | <u>141,789,491</u> | <u>29,726,423</u> | <u>171,515,914</u> | <u>2,767,436</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 242,644,470 | 33,494,847 | 276,139,317 | 2,777,031 |
| Restricted for: | | | | |
| Public protection | 15,992,726 | -- | 15,992,726 | -- |
| Public ways and facilities | 33,340,563 | -- | 33,340,563 | -- |
| Public health and assistance | 29,417,673 | -- | 29,417,673 | -- |
| Public assistance | 18,065,417 | -- | 18,065,417 | -- |
| Capital projects | 4,667,234 | -- | 4,667,234 | -- |
| Other County programs | 1,335,501 | -- | 1,335,501 | 18,250 |
| Unrestricted | (67,463,510) | 19,595,670 | (47,867,840) | 609,289 |
| Total net position | <u>\$ 278,000,074</u> | <u>\$ 53,090,517</u> | <u>\$ 331,090,591</u> | <u>\$ 3,404,570</u> |

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

COUNTY OF MADERA

Statement of Activities
For the Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | | |
|--|----------------------|--------------------------------------|------------------------------------|----------------------------------|
| | | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 30,529,589 | \$ 9,633,905 | \$ 1,985,585 | \$ 31,595 |
| Public protection | 64,076,309 | 8,036,603 | 23,838,697 | 4,805,801 |
| Public ways and facilities | 17,905,136 | 2,957,066 | 10,412,564 | 2,080,064 |
| Health and sanitation | 26,291,361 | 2,024,494 | 23,868,037 | -- |
| Public assistance | 55,978,462 | 127,123 | 54,341,127 | -- |
| Education | 1,186,233 | 58,778 | 5,665 | -- |
| Recreation and culture | 934,080 | 545,404 | 34,317 | -- |
| Interest and fiscal charges | 743,439 | -- | -- | -- |
| Total Governmental Activities | <u>197,644,609</u> | <u>23,383,373</u> | <u>114,485,992</u> | <u>6,917,460</u> |
| Business-Type Activities: | | | | |
| Special Districts - Water/Sewer | 6,874,377 | 5,671,129 | 861,955 | 86,912 |
| County Landfill | 4,468,583 | 4,060,426 | -- | -- |
| Total Business-type Activities | <u>11,342,960</u> | <u>9,731,555</u> | <u>861,955</u> | <u>86,912</u> |
| Total Madera County | <u>\$208,987,569</u> | <u>\$ 33,114,928</u> | <u>\$ 115,347,947</u> | <u>\$ 7,004,372</u> |
| Component Units: | | | | |
| Community Action Partnership of Madera County (CAPMC) | \$ 22,334,371 | \$ 113,947 | \$ 22,082,431 | \$ -- |
| Madera County Workforce Investment Corporation (MCWIC) | 2,730,107 | 74,272 | 2,618,733 | 36,335 |
| Total Component Units | <u>\$ 25,064,478</u> | <u>\$ 188,219</u> | <u>\$ 24,701,164</u> | <u>\$ 36,335</u> |

General Revenues:

 Taxes:

 Property taxes

 Sales and use taxes

 Other

 Interest and investment earnings

 Miscellaneous

 Sale of capital assets

Transfers

 Total General Revenues and Transfers

Change in Net Position

 Net Position - Beginning of Year, Restated

 Net Positon - End of Year

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

| Net (Expense) Revenue and Changes in Net Position | | | Component Units |
|--|-----------------------------|-----------------------|---------------------|
| Primary Government | | Total | |
| Governmental Activities | Business-Type Activities | | |
| \$ (18,878,504) | \$ -- | \$ (18,878,504) | \$ -- |
| (27,395,208) | -- | (27,395,208) | -- |
| (2,455,442) | -- | (2,455,442) | -- |
| (398,830) | -- | (398,830) | -- |
| (1,510,212) | -- | (1,510,212) | -- |
| (1,121,790) | -- | (1,121,790) | -- |
| (354,359) | -- | (354,359) | -- |
| (743,439) | -- | (743,439) | -- |
| <u>(52,857,784)</u> | <u>--</u> | <u>(52,857,784)</u> | <u>--</u> |
| -- | (254,381) | (254,381) | -- |
| <u>--</u> | <u>(408,157)</u> | <u>(408,157)</u> | <u>--</u> |
| <u>--</u> | <u>(662,538)</u> | <u>(662,538)</u> | <u>--</u> |
| <u>(52,857,784)</u> | <u>(662,538)</u> | <u>(53,520,322)</u> | <u>--</u> |
| | | | (137,993) |
| | | | <u>(767)</u> |
| | | | <u>(138,760)</u> |
| 40,464,062 | 376,269 | 40,840,331 | -- |
| 8,725,743 | -- | 8,725,743 | -- |
| 3,047,726 | -- | 3,047,726 | -- |
| 658,260 | 128,611 | 786,871 | 1,549 |
| 1,172,195 | 206,341 | 1,378,536 | 6,918 |
| 29,149 | -- | 29,149 | -- |
| 70,000 | (70,000) | -- | -- |
| <u>54,167,135</u> | <u>641,221</u> | <u>54,808,356</u> | <u>8,467</u> |
| 1,309,351 | (21,317) | 1,288,034 | (130,293) |
| <u>276,690,723</u> | <u>53,111,834</u> | <u>329,802,557</u> | <u>3,534,863</u> |
| <u>\$ 278,000,074</u> | <u>\$ 53,090,517</u> | <u>\$ 331,090,591</u> | <u>\$ 3,404,570</u> |

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

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FUND FINANCIAL STATEMENTS

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COUNTY OF MADERA

Balance Sheet
Governmental Funds
June 30, 2014

| | General | Road | Housing and Community Development | Special Revenue - Public Protection | Capital Projects | Other Governmental Funds | Total |
|---|----------------------|----------------------|---|--|---------------------|--------------------------------|-----------------------|
| Assets | | | | | | | |
| Cash and investments | \$ 48,496,848 | \$ 17,521,818 | \$ 481,101 | \$ 16,040,966 | \$ 5,299,641 | \$ 21,952,703 | \$ 109,793,077 |
| Imprest cash | 8,650 | 250 | -- | -- | -- | -- | 8,900 |
| Receivables: | | | | | | | |
| Accounts | 1,361,208 | 124,493 | -- | 2,938 | -- | 217,283 | 1,705,922 |
| Interest | 109,635 | 31,793 | 11,044 | 9,852 | 9,155 | 34,310 | 205,789 |
| Due from other governments | 8,077,183 | 5,984,763 | 414,142 | 2,373,394 | 1,536,723 | 1,588,151 | 19,974,356 |
| Due from other funds | 8,489,900 | 297,128 | -- | 175 | -- | 29,338 | 8,816,541 |
| Deposits with others | -- | 49,588 | -- | -- | -- | -- | 49,588 |
| Prepays and other assets | 447,289 | -- | -- | -- | -- | -- | 447,289 |
| Inventories | -- | 280,078 | -- | -- | -- | -- | 280,078 |
| Taxes receivable | 9,696,685 | -- | -- | 5,634 | -- | 2,626 | 9,704,945 |
| Loans receivable | 25,000 | -- | 5,634,953 | -- | -- | 746,379 | 6,406,332 |
| Advances to other funds | 2,417,841 | -- | -- | 583,136 | 3,063,246 | -- | 6,064,223 |
| Total Assets | <u>\$ 79,130,239</u> | <u>\$ 24,289,911</u> | <u>\$ 6,541,240</u> | <u>\$ 19,016,095</u> | <u>\$ 9,908,765</u> | <u>\$ 24,570,790</u> | <u>\$ 163,457,040</u> |
| Liabilities | | | | | | | |
| Accounts payable | 4,162,010 | 2,810,481 | -- | 368,137 | 2,830,255 | 211,019 | 10,381,902 |
| Salaries and benefits payable | 3,324,491 | 246,616 | -- | 67,566 | -- | -- | 3,638,673 |
| Deposits from others | 1,267,636 | 426,708 | -- | -- | -- | -- | 1,694,344 |
| Due to other funds | 88,252 | 33,735 | -- | 3,914,237 | -- | 4,367,467 | 8,403,691 |
| Due to other governments | 822,768 | 76,853 | 413,549 | 200,580 | -- | -- | 1,513,750 |
| Unearned revenue | 2,100,341 | -- | -- | -- | -- | -- | 2,100,341 |
| Advances from other funds | 3,163,246 | -- | -- | -- | 2,563,511 | 628 | 5,727,385 |
| Total Liabilities | <u>14,928,744</u> | <u>3,594,393</u> | <u>413,549</u> | <u>4,550,520</u> | <u>5,393,766</u> | <u>4,579,114</u> | <u>33,460,086</u> |
| Deferred Inflows of Resources | | | | | | | |
| Unavailable revenue | 11,741,628 | 1,992,202 | 414,142 | 793,664 | 1,536,723 | 414,988 | 16,893,347 |
| Fund Balances | | | | | | | |
| Nonspendable | 2,799,709 | 280,078 | -- | -- | -- | -- | 3,079,787 |
| Restricted | 43,439,166 | 18,423,238 | 5,713,549 | 13,671,911 | 2,978,276 | 18,607,868 | 102,834,008 |
| Committed | 25,449 | -- | -- | -- | -- | 968,820 | 994,269 |
| Assigned | 2,129,234 | -- | -- | -- | -- | -- | 2,129,234 |
| Unassigned | 4,066,309 | -- | -- | -- | -- | -- | 4,066,309 |
| Total Fund Balances | <u>52,459,867</u> | <u>18,703,316</u> | <u>5,713,549</u> | <u>13,671,911</u> | <u>2,978,276</u> | <u>19,576,688</u> | <u>113,103,607</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 79,130,239</u> | <u>\$ 24,289,911</u> | <u>\$ 6,541,240</u> | <u>\$ 19,016,095</u> | <u>\$ 9,908,765</u> | <u>\$ 24,570,790</u> | <u>\$ 163,457,040</u> |

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

COUNTY OF MADERA

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position - Governmental Activities
June 30, 2014

| | |
|--|-----------------------|
| Fund Balance - total governmental funds (page 7) | \$ 113,103,607 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 253,660,499 |
| Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds. | 16,893,347 |
| Internal service funds are used by the County to charge the cost of its central garage, microwave radio services and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | 5,063,475 |
| Long-term liabilities, including capital leases, are not due and payable in the current period, and therefore are not reported in the governmental funds. | |
| Certificates of participation | (15,680,000) |
| Litigation settlement obligation | (259,670) |
| Capital leases | (641,839) |
| Accrued interest | (273,763) |
| Compensated absences | (13,185,640) |
| Other postemployment benefits (OPEB) liability | <u>(80,679,942)</u> |
| Net position of governmental activities (page 3) | <u>\$ 278,000,074</u> |

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

COUNTY OF MADERA

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2014

| | General | Road | Housing and Community Development | Special Revenue - Public Protection | Capital Projects | Other Governmental Funds | Total |
|--|----------------------|----------------------|---|--|---------------------|--------------------------------|-----------------------|
| Revenues: | | | | | | | |
| Taxes | \$ 47,180,274 | \$ 5,406,000 | \$ -- | \$ 150,582 | \$ -- | \$ 1,058,199 | \$ 53,795,055 |
| Licenses and permits | 4,008,911 | 127,613 | -- | -- | -- | -- | 4,136,524 |
| Fines, forfeitures and penalties | 3,894,910 | -- | -- | 396,498 | -- | 249,773 | 4,541,181 |
| Use of money and property | 348,550 | 82,532 | 22,733 | 28,449 | 25,228 | 95,457 | 602,949 |
| Intergovernmental | 85,816,889 | 12,589,236 | 696,078 | 10,810,827 | 3,300,673 | 8,609,806 | 121,823,509 |
| Charges for services | 10,861,839 | 1,717,337 | -- | 440,827 | -- | 1,685,665 | 14,705,668 |
| Other revenues | 964,892 | 23,484 | -- | 79,352 | 100,429 | 4,038 | 1,172,195 |
| Total Revenues | 153,076,265 | 19,946,202 | 718,811 | 11,906,535 | 3,426,330 | 11,702,938 | 200,777,081 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | 26,647,233 | -- | -- | -- | -- | 12,647 | 26,659,880 |
| Public protection | 55,360,610 | -- | -- | 4,039,932 | 18,644 | -- | 59,419,186 |
| Public ways and facilities | 34,599 | 10,349,283 | -- | -- | -- | 935,609 | 11,319,491 |
| Health and sanitation | 24,547,035 | -- | -- | -- | -- | 250,068 | 24,797,103 |
| Public assistance | 53,202,366 | -- | 1,055,935 | -- | -- | 160,703 | 54,419,004 |
| Education | 1,047,836 | -- | -- | -- | -- | -- | 1,047,836 |
| Recreation and cultural services | -- | -- | -- | -- | -- | 543,752 | 543,752 |
| Capital outlay | 1,177,330 | 7,917,463 | -- | 22,528 | 6,103,411 | -- | 15,220,732 |
| Debt Service: | | | | | | | |
| Principal | 1,105,110 | -- | -- | -- | -- | -- | 1,105,110 |
| Interest | 704,618 | -- | -- | -- | -- | -- | 704,618 |
| Total Expenditures | 163,826,737 | 18,266,746 | 1,055,935 | 4,062,460 | 6,122,055 | 1,902,779 | 195,236,712 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (10,750,472) | 1,679,456 | (337,124) | 7,844,075 | (2,695,725) | 9,800,159 | 5,540,369 |
| Other Financing Sources (Uses): | | | | | | | |
| Transfers in | 14,364,413 | -- | -- | 45,200 | 4,468,011 | (167,518) | 18,710,106 |
| Transfers out | (2,052,871) | -- | -- | (5,530,179) | (252,285) | (10,417,211) | (18,252,546) |
| Capital leases | 332,386 | -- | -- | -- | -- | -- | 332,386 |
| Sale of capital assets | 1,242,335 | 866,794 | -- | -- | -- | -- | 2,109,129 |
| Total Other Financing Sources (Uses) | 13,886,263 | 866,794 | -- | (5,484,979) | 4,215,726 | (10,584,729) | 2,899,075 |
| Net Changes in Fund Balances | 3,135,791 | 2,546,250 | (337,124) | 2,359,096 | 1,520,001 | (784,570) | 8,439,444 |
| Fund Balances, Beginning of Year, Restated | 49,324,076 | 16,157,066 | 6,050,673 | 11,312,815 | 1,458,275 | 20,361,258 | 104,664,163 |
| Fund Balances, End of Year | \$ 52,459,867 | \$ 18,703,316 | \$ 5,713,549 | \$ 13,671,911 | \$ 2,978,276 | \$ 19,576,688 | \$ 113,103,607 |

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

COUNTY OF MADERA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2014

Net change to fund balance - total governmental funds (page 9) \$ 8,439,444

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|---|--------------------|-----------|
| Expenditures for general capital assets, infrastructure, and other related capital assets adjustments | \$ 11,291,147 | |
| Less: current year depreciation | <u>(8,068,063)</u> | 3,223,084 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (1,977,581)

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (332,386)

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.

| | | |
|--|--|-------------|
| Change in compensated absences | | 178,480 |
| Change in OPEB liability | | (7,158,520) |
| Change in interest payable | | 16,667 |
| Change in litigation settlement obligation | | 23,654 |

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

| | | |
|-------------------------------|------------------|-----------|
| Capital leases | 97,630 | |
| Certificates of participation | <u>1,000,000</u> | 1,097,630 |

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities. (2,201,121)

Change in net position of governmental activities (page 4) \$ 1,309,351

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

COUNTY OF MADERA

Statement of Net Position
Proprietary Funds
June 30, 2014

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|---|---|----------------------|----------------------|----------------------|
| | Special Districts Water/Sewer | County Landfill | Total | Internal |
| | | | Enterprise Funds | Service Funds |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 10,945,435 | \$ 2,229,428 | \$ 13,174,863 | \$ 10,747,093 |
| Restricted cash and investments | | | | |
| Cash with fiscal agents | 240,525 | -- | 240,525 | 45,237 |
| Receivables: | | | | |
| Accounts | 309,802 | 1,632,397 | 1,942,199 | 8,143 |
| Interest | 25,644 | 17,255 | 42,899 | 21,724 |
| Taxes | 1,631 | -- | 1,631 | -- |
| Due from other funds | 10,122 | -- | 10,122 | 18,195 |
| Due from other governments | 620,551 | -- | 620,551 | 58,292 |
| Prepaid items | -- | -- | -- | 57,189 |
| Inventories | -- | -- | -- | 56,143 |
| Total current assets | <u>12,153,710</u> | <u>3,879,080</u> | <u>16,032,790</u> | <u>11,012,016</u> |
| Noncurrent assets: | | | | |
| Restricted cash and investments | 1,730,657 | 6,297,960 | 8,028,617 | -- |
| Advances to other funds | 46,200 | -- | 46,200 | -- |
| Long-term receivables | 11,249,263 | -- | 11,249,263 | -- |
| Capital assets: | | | | |
| Nondepreciable | 7,174,304 | 1,114,725 | 8,289,029 | 1,613,421 |
| Depreciable, net | 32,288,229 | 7,351,776 | 39,640,005 | 4,532,906 |
| Total noncurrent assets | <u>52,488,653</u> | <u>14,764,461</u> | <u>67,253,114</u> | <u>6,146,327</u> |
| Total assets | <u>\$ 64,642,363</u> | <u>\$ 18,643,541</u> | <u>\$ 83,285,904</u> | <u>\$ 17,158,343</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 375,336 | \$ 745,932 | \$ 1,121,268 | \$ 372,397 |
| Accrued salaries and benefits | -- | -- | -- | 9,655 |
| Interest payable | 222,852 | -- | 222,852 | -- |
| Due to other funds | 72,277 | 13,649 | 85,926 | 355,241 |
| Due to other governments | 40,500 | 55,992 | 96,092 | -- |
| Deposits from others | 3,935,034 | -- | 3,935,034 | -- |
| Unearned revenues | 57,321 | -- | 57,321 | -- |
| Claims payable | -- | -- | -- | 2,490,799 |
| Long-term debt, due in one year | 328,009 | -- | 328,009 | 171,094 |
| Total current liabilities | <u>5,031,329</u> | <u>815,173</u> | <u>5,846,502</u> | <u>3,399,186</u> |
| Noncurrent liabilities: | | | | |
| Advances from other funds | 383,038 | -- | 383,038 | -- |
| Compensated absences | -- | -- | -- | 50,999 |
| Long-term debt, due in more than one year | 13,633,303 | 472,875 | 14,106,178 | 669,423 |
| Liability for post employment benefits | -- | -- | -- | 348,059 |
| Claims payable | -- | -- | -- | 7,627,201 |
| Closure/postclosure liability | -- | 9,859,669 | 9,859,669 | -- |
| Total noncurrent liabilities | <u>14,016,341</u> | <u>10,332,544</u> | <u>24,348,885</u> | <u>8,695,682</u> |
| Total liabilities | <u>19,047,670</u> | <u>11,147,717</u> | <u>30,195,387</u> | <u>12,094,868</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 25,501,221 | 7,993,626 | 33,494,847 | 5,305,810 |
| Unrestricted | 20,093,472 | (497,802) | 19,595,670 | (242,335) |
| Total net position | <u>\$ 45,594,693</u> | <u>\$ 7,495,824</u> | <u>\$ 53,090,517</u> | <u>\$ 5,063,475</u> |

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

COUNTY OF MADERA

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--|---|---------------------|----------------------|---------------------|
| | Special Districts Water/Sewer | County Landfill | Total | Internal |
| | | | Enterprise Funds | Service Funds |
| Operating Revenues: | | | | |
| Charges for services | \$ 5,671,129 | \$ 4,060,426 | \$ 9,731,555 | \$ 5,648,333 |
| Other revenues | 43,699 | -- | 43,699 | 218,037 |
| Total Operating Revenues | <u>5,714,828</u> | <u>4,060,426</u> | <u>9,775,254</u> | <u>5,866,370</u> |
| Operating Expenses: | | | | |
| Salaries and benefits | -- | -- | -- | 343,244 |
| Services and supplies | 1,488,988 | 3,696,450 | 5,185,438 | 3,352,089 |
| Maintenance | 2,010,708 | 13 | 2,010,721 | 1,704,398 |
| Insurance | 94,838 | 44,531 | 139,369 | 17,278 |
| Utilities | 1,389,985 | 14,096 | 1,404,081 | 11,838 |
| Claims | -- | -- | -- | 1,666,292 |
| Depreciation | 1,211,482 | 313,501 | 1,524,983 | 619,806 |
| Landfill closure/postclosure care costs | -- | 399,992 | 399,992 | -- |
| Other operating expense | -- | -- | -- | 1,438 |
| Total Operating Expenses | <u>6,196,001</u> | <u>4,468,583</u> | <u>10,664,584</u> | <u>7,716,383</u> |
| Operating Income (Loss) | <u>(481,173)</u> | <u>(408,157)</u> | <u>(889,330)</u> | <u>(1,850,013)</u> |
| Non-Operating Revenue (Expenses): | | | | |
| Taxes | 376,269 | -- | 376,269 | -- |
| Investment income | 67,264 | 61,347 | 128,611 | 55,311 |
| Intergovernmental | 861,955 | -- | 861,955 | -- |
| Interest and fiscal charges | (678,376) | -- | (678,376) | (48,008) |
| Gain on disposal of capital assets | -- | -- | -- | 29,149 |
| Other non-operating revenue (expenses) | 162,642 | -- | 162,642 | -- |
| Total Non-Operating Revenue (Expenses) | <u>789,754</u> | <u>61,347</u> | <u>851,101</u> | <u>36,452</u> |
| Income (Loss) Before Contributions and Transfers | 308,581 | (346,810) | (38,229) | (1,813,561) |
| Capital contributions | 86,912 | -- | 86,912 | -- |
| Transfers out | -- | (70,000) | (70,000) | (387,560) |
| Change in Net Position | 395,493 | (416,810) | (21,317) | (2,201,121) |
| Net Position - Beginning of Year, Restated | <u>45,199,200</u> | <u>7,912,634</u> | <u>53,111,834</u> | <u>7,264,596</u> |
| Net Position - End of Year | <u>\$ 45,594,693</u> | <u>\$ 7,495,824</u> | <u>\$ 53,090,517</u> | <u>\$ 5,063,475</u> |

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

COUNTY OF MADERA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

| | Special Districts Water/ Sewer | County Landfill | Total Enterprise Funds | Governmental Activities Internal Service Funds |
|--|---|---------------------|------------------------------|--|
| Cash Flows from Operating Activities: | | | | |
| Cash receipts from customers and users | \$ 5,319,999 | \$ 3,848,151 | \$ 9,168,150 | \$ 6,556,522 |
| Cash paid to suppliers | (1,154,697) | (3,635,336) | (4,790,033) | (6,281,294) |
| Cash paid to employees | -- | -- | -- | (259,305) |
| Net Cash Provided (Used) by Operating Activities | <u>4,165,302</u> | <u>212,815</u> | <u>4,378,117</u> | <u>15,923</u> |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Aid from other governmental agencies | 894,583 | -- | 894,583 | -- |
| Taxes | 401,861 | -- | 401,861 | -- |
| Interfund loans | (27,454) | (17,560) | (45,014) | (22,278) |
| Other revenue | 162,642 | -- | 162,642 | -- |
| Transfers out | -- | (70,000) | (70,000) | (387,560) |
| Advances to other funds | (443,810) | -- | (443,810) | -- |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>987,822</u> | <u>(87,560)</u> | <u>900,262</u> | <u>(409,838)</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Receipt of note repayments | 225,119 | -- | 225,119 | -- |
| Purchase of capital assets | (1,672,628) | (711,195) | (2,383,823) | (673,461) |
| Proceeds from capital contributions | 86,912 | -- | 86,912 | -- |
| Principal payments on debt | (422,146) | -- | (422,146) | (162,652) |
| Interest payments | (684,976) | -- | (684,976) | (48,008) |
| Proceeds from sale of capital assets | -- | -- | -- | 40,388 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(2,467,719)</u> | <u>(711,195)</u> | <u>(3,178,914)</u> | <u>(843,733)</u> |
| Cash Flows from Investing Activities: | | | | |
| Interest received | 52,638 | 54,136 | 106,774 | 46,752 |
| Net Cash Provided (Used) by Investing Activities | <u>52,638</u> | <u>54,136</u> | <u>106,774</u> | <u>46,752</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>2,738,043</u> | <u>(531,804)</u> | <u>2,206,239</u> | <u>(1,190,896)</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>10,178,574</u> | <u>9,059,192</u> | <u>19,237,766</u> | <u>11,983,226</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 12,916,617</u> | <u>\$ 8,527,388</u> | <u>\$ 21,444,005</u> | <u>\$ 10,792,330</u> |

continued

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

COUNTY OF MADERA

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2014

| | Special Districts Water/ Sewer | County Landfill | Total Enterprise Funds | Governmental Activities Internal Service Funds |
|---|---|--------------------|------------------------------|--|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating income (loss) | \$ (481,173) | \$ (408,157) | \$ (889,330) | \$ (1,850,013) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 1,211,482 | 313,501 | 1,524,983 | 619,806 |
| Changes in assets and liabilities: | | | | |
| Decrease (increase) in: | | | | |
| Accounts receivable | (433,043) | (212,275) | (645,318) | 690,152 |
| Deposits from others | 3,935,034 | -- | 3,935,034 | 2,069 |
| Increase (decrease) in: | | | | |
| Accounts payable and other liabilities | (105,212) | 119,754 | 14,542 | 220,919 |
| Unearned revenue | 32,060 | -- | 32,060 | -- |
| Compensated absences payable | -- | -- | -- | (543) |
| Closure/postclosure liability | -- | 399,992 | 399,992 | -- |
| Post employment benefits liability | -- | -- | -- | 83,533 |
| Claims payable | -- | -- | -- | 250,000 |
| Net Cash Provided (Used) by Operating Activities | \$ 4,159,148 | \$ 212,815 | \$ 4,371,963 | \$ 15,923 |

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

COUNTY OF MADERA

Statement of Fiduciary Net Position
June 30, 2014

| | <u>Investment Trust Fund</u> | <u>Agency Funds</u> |
|---|--------------------------------------|-------------------------|
| <u>Assets</u> | | |
| Cash and investments | \$ 157,966,743 | \$ 8,259,813 |
| Receivables: | | |
| Accounts receivable | -- | 2,509,544 |
| Interest receivable | -- | 12,374 |
| Due from other governments | -- | 3,485,553 |
| Taxes | -- | 3,203,743 |
| Total Assets | <u>\$ 157,966,743</u> | <u>\$ 17,471,027</u> |
| <u>Liabilities</u> | | |
| Accounts payable | \$ -- | \$ 21,087 |
| Due to other governments | -- | 805,916 |
| Accrued expenses | -- | 297,432 |
| Agency obligations | -- | 16,266,388 |
| Deposits from others | -- | 80,204 |
| Total Liabilities | <u>--</u> | <u>\$ 17,471,027</u> |
| <u>Net Position</u> | | |
| Net position held in trust for investment pool participants | <u>157,966,743</u> | |
| Total Net Position | <u>\$ 157,966,743</u> | |

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

COUNTY OF MADERA

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

| | <u>Investment Trust Fund</u> |
|---------------------------------------|--------------------------------------|
| <u>Additions</u> | |
| Contributions to pooled investments | \$ 380,403,919 |
| Net investment income: | |
| Investment income | <u>657,706</u> |
| Total Additions | <u>381,061,625</u> |
| | |
| <u>Deductions</u> | |
| Distributions from pooled investments | <u>370,222,586</u> |
| Total Deductions | <u>370,222,586</u> |
| Change in net position | 10,839,039 |
| Net Position - Beginning of Year | <u>147,127,704</u> |
| Net Position - End of Year | <u>\$ 157,966,743</u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS

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COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County of Madera, California (the "County") have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

The County of Madera (the "County") is a General Law county established as a political subdivision of the State of California and as such can exercise the powers specified by the Constitution and laws of the State of California. The County is governed by an elected, five member Board of Supervisors.

As required by generally accepted accounting principles in the United States, the accompanying basic financial statements present the County (the primary government) and its component units. Component units are legally separate entities for which the Board is considered to be financially accountable. Component units are legally separate entities that meet any one of the following tests:

1. The Board appoints the voting majority of the board of the potential component unit and:
 - is able to impose its will on the component unit and/or
 - is in a relationship of financial benefit or burden with the potential component unit
2. The potential component unit is fiscally dependent upon the County.
3. The financial statements of the County would be misleading if data from the potential component unit were omitted.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities, are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. The discretely presented component unit is reported in a separate column in the Government-Wide Financial Statements since it does not have a shared governing body nor is it of exclusive or almost exclusive benefit to the primary government.

Blended Component Units

- Madera County Public Finance Authority (MCPFA)
- Industrial Development Authority of Madera County (IDA)

Discretely Presented Component Units

- Community Action Partnership of Madera County (CAPMC)
- Madera County Workforce Investment Corporation (MCWIC)

B. Basis of Accounting and Measurement Focus

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (continued)

Government–Wide Financial Statements

The County's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the County accompanied by a total column. Fiduciary activities of the County are not included in these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the County in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

Fund Financial Statements

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

The County reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation services.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (continued)

Fund Financial Statements (continued)

- The *Road Fund* is used to account for the planning, design, construction, maintenance and administration of the County's roads and infrastructure.
- The *Housing and Community Development Fund* is used to account for housing rehabilitation and development projects. As participants repay loans, the funds are made available to the approved administrator for additional loans to pay for the rehabilitation of properties. The County may retain a portion of the loan repayments to cover administrative costs.
- The *Public Protection Fund* is used to account for various grants and taxes received from the federal, state and local governments for the enhancement of public protection activities.
- The *Capital Projects Fund* is used to build up resources and account for major County facility construction projects. A majority of its funding comes from contributions made by the General Fund.

The County reports the following major proprietary funds:

- The *Special Districts – Water/Sewer* accounts for specialized services such as water, sewer, road maintenance, lighting and drainage provided to the residents of the County. This fund also accounts for sewer services provided to both commercial and residential developments in Oakhurst.
- The *County Landfill Fund* accounts for the County's landfill sites, which provide a dumping site for the disposal of solid waste. Revenues are derived from fees generated for the disposal of waste at the site.

The County reports the following additional fund types:

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

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements. The County has presented all major funds that met the applicable criteria.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (continued)

Governmental Fund Financial Statements (continued)

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue is removed from the Balance Sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (continued)

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Position. The County's fiduciary funds represent agency funds and an Investment Trust Fund. Agency funds, which are custodial in nature (assets equal liabilities), do not involve measurement of results of operations. The Investment Trust Fund accounts for the external portion of the County's Investment Pool which commingles resources of legally separate local governments within the County in an investment portfolio for the benefit of all participants. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities. These funds represent the assets, primarily cash and investments, and the related liabilities of the County to disburse these monies on demand.

C. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the County's policy is to apply restricted net position first.

D. Cash, Cash Equivalents and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The County participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as well as to change in interest rates.

E. Interfund Transactions

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 governmental-wide financial statements as "internal balances."

Advances between funds, reported in the fund financial statements, are offset by a corresponding nonspendable portion of fund balance to indicate that they are not available for appropriation and are not available financial resources.

F. Inventories and Prepaid Items

Inventories within the various fund types consist of materials and supplies which are valued at cost on a first-in, first-out basis. Inventories reported in the prepaid amounts reported in the governmental funds are offset by a corresponding nonspendable portion of fund balance to show that inventories do not constitute "available spendable resources."

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories and Prepaid Items (continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid amounts reported in the governmental funds are offset by a corresponding nonspendable portion of fund balance to show that prepaid amounts do not constitute “*available spendable resources*.”

G. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, construction-in-progress, buildings and improvements, improvements other than buildings, machinery and equipment, autos and trucks, equipment under capitalized lease, and infrastructure assets (e.g., roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. County policy has set the capitalization threshold for reporting capital assets at \$5,000 for machinery and equipment and \$10,000 for the other categories of capital assets. Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated assets are valued at their estimated fair market value on the date donated.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

| | |
|----------------------------|-------------|
| Water and Sewer System | 15-65 years |
| Buildings and Improvements | 30-50 years |
| Machinery and Equipment | 3-20 years |
| Infrastructure | 20-50 years |

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local governments’ basic financial statements. In accordance with Statement No. 34, the County has included the value of all infrastructure in the Basic Financial Statements.

The County defines infrastructure as the basic physical assets that allow the County to function. The assets include the streets, sewer collection and treatment system, park and recreation lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the County in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (continued)

Government-Wide Financial Statements (continued)

For all infrastructure systems, the County elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The County commissioned an appraisal of County owned infrastructure and property as of June 30, 2002. This appraisal determined the estimated historical cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Estimated historical costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the estimated historical cost.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows or resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: intergovernmental revenue and property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the proprietary fund financial statements and government-wide financial statements.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

Fund Financial Statements

The governmental fund financial statements do not present long-term debt. As such, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the year paid, as it is the County's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund. Vested or accumulated compensated absences in proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. The compensated absences liability will generally be liquidated through individual funds.

K. Claims Payable

The County records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" ("IBNR") claims. There is no fixed payment schedule to pay these liabilities.

L. Net Position and Fund Balances

Government-Wide Financial Statements

In the government-wide financial statements, net position is classified in the following:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – These amounts are restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – All other net position that do not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Financial Statements

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds consist of the following categories:

- *Nonspendable Fund Balance* – includes amounts that are not in a spendable form (such as inventories or prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by external parties (such as creditors, grant providers, or contributors) or by law.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Net Position and Fund Balances (continued)

- *Committed Fund Balance* – includes amounts that can be used only for the specific purpose determined by the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action. The formal action must occur prior to the end of the reporting period. The amount which will be subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance* – is comprised of amounts intended to be used by the government entity for specific purposes that are neither restricted nor committed. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board delegates the authority. Assigned fund balance can be used to eliminate a projected budgetary deficit in the subsequent year’s budget.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purposes.

The Board of Supervisors establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution or an ordinance. This can be done through the adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are needed.

M. Property Tax Levy, Collection and Maximum Rates

The State of California Constitution, Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by the voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased by no more than 2% per year unless the property is sold or transferred. These general property tax rates do not apply to taxes levied to pay the interest and redemption charges on any indebtedness incurred prior to June 6, 1978, or subsequently approved by the voters. Supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. The State Legislature has determined the method of distribution among the counties, cities, school districts, and other districts for receipts from the 1% property tax levy.

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

| | <u>Secured</u> | <u>Unsecured</u> |
|---------------------|---------------------------|------------------|
| Levy Dates | July 1 | July 1 |
| Lien Dates | January 1 | January 1 |
| Due Dates | November 1 and February 1 | August 1 |
| Delinquent After | December 10 and April 10 | August 31 |
| Tax Rate per \$100 | | |
| Full Cash Value | \$1 | \$1 |
| Late Penalty | 10% | 10% |
| Delinquent Interest | 1-1.5% per month | 1-1.5% per month |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Property Tax Levy, Collection and Maximum Rates (continued)

These taxes are secured by liens on the property being taxed. The Board annually sets the rates of the County and district taxes and levies State, County, and district taxes as provided by law. The term “secured” refers to taxes on land and buildings, while “unsecured” refers to taxes on personal property other than land and buildings. During fiscal year 1993-1994, the Board adopted the Alternative Method of Tax Apportionment (the Teeter Plan). Under this method, the County allocates to all taxing jurisdictions under the County, 100% of the secured property taxes billed, even if it has not yet been collected. In return, the County retains the subsequent delinquent payments and associated penalties and interest. The penalties and interest are accumulated in an Agency Fund. The County may transfer to the General Fund any excess over the reserve required by the Board and the State.

Delinquent property taxes receivable are shown on the balance sheet of the property tax trust funds. Under California law, real property is not subject to sale for reasons of delinquent taxes until the end of the fifth year of delinquency, and the taxpayer may arrange to repay the delinquent taxes over a five year period and any time within the five year period, although the property is subject to a cash redemption up to the time of the sale.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by ¶4705 of the State of California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll.

Under the alternate apportionment method, specified amounts of penalties and interest collected on delinquent secured taxes are held in trust in the secured tax losses reserve fund to fund specified tax redemption short falls. This reserve is used to fund the apportionment of secured taxes.

N. Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the related reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

O. New Accounting Pronouncements – Future Years

Governmental Accounting Standards Board Statement No. 68

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for periods beginning after June 15, 2014. The principal objective of this statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees – both active employees and inactive employees – are provided with pensions. An additional objective is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2: CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2014:

| | Government-Wide Statement of Net Assets | | Total Primary Government | Fiduciary Funds | Discretely Presented Component Units | Total |
|-------------------------|--|-----------------------------|-----------------------------|-----------------------|---|-----------------------|
| | Governmental Activities | Business-type Activities | | | | |
| Cash and investments | \$ 120,549,070 | \$ 13,174,863 | \$ 133,723,933 | \$ 166,226,556 | \$ 1,583,998 | \$ 301,534,487 |
| Restricted assets: | | | | | | |
| Cash and investments | -- | 8,028,617 | 8,028,617 | -- | -- | 8,028,617 |
| Cash with fiscal agents | 45,237 | 240,525 | 285,762 | -- | -- | 285,762 |
| Total | \$ 120,594,307 | \$ 21,444,005 | \$ 142,038,312 | \$ 166,226,556 | \$ 1,583,998 | \$ 309,848,866 |

Cash deposits and investments consisted as follows at June 30, 2014:

| | |
|--|------------------------------|
| Cash and investments: | |
| Imprest Cash | \$ 10,350 |
| Cash in Banks-Department Administered | 1,021,726 |
| Total cash | <u>1,032,076</u> |
| In custody of Treasurer: | |
| Cash on hand | 4,500 |
| Cash in banks | 6,917,978 |
| Money market accounts | 17,005,377 |
| Total in custody of Treasurer | <u>23,927,855</u> |
| Investments Held by Treasurer: | |
| Certificates of deposit | 250,000 |
| LAIF | 21,406,087 |
| U.S. Government-Sponsored Enterprise Sec. | 228,088,728 |
| Medium Term Corporate Notes | 32,627,081 |
| Tobacco Settlement Escrow | 647,279 |
| Total investments held by Treasurer | <u>283,019,175</u> |
| Cash Held With Fiscal Agent: | |
| Government Money Market | 240,525 |
| Employees' Retirement Trust | 45,237 |
| Total cash held with fiscal agent | <u>285,762</u> |
| Total cash and investments | 308,264,868 |
| Discretely Presented Component Units: | |
| Cash and cash equivalents - | |
| Community Action Partnership of Madera County | 20,263 |
| Madera County Workforce Investment Corporation | 1,563,735 |
| Total cash and investments | <u>\$ 309,848,866</u> |

COUNTY OF MADERA

Notes to Basic Financial Statements For the Year Ended June 30, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

A. Cash Deposits

The carrying amounts of the County's cash deposits were \$26,128,122 at June 30, 2014. Bank balances at June 30, 2014, were fully insured or collateralized with securities held by the pledging financial institutions in the County's name.

B. Investments

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool.

The Board exercises primary oversight responsibility for the County's investments. In addition, a Madera County Treasury Oversight Committee, which consist of the County Treasurer, the Auditor-Controller and a third member representing the County schools (the primary external pool participant) was established to monitor the Treasury's investments on a regular basis. No regulatory agency outside the County exercises any regulatory responsibilities over the County's investments. The County's pool is not registered with the SEC as an investment company.

School districts and special districts within the County are required to deposit funds with the County Treasurer and participate in the pool. The schools and special districts are not component units of the County and therefore are participants in the County's external investment pool.

The pool values participants' shares on an amortized cost basis. Specifically, the pool distributes income to participants on a quarterly basis based on their relative participation during the quarter that is calculated based on:

1. Realized investment gains and losses calculated on an amortized cost basis,
2. Interest income based on stated rates (both paid and accrued),
3. Amortization of discounts and premiums on a straight-line basis, and
4. Investment and administrative expenses.

This method differs from the fair value method 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.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

B. Investments (continued)

Under the provisions of the County's investment policy, and in accordance with California Government Code, the County is authorized to invest or deposit in the following:

- Local agency bonds
- US Treasury obligations
- State obligations
- California local agency obligations
- Obligations of the U.S. agency, U.S. government sponsored enterprise, participations, and instrumentalities
- Banker's acceptances
- Commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's
- Negotiable certificates of deposit and non-negotiable time certificates of deposits
- Repurchase agreements
- Medium-term corporate notes rated "A" or its equivalent, or better
- Mutual funds and money market mutual funds
- State of California Local Agency Investment Fund
- Joint powers authority pool

At June 30, 2014, the difference between the cost and fair values was not material. Therefore, an adjustment to the fair values was not made (fair value was 99.94% of the carrying value).

C. Risk Disclosures

The following is a summary of the concentration of credit risk, average maturities, and credit quality distribution by investment type as a percentage of the County Investment Pool's fair value at June 30, 2014:

| Investment Type | Cost | Fair Value | Percentage of Portfolio | Average Maturity (in years) | Credit Rating (Moody's) |
|--|-----------------------|-----------------------|-------------------------|-----------------------------|-------------------------|
| LAIF | \$ 21,406,087 | \$ 21,406,087 | 7.57% | - | N/A |
| Certificates of Deposits | 250,000 | 250,093 | 0.09% | 0.06 | N/A |
| Tobacco Settlement / Escrow | 647,279 | 647,279 | 0.23% | - | N/A |
| Government-Sponsored Enterprise Securities | 228,088,728 | 228,018,575 | 80.61% | 3.02 | AAA |
| Medium-Term Corporate Notes: | | | | | |
| Apple Inc. | 1,246,770 | 1,247,338 | 0.44% | 0.07 | AA1 |
| Berkshire Hathaway | 3,098,383 | 3,072,210 | 1.09% | 0.24 | AA2 |
| Chevron Corp | 1,987,020 | 1,990,800 | 0.70% | 0.21 | AA1 |
| General Electric Capital | 3,022,971 | 3,018,570 | 1.07% | 0.31 | A1 |
| General Electric Capital | 3,061,310 | 3,043,110 | 1.08% | 0.19 | A1 |
| IBM Corp. | 1,998,522 | 2,004,160 | 0.71% | 0.04 | AA3 |
| John Deere | 4,015,458 | 4,024,600 | 1.42% | 0.12 | A2 |
| Merck & Co. Inc. | 2,969,876 | 2,970,210 | 1.05% | 0.35 | A2 |
| Pfizer, Inc. | 2,988,406 | 2,974,920 | 1.05% | 0.36 | A1 |
| Toyota | 3,007,995 | 3,011,940 | 1.06% | 0.04 | AA3 |
| Wells Fargo | 3,199,944 | 3,165,900 | 1.12% | 0.19 | A2 |
| Wells Fargo | 2,030,426 | 2,017,260 | 0.71% | 0.13 | A2 |
| Total Investments Held by Treasurer | <u>\$ 283,019,175</u> | <u>\$ 282,863,052</u> | <u>100.00%</u> | | |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Risk Disclosures (continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits investments to a maximum maturity of five years. Maturities are selected to anticipate cash need, thereby reducing the possibility of the need for future investment liquidation. The County is in compliance with this provision of the Policy.

Credit Risk

The County's Policy limits investments in commercial paper to the highest grade of stand alone or enhanced (prime) commercial paper as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch Financial Services and requires that the management company of mutual funds must have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

Concentration of Credit Risk

At June 30, 2014, in accordance with State law and the County's Investment Policy, the County did not have 10% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization, nor did it have 15% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations. At June 30, 2014 the County had the following investments in any one issuer that represent 5 percent or more of the total investments.

| | % of Portfolio | Amount |
|---------------------------------------|-------------------|---------------|
| Federal Farm Credit | 27.80% | \$ 78,456,409 |
| Federal Home Loan Bank | 27.54% | 77,716,666 |
| Federal National Mortgage Association | 14.81% | 41,796,300 |
| Federal Home Loan Mortgage Corp. | 10.65% | 30,049,200 |

Custodial Credit Risk

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

The market value of pledged securities must equal at least 110% of the County's cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

D. Local Agency Investment Fund

The County is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2014, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises such as the Federal National Mortgage Association and the Federal Home Loan Bank System or an international agency such as the World Bank.

Asset-Backed Securities: entitle the purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables (such as asset-backed commercial securities).

As of June 30, 2014, the County had \$21,406,087 invested in LAIF, which had invested 1.09% of the pool investment funds in Structured Notes and Asset-Backed Securities.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

E. County Investment Pool Summary

The following represents a summary of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2014:

Statement of Net Position:

| | | |
|---|----|--------------------|
| Net position held for pool participants | \$ | 306,967,394 |
| Equity of internal pool participants | | 149,000,651 |
| Equity of external pool participants | | 157,966,743 |
| Total net assets | \$ | <u>306,967,394</u> |

Statement of Changes in Net Position:

| | | |
|--|----|--------------------|
| Net position at July 1, 2013 | \$ | 283,876,199 |
| Net change in investments by pool participants | | 23,091,195 |
| Net position at June 30, 2014 | \$ | <u>306,967,394</u> |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3: INTERFUND TRANSACTIONS

A. Fund Financial Statements

Due to and Due from Other Funds

The County had the following due to/from other funds as of June 30, 2014:

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount | Purpose |
|---------------------------------------|---------------------------------------|---------------------|---|
| General Fund | Internal Service Fund | \$ 355,241 | Charges for interfund services |
| | Special Districts - Water/Sewer | 71,070 | Charges for interfund services |
| | County Landfill | 12,959 | Charges for interfund services |
| | Road Fund | 33,735 | A-87 cost recovery; interfund services |
| | Special Revenue - Public Protection | 3,856,631 | Cost recovery from Realignment fund |
| | Nonmajor Governmental Funds | 3,942,128 | Cost recovery from Realignment fund |
| | Nonmajor Governmental Funds | <u>218,136</u> | Cost recovery from Realignment fund |
| | | <u>8,489,900</u> | |
| Road Fund | General Fund | 30,422 | Charges for interfund services |
| | County Landfill | 690 | Charges for interfund services |
| | Special Districts - Water/Sewer | 1,207 | Charges for interfund services |
| | Special Districts - Public Protection | 57,606 | Charges for interfund services |
| | Nonmajor Governmental Funds | <u>207,203</u> | Charges for interfund services |
| | | <u>297,128</u> | |
| Special Districts - Water/Sewer | General Fund | <u>10,122</u> | Property Tax apportionment from Teeter |
| | | <u>10,122</u> | |
| Special Districts - Public Protection | General Fund | <u>175</u> | Property Tax apportionment from Teeter, repayment of interfund advance |
| | | <u>175</u> | |
| Nonmajor Governmental Funds | General Fund | <u>29,338</u> | Property Tax apportionment from Teeter |
| | | <u>29,338</u> | |
| Internal Service Fund | General Fund | <u>18,195</u> | Charges for interfund services |
| | | <u>18,195</u> | |
| | | <u>\$ 8,844,858</u> | |

The interfund balances resulted from the time lag between the dates that interfund goods/services are provided or reimbursable expenditures occur and the dates payments between funds are made.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3: INTERFUND TRANSACTIONS

B. Fund Financial Statements

Advances to and Advances from Other Funds

The County had the following advances to/from other funds as of June 30, 2014:

| | Advances from Other Funds | | | | Total |
|-------------------------------------|---------------------------|---------------------|------------------------------|-------------------------------|---------------------|
| | Governmental Activities | | Business-Type Activities | | |
| | General Fund | Capital Projects | Non-Major Governmental Funds | Special Districts Water/Sewer | |
| Advances to other funds | | | | | |
| Governmental Activities: | | | | | |
| General fund | \$ - | \$ 2,180,375 | \$ 628 | \$ 236,838 | \$ 2,417,841 |
| Capital Projects | 3,063,246 | - | - | - | 3,063,246 |
| Special Revenue - Public Protection | 100,000 | 383,136 | - | 100,000 | 583,136 |
| Business-Type Activities: | | | | | |
| Special Districts Water/Sewer | - | - | - | 46,200 | 46,200 |
| Total | <u>\$ 3,163,246</u> | <u>\$ 2,563,511</u> | <u>\$ 628</u> | <u>\$ 383,038</u> | <u>\$ 6,110,423</u> |

The General Fund loans from Non-major Governmental funds were incurred primarily for the acquisition of capital assets.

Transfers in and Transfers out

Transfers are used primarily to fund capital projects and debt service payments, move revenues from funds required by statute or budget and finance various programs accounted for in other funds.

Interfund transfers to/from other funds for the year ended June 30, 2014, were as follows:

| Transfer From | Transfer To | Amount | Purpose |
|-------------------------------------|-------------------------------------|----------------------|--|
| Capital Projects | General Fund | \$ 252,285 | Cost for construction of MD95 well replacement & state grant reimbursement |
| County Landfill | General Fund | 70,000 | LEA Service |
| General Fund | Capital Projects | 2,007,671 | Architect fee for Road 28, Campus, 3rd Floor Gov. Ctr., Probation Building, New Sheriff Facility |
| Nonmajor Governmental Funds | Capital Projects | 2,039,892 | Architect fee for Road 28, Campus, New Sheriff Facility, Library, Jail Expansion |
| Internal Service - Central Garage | Capital Projects | 262,560 | 3rd Floor Gov. Ctr. |
| General Fund | Special Revenue - Public Protection | 45,200 | New Sheriff Facility |
| Internal Service Fund | General Fund | 125,000 | LC 4850 TD Cost |
| Special Revenue - Public Protection | General Fund | 5,372,291 | Reimbursement for costs of sheriff and fire protection |
| Special Revenue - Public Protection | Capital Projects | 157,888 | Architect fee for Road 28 Campus, New Sheriff Facility, Library, Jail Expansion |
| Nonmajor Governmental Funds | General Fund | 8,544,837 | Reimbursement for costs of sheriff, fire protection, public assistance and administration |
| | | <u>\$ 18,877,624</u> | |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 4: CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of capital assets for governmental activities:

| | Balance July 1, 2013 | Additions | Retirements | Transfers | Balance June 30, 2014 |
|--|-------------------------|---------------------|-----------------------|---------------------|--------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 17,141,369 | \$ 268,650 | \$ (431,890) | \$ -- | \$ 16,978,129 |
| Land under roads | 56,831,294 | 16,657 | -- | -- | 56,847,951 |
| Construction-in-progress | 44,290,765 | 11,510,378 | (90,547) | (35,778,610) | 19,931,986 |
| Total capital assets, not being depreciated | 118,263,428 | 11,795,685 | (522,437) | (35,778,610) | 93,758,066 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 111,751,965 | 1,832,769 | (4,646,703) | 28,956,862 | 137,894,893 |
| Machinery and equipment | 45,813,302 | 2,238,946 | (2,827,374) | -- | 45,224,874 |
| Infrastructure | 164,633,446 | -- | (48,580) | 6,821,748 | 171,406,614 |
| Total capital assets, being depreciated | 322,198,713 | 4,071,715 | (7,522,657) | 35,778,610 | 354,526,381 |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (27,885,785) | (2,598,455) | 1,324,100 | (13,087) | (29,173,227) |
| Machinery and equipment | (33,194,215) | (2,363,664) | 2,763,834 | (217,418) | (33,011,463) |
| Infrastructure | (122,381,821) | (3,725,750) | 43,129 | (228,489) | (126,292,931) |
| Total accumulated depreciation | (183,461,821) | (8,687,869) | 4,131,063 | (458,994) | (188,477,621) |
| Total capital assets, being depreciated | 138,736,892 | (4,616,154) | (3,391,594) | 35,319,616 | 166,048,760 |
| Total governmental activities | \$ 257,000,320 | \$ 7,179,531 | \$ (3,914,031) | \$ (458,994) | \$ 259,806,826 |

Depreciation expense was charged to governmental functions as follows:

| <u>Governmental Activities</u> | <u>Total</u> |
|--|---------------------|
| General government | \$ 1,247,882 |
| Public protection | 1,671,921 |
| Public ways and facilities | 4,280,597 |
| Health and sanitation | 166,483 |
| Public assistance | 221,774 |
| Education | 84,870 |
| Recreation and culture | 394,536 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | 619,806 |
| Total | \$ 8,687,869 |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 4: CAPITAL ASSETS (CONTINUED)

A. Government-Wide Financial Statements (continued)

The following is a summary of capital assets for business-type activities:

| | Balance July 1, 2013 | Additions | Retirements | Transfers | Balance June 30, 2014 |
|--|-------------------------|---------------------|--------------|-------------------|--------------------------|
| Business-Type Activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 2,980,820 | \$ 557,675 | \$ -- | \$ -- | \$ 3,538,495 |
| Land under roads | 1,724,264 | -- | -- | -- | 1,724,264 |
| Construction-in-progress | 2,144,421 | 1,484,632 | -- | (602,783) | 3,026,270 |
| Total capital assets, not being depreciated | 6,849,505 | 2,042,307 | -- | (602,783) | 8,289,029 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 62,890,460 | 547,801 | -- | 598,643 | 64,036,904 |
| Machinery and equipment | 1,672,901 | 57,416 | -- | -- | 1,730,317 |
| Infrastructure | 1,192,972 | -- | -- | -- | 1,192,972 |
| Total capital assets, being depreciated | 65,756,333 | 605,217 | -- | 598,643 | 66,960,193 |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (23,921,954) | (1,417,354) | -- | 1,742 | (25,337,566) |
| Machinery and equipment | (762,497) | (94,623) | -- | -- | (857,120) |
| Infrastructure | (1,112,496) | (13,006) | -- | -- | (1,125,502) |
| Total accumulated depreciation | (25,796,947) | (1,524,983) | -- | 1,742 | (27,320,188) |
| Total capital assets, being depreciated | 39,959,386 | (919,766) | -- | 600,385 | 39,640,005 |
| Total business-type activities | \$ 46,808,891 | \$ 1,122,541 | \$ -- | \$ (2,398) | \$ 47,929,034 |

Depreciation expense was charged to business-type functions as follows:

| | <u>Total</u> |
|-----------------------------------|---------------------|
| <u>Business-Type Activities</u> | |
| Water and sewer special districts | \$ 1,211,482 |
| County landfill | 313,501 |
| Total | \$ 1,524,983 |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 5: LEASES

Operating Leases

The County has commitments under long-term real property operating lease agreements for facilities used for operations. Total rental expense for these real property operating leases for the year ended June 30, 2014, was approximately \$1,306,670. The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining non-cancelable terms in excess of one year as of June 30, 2014:

| Year Ending June 30: | |
|-------------------------|----------------------------|
| 2015 | \$ 1,302,899 |
| 2016 | 1,308,362 |
| 2017 | 1,278,524 |
| 2018 | 932,656 |
| 2019 | <u>699,111</u> |
| Totals | <u>\$ 5,521,552</u> |

The County has also entered into leases for personal property, the majority of which are for equipment maintenance. These lease agreements provide for cancellation in the event the Board of Supervisors does not appropriate funding in subsequent fiscal years; therefor, the County is not obligated beyond the end of any fiscal year.

Capital Leases

The County has entered into certain capital lease agreements under which the related buildings and equipment will become the property of the County when all terms of the lease agreements are met.

The following is a summary of equipment leased under capital lease agreements by the County as of June 30, 2014:

| | Stated Interest Rate | Present Value of Remaining Payment as of June 30, 2014 |
|---------------------------|----------------------------|---|
| DA/CS building | 10.10% | \$ 247,815 |
| Microwave/Radio equipment | 3.02% | 840,517 |
| Dell Computer Equipment | 4% - 7.338% | <u>394,024</u> |
| Total | | <u>\$ 1,482,356</u> |

The cost of buildings and equipment under capital leases are as follows:

| | |
|--------------------------------|----------------------------|
| DA/CS building | \$ 1,459,366 |
| Microwave/Radio equipment | 1,609,396 |
| Dell Computer Equipment | 444,177 |
| Less: accumulated depreciation | <u>(795,278)</u> |
| Total | <u>\$ 2,717,661</u> |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 5: LEASES (CONTINUED)

Capital Leases (continued)

As of June 30, 2014, future minimum lease payments under capital leases was as follows:

| Year Ending June 30: | |
|--------------------------------------|---------------------|
| 2015 | \$ 429,925 |
| 2016 | 391,406 |
| 2017 | 391,406 |
| 2018 | 352,925 |
| 2019 | 112,452 |
| Total Future Minimum Lease Payments | <u>1,678,114</u> |
| Less: Interest | <u>(195,758)</u> |
| Present Value Minimum Lease Payments | <u>\$ 1,482,356</u> |

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2014:

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 | Amounts Due Within One Year |
|---|-------------------------|---------------------|------------------------|--------------------------|-----------------------------------|
| Governmental Activities | | | | | |
| 2005 Certificates of Participation | \$ 16,680,000 | \$ -- | \$ (1,000,000) | \$ 15,680,000 | \$ 1,040,000 |
| Capital lease obligations | 1,410,252 | 332,386 | (260,282) | 1,482,356 | 351,336 |
| Compensated absences | 13,415,662 | 6,864,089 | (7,043,112) | 13,236,639 | 5,853,203 |
| Litigation judgment | 283,324 | -- | (23,654) | 259,670 | 25,310 |
| Liability for unpaid claims | 9,868,000 | 2,738,128 | (2,488,128) | 10,118,000 | 2,490,799 |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 41,657,238</u> | <u>\$ 9,934,603</u> | <u>\$ (10,815,176)</u> | <u>\$ 40,776,665</u> | <u>\$ 9,760,648</u> |
| Business-Type Activities | | | | | |
| Improvement District 1915 Act Bonds | \$ 11,491,170 | \$ 51,000 | \$ (390,000) | \$ 11,152,170 | \$ 237,510 |
| Unamortized discount | (77,929) | -- | 3,118 | (74,811) | -- |
| | <u>11,413,241</u> | <u>51,000</u> | <u>(386,882)</u> | <u>11,077,359</u> | <u>237,510</u> |
| Maintenance District 08A Revenue Bonds | 89,800 | -- | (4,200) | 85,600 | 4,400 |
| Loans payable | 2,880,417 | -- | (82,064) | 2,798,353 | 86,099 |
| Landfill Loan Guarantees | 472,875 | -- | -- | 472,875 | -- |
| Total Business-Type Activities Long-Term Liabilities | <u>\$ 14,856,333</u> | <u>\$ 51,000</u> | <u>\$ (473,146)</u> | <u>\$ 14,434,187</u> | <u>\$ 328,009</u> |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

As of June 30, 2014, annual debt service requirements of governmental and business-type activities to maturity are as follows:

| Certificates of Participation | | |
|-------------------------------|----------------------|---------------------|
| Year Ending | Principal | Interest |
| June 30: | | |
| 2015 | \$ 1,040,000 | \$ 636,231 |
| 2016 | 1,080,000 | 593,831 |
| 2017 | 1,125,000 | 549,731 |
| 2018 | 1,170,000 | 503,831 |
| 2019 | 1,215,000 | 456,131 |
| 2020-2024 | 6,870,000 | 1,466,531 |
| 2025-2029 | 3,180,000 | 143,705 |
| | <u>\$ 15,680,000</u> | <u>\$ 4,349,991</u> |

| Loans Payable | | |
|---------------|---------------------|---------------------|
| Year Ending | Principal | Interest |
| June 30: | | |
| 2015 | \$ 86,099 | \$ 125,257 |
| 2016 | 90,340 | 121,012 |
| 2017 | 94,810 | 116,542 |
| 2018 | 99,409 | 111,846 |
| 2019 | 92,585 | 106,943 |
| 2020 -2024 | 402,530 | 472,296 |
| 2025 -2029 | 434,180 | 380,951 |
| 2030 - 2034 | 538,770 | 273,935 |
| 2035 - 2039 | 668,750 | 141,019 |
| 2040 - 2044 | 290,880 | 13,819 |
| | <u>\$ 2,798,353</u> | <u>\$ 1,863,620</u> |

| Bonds Payable | | |
|---------------|----------------------|---------------------|
| Year Ending | Principal | Interest |
| June 30: | | |
| 2015 | \$ 237,510 | \$ 514,686 |
| 2016 | 296,530 | 503,200 |
| 2017 | 258,480 | 491,217 |
| 2018 | 233,640 | 479,559 |
| 2019 | 240,120 | 468,392 |
| 2020 -2024 | 1,379,280 | 2,156,194 |
| 2025 -2029 | 1,706,700 | 1,794,076 |
| 2030 - 2034 | 2,161,520 | 1,340,774 |
| 2035 - 2039 | 2,744,360 | 760,752 |
| 2040 - 2044 | 1,894,030 | 195,374 |
| | <u>\$ 11,152,170</u> | <u>\$ 8,704,224</u> |

| Revenue Bonds | | |
|---------------|------------------|------------------|
| Year Ending | Principal | Interest |
| June 30: | | |
| 2015 | \$ 4,400 | \$ 4,280 |
| 2016 | 4,600 | 4,060 |
| 2017 | 4,800 | 3,830 |
| 2018 | 5,100 | 3,590 |
| 2019 | 5,300 | 3,335 |
| 2020 -2024 | 31,100 | 12,385 |
| 2025 -2029 | 30,300 | 3,960 |
| | <u>\$ 85,600</u> | <u>\$ 35,440</u> |

| Landfill Loan | | |
|---------------|-------------------|-----------------|
| Year Ending | Principal | Interest |
| June 30: | | |
| 2015 | \$ - | \$ - |
| 2016 | 472,875 | 2,974 |
| 2017 | - | - |
| 2018 | - | - |
| 2019 | - | - |
| 2020 -2024 | - | - |
| 2025 -2029 | - | - |
| | <u>\$ 472,875</u> | <u>\$ 2,974</u> |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Long-term liabilities at June 30, 2014 consisted of the following:

| | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rates</u> | <u>Annual Principal Installments</u> | <u>Original Issue Amount</u> | <u>Outstanding at June 30, 2014</u> |
|---|----------------------|-----------------|-----------------------|--------------------------------------|------------------------------|-------------------------------------|
| <u>Governmental Activities</u> | | | | | | |
| <i>Certificates of Participation</i> | | | | | | |
| 2005 issue to finance a portion of the construction costs of a new government center building. Interest is payable semi-annually on February 1 and August 1. Certificates maturing on or before April 1, 2015, are not subject to optional prepayment before their respective stated maturities. Certificates maturing on or after August 1, 2016, are subject to call for prepayment prior to their respective stated maturities, at the option of the County, in whole, or in part among maturities on such basis as the County designates and by lot within any one maturity, on August 1, 2015, or on any date thereafter, upon payment of a prepayment price equal to the principal amount of the certificates called for prepayment, plus accrued interest to the date fixed for prepayment, without premium. | | | | | | |
| 2005 Certificates of Participation | 9/1/2015 | 2025 | 3.0% - 4.5% | \$930,000 - \$1,625,000 | \$ 22,450,000 | <u>\$ 15,680,000</u> |
| <u>Business-Type Activities</u> | | | | | | |
| <i>Maintenance District 08A Revenue Bonds</i> | | | | | | |
| The County issued the Maintenance District 08A Special Tax Bonds to expand the wastewater treatment plant. The County has pledged a portion of special assessments revenue to repay the Maintenance District 08A Revenue Bonds. | | | | | | |
| Maintenance District 08A Revenue Bonds | 3/15/1988 | 2026 | 5% | \$3,800 - \$7,800 | \$ 147,000 | <u>\$ 85,600</u> |
| <i>Improvement District 1915 Act Bonds</i> | | | | | | |
| The County assists various dependent special districts to issue improvement bonds which are supported by assessments for principal, interest, and handling charges placed as direct charges on current secured tax bills for property within the assessment/improvement area. | | | | | | |
| County Service Area 01 | 9/23/2003 | 2042 | 4.25% | \$8,830 - \$32,170 | \$ 632,140 | \$ 501,970 |
| County Service Area 03 | 6/22/2005 | 2017 | 5% | \$17,000 - \$22,000 | 178,000 | 62,000 |
| County Service Area 05 | 12/31/2009 | 2021 | 5% | \$4,000 - \$7,000 | 66,000 | 48,000 |
| County Service Area 19 | 3/2/2009 | 2038 | 5.18% | \$55,000 - \$225,000 | 3,410,677 | 3,115,000 |
| Improvement District 19 | 6/30/1978 | 2017 | 5% | \$12,000 - \$16,700 | 378,800 | 50,000 |
| Maintenance District 22A | 9/2/2004 | 2044 | 4.5% | \$121,900 - \$331,900 | 8,471,064 | 7,324,200 |
| Maintenance District 22A | 6/27/2014 | 2054 | 2% | \$45,000 to \$108,000 | 2,886,000 | 51,000 |
| | | | | | | <u>\$ 11,152,170</u> |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

| | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rates</u> | <u>Annual Principal Installments</u> | <u>Original Issue Amount</u> | <u>Outstanding at June 30, 2014</u> |
|--|----------------------|-----------------|-----------------------|--------------------------------------|------------------------------|-------------------------------------|
| <u>Business-Type Activities</u> (continued) | | | | | | |
| <i>Loans Payable</i> | | | | | | |
| The County has contracted with various State and Federal agencies for loans to reimburse dependent special districts for construction costs. Principal and interest are repaid by charging property owners within the geographical boundaries of the district. The County has pledged a portion of special assessments revenue to repay the loans payable. For the Maintenance District 22A Rural Utility Service loan, the County has pledged a portion of special assessments revenue to repay the Maintenance District 08A Revenue Bonds. | | | | | | |
| Maintenance District 01 - Dept. of Water Resources | 6/1/1993 | 2021 | 7.125% | \$10,755 - \$18,830 | \$ 249,191 | \$ 117,810 |
| Maintenance District 08A - State Clean Water | 10/1/1994 | 2020 | 2.965% | \$5,199 - \$6,394 | 114,450 | 35,570 |
| Maintenance District 27 - Rural Utility Services | 6/30/2000 | 2040 | 3.25% | \$3,200 - \$7,600 | 175,190 | 137,000 |
| Maintenance District 32 - USDA Rural Dev Loan | 10/24/2000 | 2018 | 5.12% | \$15,010 - \$19,320 | 344,445 | 80,413 |
| Maintenance District 01 - Rural Utility Services | 9/3/2003 | 2043 | 4.25% | \$2,700 - \$9,410 | 185,000 | 161,530 |
| Maintenance District 22A - Rural Utility Services | 3/24/2004 | 2041 | 4.5% | \$41,500 - 111,380 | 3,091,782 | 2,266,030 |
| | | | | | | <u>\$ 2,798,353</u> |

Landfill Loan Guarantee

The County issued the Variable Rate Demand Solid Waste Disposal Revenue Bonds (Madera Disposal Systems, Inc. Project) Series 1998A to pay the costs of constructing a methane gas recovery system and expanding a liner system at a landfill facility operated by the County in Chowchilla, California, and the costs of acquiring and installing certain related improvements and equipment, including certain improvements necessary to the preservation of fossils discovered at the landfill facilities; and to pay certain cost associated with the issuance of the 1998A Bonds.

| | | | | | | |
|-------------------------|----------|------|--------|-----------|------------|-------------------|
| Landfill Loan Guarantee | 7/1/2009 | 2017 | 4.005% | \$100,000 | \$ 781,208 | <u>\$ 472,875</u> |
|-------------------------|----------|------|--------|-----------|------------|-------------------|

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Compensated Absences

The total of the earned compensated absences and early retirement incentive as of June 30, 2014 for the Governmental Activities (including the Internal Service funds) is \$13,236,639.

The above amount includes \$11,640,536 which covers the earned compensated absences due for vacation, holiday compensation, and overtime. According to County policy and appropriate laws, this amount must be paid in full whether the County's employees take it as leave time while still employed or at the time their employment is terminated. The remaining \$1,596,103 covers the earned compensated absences due for sick leave. According to County policy, this amount is payable in full when the County's employees use it as leave time while still employed. However, at termination, the amount payable may be an amount, which is less than the full amount earned. Sick leave has been valued at the maximum payoff based on 20 years' service, which allows 50% of the first 75 days, 25% of the next 75 days, and 10% of the balance.

D. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The County has hired a consultant to perform calculations of excess investment earnings on various bonds and financings.

NOTE 7: LANDFILL CLOSURE AND POSTCLOSURE COSTS

In 1991 the U.S. Environmental Protection Agency established rules and regulations (Solid Waste Disposal Facility Criteria) governing municipal (and other governmental and nongovernmental) waste landfills. The rules establish closure requirements for landfills that accept solid waste after October 9, 1991, ground water monitoring and corrective action requirements, and financial assurance requirements for landfills receiving solid waste after October 9, 1993. The County operates the Fairmead Landfill under this rule and has opened a second landfill site.

The estimated liability for closure and post closure care costs of the Fairmead Landfill and the expansion landfill site, as presented in these financial statements, is based on the amount of landfill used to date. The Fairmead Landfill has been used to 100% of capacity and the landfill expansion site has been used to 55.36% of capacity. The Fairmead Landfill has no estimated remaining life, and the expansion landfill has an estimated remaining life of 13 years.

The liability for landfill closure and post closure care has a balance of \$9,859,669 (\$2,454,158 for the Fairmead Landfill and \$7,405,511 for the expansion landfill). The estimated total current cost of the landfill closure and post closure care remaining to be recognized is \$5,972,343. The actual cost of closure and post closure care may vary from the estimate due to inflation, changes in technology, or changes in applicable laws and regulations.

At June 30, 2014, \$6,297,960 was available for closure and monitoring.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 8: DEFICIT NET POSITION

The Self Insurance Internal Service Fund had a deficit net position at June 30, 2014 of (\$1,847,836). This deficit will be financed through future charges of the fund.

NOTE 9: NET POSITION/FUND BALANCE

Classification

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned. A detailed schedule of fund balances at June 30, 2014 is as follows:

| | General Fund | Road Fund | Housing and Community Development | Special Revenue - Public Protection | Capital Projects | Other Governmental Funds | Total |
|----------------------------|----------------------|----------------------|---|--|---------------------|--------------------------------|-----------------------|
| Nonspendable | | | | | | | |
| Advances | \$ 2,352,420 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 2,352,420 |
| Prepays and inventory | 447,289 | 280,078 | -- | -- | -- | -- | 727,367 |
| Total Nonspendable | 2,799,709 | 280,078 | -- | -- | -- | -- | 3,079,787 |
| Committed for: | | | | | | | |
| Tobacco securitization | -- | -- | -- | -- | -- | 968,820 | 968,820 |
| Other | 25,449 | -- | -- | -- | -- | -- | 25,449 |
| Total Committed | 25,449 | -- | -- | -- | -- | 968,820 | 994,269 |
| Restricted for: | | | | | | | |
| General government | 1,873,812 | -- | -- | -- | -- | 848,758 | 2,722,570 |
| Public protection | 2,320,815 | -- | -- | 13,671,911 | -- | -- | 15,992,726 |
| Public ways and facilities | -- | 18,423,238 | -- | -- | -- | 14,917,325 | 33,340,563 |
| Health and sanitation | 27,865,600 | -- | -- | -- | -- | 1,552,073 | 29,417,673 |
| Public assistance | 11,127,750 | -- | 5,713,549 | -- | -- | 1,224,118 | 18,065,417 |
| Education | 84,051 | -- | -- | -- | -- | 5,437 | 89,488 |
| Recreation | -- | -- | -- | -- | -- | 60,157 | 60,157 |
| Capital projects | 167,138 | -- | -- | -- | 2,978,276 | -- | 3,145,414 |
| Total Restricted | 43,439,166 | 18,423,238 | 5,713,549 | 13,671,911 | 2,978,276 | 18,607,868 | 102,834,008 |
| Assigned to: | | | | | | | |
| General government | 972,831 | -- | -- | -- | -- | -- | 972,831 |
| Public protection | 546,106 | -- | -- | -- | -- | -- | 546,106 |
| Health and sanitation | 120,306 | -- | -- | -- | -- | -- | 120,306 |
| Public assistance | 22,993 | -- | -- | -- | -- | -- | 22,993 |
| Capital projects | 466,998 | -- | -- | -- | -- | -- | 466,998 |
| Total Assigned | 2,129,234 | -- | -- | -- | -- | -- | 2,129,234 |
| Unassigned | 4,066,309 | -- | -- | -- | -- | -- | 4,066,309 |
| Total Fund Balance | \$ 52,459,867 | \$ 18,703,316 | \$ 5,713,549 | \$ 13,671,911 | \$ 2,978,276 | \$ 19,576,688 | \$ 113,103,607 |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 9: NET POSITION/FUND BALANCE (CONTINUED)

Restatement of Beginning Fund Balance

Adjustments resulting from errors or a change to comply with the provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the County reports these changes as restatements of beginning net assets or fund balances.

The following restatements were made during the current year. The majority of the adjustments related to fund reclassifications were due to incorrect mapping of fund group types. The other adjustments were related to reclassification of a property tax account, recording of prior year adjustment related to understatement of revenue from City of Chowchilla Library loan and other immaterial errors discovered during reconciliation of beginning fund balances.

| | <u>Governmental Activities</u> | <u>General Fund</u> | <u>Road</u> | <u>Housing and Community Development</u> |
|---|------------------------------------|-------------------------|----------------------|--|
| Beginning balance July 1, 2013 | \$ 277,205,722 | \$ 50,611,248 | 15,095,608 | \$ 5,876,238 |
| Fund reclassification and other adjustments | <u>(514,999)</u> | <u>(1,287,172)</u> | <u>1,061,458</u> | <u>174,435</u> |
| Beginning Balance July 1, 2013, as restated | <u>\$ 276,690,723</u> | <u>\$ 49,324,076</u> | <u>\$ 16,157,066</u> | <u>\$ 6,050,673</u> |

| | <u>Special Revenue - Public Protection</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Business-Type Activities</u> |
|---|--|-----------------------------|--|-------------------------------------|
| Beginning balance July 1, 2013 | \$ 10,792,858 | \$ 2,105,506 | \$ 20,238,710 | 52,844,377 |
| Fund reclassification and other adjustments | <u>519,957</u> | <u>(647,231)</u> | <u>122,548</u> | <u>267,457</u> |
| Beginning Balance July 1, 2013, as restated | <u>\$ 11,312,815</u> | <u>\$ 1,458,275</u> | <u>\$ 20,361,258</u> | <u>\$ 53,111,834</u> |

| | <u>Special Districts Water/Sewer</u> | <u>County Landfill</u> | <u>CAPMC</u> | <u>MCWIC</u> |
|---|--|----------------------------|---------------------|-------------------|
| Beginning balance July 1, 2013 | 45,193,046 | \$ 7,651,331 | \$ 3,633,552 | \$ 125,046 |
| Fund reclassification and other adjustments | <u>6,154</u> | <u>261,303</u> | <u>(202,988)</u> | <u>(20,747)</u> |
| Beginning Balance July 1, 2013, as restated | <u>\$ 45,199,200</u> | <u>\$ 7,912,634</u> | <u>\$ 3,430,564</u> | <u>\$ 104,299</u> |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 10: PENSION PLAN

A. Primary Government

Plan Description

The County contributes to the California Public Employees Retirement System (“CalPERS”), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and County ordinance. Copies of CalPERS’ annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required by State statute to contribute 8% and 9% of annual covered salary for miscellaneous and safety employees, respectively. The County makes the contributions required of County employees on their behalf and for their account. The County is required to contribute for fiscal year 2013-2014 at an actuarially determined rate of 19.100% for miscellaneous employees and 23.300% for safety employees of annual covered payroll. The contribution requirements of plan members and the County are established by CalPERS.

Annual Pension Costs

The County’s annual pension cost for the current year was \$17,606,623. These were equal to the County’s required and actual contributions. The required contribution was determined as part of the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included; (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30% to 14.20% for miscellaneous employees, and 3.30% to 14.20% for safety employees depending on age, service, and type of employment, and (c) 3.0% payroll growth. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. CalPERS unfunded actuarial accrued liabilities (or surplus) are being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2013 was 30 years for miscellaneous and safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

| Fiscal Year | Annual Pension Cost (APC) | | | Percentage of APC Contributed | Net Pension Obligation |
|----------------|---------------------------|-----------|------------|-------------------------------------|---------------------------|
| | Miscellaneous | Safety | Total | | |
| June 30, 2012 | 11,872,867 | 3,624,813 | 15,497,680 | 100.00% | -- |
| June 30, 2013 | 12,306,760 | 3,936,066 | 16,242,826 | 100.00% | -- |
| June 30, 2014 | 12,479,892 | 5,126,731 | 17,606,623 | 100.00% | -- |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 10: PENSION PLAN (CONTINUED)

Most Recent Actuarial Study – Schedule of Funding Progress

The funding status of the plan as of June 30, 2013 (the most recent actuarial valuation date) was as follows:

| <u>Plan</u> | <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Entry Age Actuarial Accrued Liability</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>Unfunded Actuarial Liability as Percentage of Covered Payroll</u> |
|---------------|---------------------------------|----------------------------------|--|---|---------------------|------------------------|--|
| Miscellaneous | June 30, 2013 | \$ 213,105,566 | \$ 320,156,401 | \$ 107,050,835 | 66.60% | \$ 47,529,395 | 225.20% |
| Safety | June 30, 2013 | \$ 63,525,486 | \$ 92,573,044 | \$ 29,047,558 | 68.60% | \$ 13,134,022 | 221.20% |

Funding Status

The schedule of funding progress presented as required supplementary information (RSI) immediately 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 AAL for benefits.

B. Component Unit – Community Action Partnership of Madera County (CAPMC)

CAPMC maintains a defined contributory retirement plan available for its employees which allows participants to make tax deferred investment contributions. The plan qualifies under the provisions of Section 403 (b) of the Internal Revenue Code of 1954, as amended. Total cash contributions made by CAPMC to the Plan for the year ended June 30, 2014 were \$411,323.

C. Component Unit – Madera County Workforce Investment Corporation (MCWIC)

MCWIC established a 457 Retirement Plan covering all active full-time employees. All full-time employees are eligible to participate in the Plan after completing a six month introductory period. The Organization contributes 6% of the employee’s compensation for the year. The employer contribution for the year ended June 30, 2014 was \$70,491 and is included with employee benefits on the statement of functional expenses.

NOTE 11: OTHER POST-RETIREMENT HEALTH CARE BENEFITS

Plan Description

The County of Madera retiree healthcare plan is a single-employer defined benefit healthcare plan administered by the County. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the County, its management employees, and the union representing County employees.

The County provides eligible employees who retire with a monthly retiree allowance, currently provided through the California Public Employees’ Retirement System (“CalPERS”) Health Benefits Program under the Public Employees’ Medical and Hospital Care Act (“PEMHCA”). Under the 2013 basic health plan, the County’s monthly contribution per eligible pre-Medicare retiree is \$457.17, \$685.76, and \$785.93 for

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 11: OTHER POST-RETIREMENT HEALTH CARE BENEFITS (CONTINUED)

Plan Description (continued)

single, two-party, and family coverage, respectively. The County's employer contribution for each employee shall be the minimum required by PEMHCA. The County pays this contribution directly to CalPERS. No dental, vision, or life insurance benefits are provided.

Eligibility

Employees are eligible for retiree health benefits if they retire from the County on or after age 50 and 5 years of CalPERS service or disability. The benefits are available only to employees who retire from the County. Membership of the plan consisted of the following at June 30, 2014:

| | <u>No. of Employees</u> |
|----------------------------|-------------------------|
| Eligible active employees | 1,134 |
| Enrolled eligible retirees | 458 |

Funding Policy

There is no statutory requirement for the County to pre-fund its other postemployment benefit ("OPEB") obligation. The County has currently chosen to pay plan benefits on a pay-as-you-go basis. There are no employee contributions. The County fixed dollar benefit cannot be less than PEMHCA minimum (unequal method) for PEMHCA retirees.

For fiscal year 2013-14, the County paid \$2,676,899 to CalPERS for the County's health premium contributions under PEMHCA. PEMHCA is, for most employers, a community rated plan and is not required to value implied subsidies for retirees under GASB 45.

The Annual Required Contribution (the "ARC") is an amount actuarially determined in accordance with the parameters of GASB 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligations

The County's annual other postemployment benefit 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The following table, based on the County's actuarial valuation as of June 30, 2013, shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's Net OPEB obligation:

| <u>Fiscal Year End</u> | <u>Beginning Balance Net OPEB Obligation</u> | <u>Annual Required Contribution</u> | <u>Accrued Interest</u> | <u>Amortization</u> | <u>Actual Contribution</u> | <u>Ending Balance Net OPEB Contribution</u> |
|------------------------|--|-------------------------------------|-------------------------|---------------------|----------------------------|---|
| June 30, 2012 | \$54,296,066 | \$14,466,000 | \$2,172,000 | \$(4,896,000) | \$(2,344,000) | \$63,694,066 |
| June 30, 2013 | 63,694,066 | 15,865,000 | 2,548,000 | (5,984,000) | (2,377,000) | 73,786,066 |
| June 30, 2014 | 73,786,066 | 12,915,000 | 2,951,000 | (6,166,000) | (2,459,000) | 81,028,066 |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 11: OTHER POST-RETIREMENT HEALTH CARE BENEFITS (CONTINUED)

Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligations (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010-11, 2011-12, 2012-13 and 2013-14 are as follows:

| <u>Ended</u> | <u>Cost</u> | <u>Contributed</u> | <u>Obligation</u> |
|---------------|---------------|--------------------|-------------------|
| June 30, 2012 | \$ 11,742,000 | 20.0% | \$ 63,694,066 |
| June 30, 2013 | 12,429,000 | 18.8% | 73,786,066 |
| June 30, 2014 | 9,701,000 | 25.3% | 81,028,066 |

Funded Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was not funded in its initial year of implementation. The actuarial accrued liability for benefits was \$109,063,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability ("UAAL") of \$109,063,000 and a funded ratio (actuarial value of assets as a percentage of the actuarial liability) of zero percent.

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrences 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.

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 are consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% discount rate, a 3% general inflation assumption, an annual aggregate payroll increase rate of 3.25%, plus merit increases per CalPERS 1997-2011 experience study. PEMHCA minimum trend rate is 8.0% in 2015 and decreases to 5% for 2021 and beyond, not less than PEMHCA minimum. PEMHCA is a community rated plan not required to value implied subsidies to retirees. The plan is not funded in a segregated restricted trust. The UAAL is being amortized as a level percentage of projected payroll over 25 years on a closed basis, starting June 30, 2009.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 11: OTHER POST-RETIREMENT HEALTH CARE BENEFITS (CONTINUED)

Most Recent Actuarial Study – Schedule of Funding Progress

The funding status of the plan as of June 30, 2013 (the most recent actuarial valuation date) was as follows:

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Entry Age Actuarial Accrued Liability</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>Unfunded Actuarial Liability as Percentage of Covered Payroll</u> |
|---|--|--|---|-------------------------|----------------------------|--|
| June 30, 2013 | \$ - | \$ 109,063,000 | \$ 109,063,000 | 0.00% | \$ 56,107,000 | 194.38% |

NOTE 12: DEFERRED COMPENSATION PLAN

The County has maintained an IRS Section 457 deferred compensation plan for all full-time employees who elect to participate. Employees are allowed to designate a portion of their compensation up to a maximum of \$17,000 annually for deferral. For those over the age of 50, an additional \$5,500 each year is permitted. The deferred income is not taxable to the employee until retirement distributions begin. The employees' contributions are invested by a Trustee, ICMA.

At June 30, 2014, the Plan's assets are not presented in the accompanying financial statements as they are deposited with ICMA, the third party administrator independent of the County.

NOTE 13: COMMITMENTS AND CONTINGENCIES

A. Litigation

There are several lawsuits and unresolved disputes involving the County or its employees in which the County is represented by the County counsel and outside counsel. However, in the opinion of the County counsel and outside counsel these actions will not, in the aggregate, have a material adverse effect upon the operations or financial position of the County.

B. Federal and State Grants

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, management does not believe that audit disallowances, if any, would have a significant effect on the financial position of the County.

C. Medicare and Medi-Cal Reimbursements

The County's Medicare and Medi-Cal cost reports for certain prior years are in various stages of review by the third-party intermediaries and have not been settled as a result of certain unresolved reimbursement issues. The County believes that it has adequately provided for any potential liabilities which may arise from the intermediaries' review.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 14: 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, injuries to employees, natural disasters, medical malpractice, unemployment coverage, and dental and vision benefits to employees.

The County established a self-insurance program (reported in the County's Self-Insurance Fund, an internal service fund) to provide partial coverage for various types of risks:

- Worker's Compensation
- General Public Liability, including errors and omissions, malpractice, automobile liability Employee's Dental and Vision programs.

The amount of self-insured retention is as follows:

| <u>Type</u> | <u>Each Occurrence</u> |
|--------------------------|------------------------|
| Workers' Compensation | \$ 125,000 |
| General Public Liability | \$ 100,000 |
| Dental | N/A |
| Vision | N/A |

The minimum reserve levels for the workman's compensation and public liability programs are established based upon an actuarial review of each program, and excess insurance coverage is purchased for both types of coverage. The County has maintained conservative general liability and workman's compensation reserves.

Excess coverage for workers' compensation and general public liability is provided by the California State Association of Counties (CSAC) Excess Insurance Authority (Insurance Authority), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The Insurance Authority is governed by a Board of Directors consisting of representatives of the member counties. The reserve levels are established for the Authority Joint Powers Agreement as a whole and are not available to the County separately.

The amount of excess insurance coverage is as follows:

| | <u>Coverage</u> |
|---------------------------------|-----------------------------|
| Workers' Compensation | |
| First level | \$ 125,000 to \$ 1,000,000 |
| Second level | \$1,000,000 to \$ 5,000,000 |
| General Public Liability | \$ 100,000 to \$10,000,000 |

The changes in the balance of claims liabilities is as follows:

| | <u>2014</u> | <u>2013</u> |
|--|----------------------|---------------------|
| Unpaid claims and claim adjustment expenses, beginning of the fiscal year | \$ 9,868,000 | \$ 8,949,000 |
| Incurred claims and claim adjustment expenses | 2,738,128 | 3,793,912 |
| Claim payments | <u>(2,488,128)</u> | <u>(2,874,912)</u> |
| Unpaid claims and claim adjustment expenses, end of the fiscal year | <u>\$ 10,118,000</u> | <u>\$ 9,868,000</u> |

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 14: RISK MANAGEMENT (CONTINUED)

The long-term liability for claims and catastrophic losses is as follows:

| Type | Total Actuarially Determined Liability |
|--------------------------|--|
| Workers' Compensation | \$ 9,152,000 |
| General Public Liability | 966,000 |
| Total | <u>\$ 10,118,000</u> |

Property, employee health, unemployment insurance, and blanket crime coverage are provided entirely by outside carriers and are, therefore, not accounted for in the self-insurance funds. Since internal service funds predominantly serve the governmental funds, the above mentioned liabilities are included in governmental activities.

NOTE 15: SUBSEQUENT EVENTS

Wastewater System Improvement financing

On June 1, 2014, the Madera County Public Financing Authority (Authority) issued a Certificate of Participation (COP) in the amount of \$2,886,000. The purpose of the COP issuance was to finance a portion of the 2014 Wastewater System Improvement Project for the Madera County Oakhurst Maintenance District (MD) 22 A.

The COP has a maturity date of June 1, 2054, and requires semiannual interest payments at a fixed interest rate of 2.25 percent in addition to annual principal redemption payments from June 1, 2015 through June 1, 2054. Payments will be paid from and secured by a lien on net revenues of the Wastewater System, on parity with certain obligations of the Wastewater System incurred by the District in 2004.

Solar Energy and Efficiency Project

On November 13, 2014, the Madera County Public Financing Authority (Authority) entered into a loan agreement with Arizona Business Bank (affiliated with CoBiz Financial) for \$10,340,000. The purpose of the loan is to fund Madera County's Solar Energy and Efficiency Project. The term of the loan is nine years fixed interest of 3.485 percent, with a balloon payment of \$7,643,402.10 due on July 15, 2024.

In order to finance the cost of the project, Madera County has agreed to lease the real property consisting of the land and buildings comprising the Juvenile Hall Detention Center and the Juvenile Hall Boot Camp to the Authority; in turn the Authority made an upfront rental payment which is sufficient to provide financing for the costs of the project.

The Authority has agreed to sublease the Leased Property back to the County pursuant to a Lease Agreement dated November 1, 2014, in consideration of the payment by the County of lease payments for the use and occupancy of the Lease Property.

COUNTY OF MADERA

Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 15: SUBSEQUENT EVENTS (CONTINUED)

Solar Energy and Efficiency Project (continued)

In order to raise the funds needed to pay the Lease Payment to the County, the Authority has assigned certain of its rights, including the right to receive and enforce payment of the Lease Payments, to CoBiz Public Finance, Inc., a Colorado corporation, under an Assignment Agreement dated November 1, 2014.

It is expected that the total projected energy savings will fund the lease payments with a net overall savings to the General Fund beginning in Year 1.

New Sheriff Facility Project

On August 1, 2014 Madera County entered into an agreement to sell and leaseback property to be used as a new Sheriff facility. The sale price of the property, located at 2725 Falcon Drive, Madera, CA, is \$250,000. The buyer/developer is to design and build a new Sheriff facility to the department's specifications. The capital lease terms are \$60,000 per month for 25 years beginning April 1, 2015 for a total of \$18,000,000. The County is able to exercise a purchase option at any time during the 11th or 16th year, or any time after the 20th year. The purchase price shall be a variable amount equal to all equity contributed by Lessor, plus any unpaid principal balance of Lessor's secured loan for the Premises including prepayments fees or expenses.

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REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF MADERA

Required Supplementary Information
For the Year Ended June 30, 2014

1. BUDGETARY INFORMATION

Budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service fund budget is prepared to provide funding for debt service when liabilities are due for payment. The budget and actual financial statements are prepared on these basis. Unencumbered appropriation for annually budgeted funds lapse at fiscal year-end.

Budget Policy and Practice

County Administration submits an annual budget to the Board of Supervisors in accordance with the County code and State of California law. This proposed budget is the spending authority from July 1 until budget hearings are held the end of August and the Board of Supervisors formally adopts the budget in early September. Once approved, the Board of Supervisors may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and objects as follows: salaries and benefits, services and supplies, other charges, capital outlay, operating transfers, residual equity transfers, and intrafund transfers out. This constitutes the legal level of control. Expenditures may not exceed appropriations for travel, transportation and education. Budget revisions between object levels, for travel, transportation, and education, or specific capital outlays are subject to final approval by Board of Supervisors. Revisions less than \$5,000 within object levels (excluding transportation, travel & education and specific capital outlays) can be approved by the County Administrative Officer. Revisions to the budget were made throughout the year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies and recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary accounting in the General and Special Revenue Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances at year-end are rebudgeted in the new year.

Expenditures Exceeding Appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations in the following functions of the respective funds:

| | | |
|---|-------------------------------------|-------------------------|
| Housing and Community Development Road Fund | Public Assistance Capital Outlay | \$ 140,561 6,562,907 |
|---|-------------------------------------|-------------------------|

COUNTY OF MADERA

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 40,849,650 | \$ 40,849,650 | \$ 41,812,719 | \$ 963,069 |
| Licenses and permits | 3,527,652 | 3,527,652 | 3,936,738 | 409,086 |
| Fines, forfeitures and penalties | 2,935,850 | 2,939,518 | 1,700,511 | (1,239,007) |
| Use of money and property | 107,750 | 107,750 | 140,409 | 32,659 |
| Aid from other governments | 92,895,982 | 94,351,964 | 78,542,694 | (15,809,270) |
| Charges for services | 11,649,257 | 11,649,257 | 10,693,951 | (955,306) |
| Other revenues | 1,525,113 | 1,779,767 | 903,290 | (876,477) |
| Total Revenues | <u>153,491,254</u> | <u>155,205,558</u> | <u>137,730,312</u> | <u>(17,475,246)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 23,502,825 | 24,103,250 | 21,892,643 | 2,210,607 |
| Public protection | 57,926,736 | 59,441,041 | 55,266,673 | 4,174,368 |
| Health and sanitation | 29,813,780 | 32,311,132 | 24,547,035 | 7,764,097 |
| Public assistance | 60,554,115 | 60,647,838 | 53,161,587 | 7,486,251 |
| Education | 1,882,048 | 1,935,619 | 1,047,836 | 887,783 |
| Capital outlay | 1,072,583 | 2,733,342 | 1,132,899 | 1,600,443 |
| Debt service | 22,003,010 | 1,814,760 | 1,809,728 | 5,032 |
| Total Expenditures | <u>196,755,097</u> | <u>182,986,982</u> | <u>158,858,401</u> | <u>24,128,581</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(43,263,843)</u> | <u>(27,781,424)</u> | <u>(21,128,089)</u> | <u>6,653,335</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 16,448,110 | 17,460,048 | 14,287,127 | (3,172,921) |
| Transfers out | -- | (2,135,706) | (1,785,707) | 349,999 |
| Capital leases | -- | -- | 332,386 | 332,386 |
| Proceeds from sale of capital assets | 2,000 | 2,055,432 | 1,242,335 | (813,097) |
| Total Other Financing Sources (Uses) | <u>16,450,110</u> | <u>17,379,774</u> | <u>14,076,141</u> | <u>(3,303,633)</u> |
| Net Change in Fund Balances | (26,813,733) | (10,401,650) | (7,051,948) | 3,349,702 |
| Budgetary Fund Balances - Beginning of Year, Restated | <u>12,891,800</u> | <u>12,891,800</u> | <u>12,891,800</u> | <u>--</u> |
| Budgetary Fund Balances - End of Year | <u>\$ (13,921,933)</u> | <u>\$ 2,490,150</u> | <u>\$ 5,839,852</u> | <u>\$ 3,349,702</u> |

COUNTY OF MADERA

Budgetary Comparison Schedule (continued)
 General Fund
 For the Year Ended June 30, 2014

Reconciliation of General Fund Budgetary Schedule to generally accepted accounting principles information presented in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund.

Several funds have been combined with the General Fund for reporting purposes in compliance with GASB Statement No. 54. due to lack of substantial inflows from restricted or committed revenue sources.

| | General Fund - Budgetary Schedule Actual | Various Trust Funds Not Budgeted | General Fund - Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance |
|--------------------------------------|---|--|---|
| Total revenues | <u>\$137,730,312</u> | <u>\$ 15,345,953</u> | <u>\$ 153,076,265</u> |
| Total expenditures | <u>158,858,401</u> | <u>4,968,336</u> | <u>163,826,737</u> |
| Revenues over (under) expenditures | (21,128,089) | 10,377,617 | (10,750,472) |
| Total other financing sources (uses) | <u>14,076,141</u> | <u>(189,878)</u> | <u>13,886,263</u> |
| Net change in fund balance | (7,051,948) | 10,187,739 | 3,135,791 |
| Beginning of year, Restated | <u>12,891,800</u> | <u>36,432,276</u> | <u>49,324,076</u> |
| End of year | <u><u>\$ 5,839,852</u></u> | <u><u>\$ 46,620,015</u></u> | <u><u>\$ 52,459,867</u></u> |

COUNTY OF MADERA

Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 5,617,429 | \$ 10,430,983 | \$ 5,406,000 | \$ (5,024,983) |
| Licenses and permits | 125,000 | 125,000 | 127,613 | 2,613 |
| Use of money and property | 21,000 | 21,000 | 82,532 | 61,532 |
| Aid from other governments | 13,411,764 | 13,411,764 | 12,589,236 | (822,528) |
| Charges for services | 1,095,000 | 1,095,000 | 1,717,337 | 622,337 |
| Other revenues | 17,000 | 17,000 | 23,484 | 6,484 |
| Total Revenues | <u>20,287,193</u> | <u>25,100,747</u> | <u>19,946,202</u> | <u>(5,154,545)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public way and facilities | 15,575,897 | 26,091,890 | 10,349,283 | 15,742,607 |
| Capital outlay | 752,000 | 1,354,556 | 7,917,463 | (6,562,907) |
| Total Expenditures | <u>16,327,897</u> | <u>27,446,446</u> | <u>18,266,746</u> | <u>9,179,700</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>3,959,296</u> | <u>(2,345,699)</u> | <u>1,679,456</u> | <u>4,025,155</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from sale of capital assets | -- | -- | 866,794 | 866,794 |
| Total Other Financing Sources (Uses) | <u>--</u> | <u>--</u> | <u>866,794</u> | <u>866,794</u> |
| Net Change in Fund Balances | 3,959,296 | (2,345,699) | 2,546,250 | 4,891,949 |
| Fund Balances - Beginning of Year, Restated | <u>16,157,066</u> | <u>16,157,066</u> | <u>16,157,066</u> | <u>--</u> |
| Fund Balances - End of Year | <u>\$ 20,116,362</u> | <u>\$ 13,811,367</u> | <u>\$ 18,703,316</u> | <u>\$ 4,891,949</u> |

COUNTY OF MADERA

Budgetary Comparison Schedule
Housing and Community Development Fund
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Use of money and property | \$ 620 | \$ 620 | \$ 22,733 | \$ 22,113 |
| Aid from other governments | -- | 915,374 | 696,078 | (219,296) |
| Total Revenues | <u>620</u> | <u>915,994</u> | <u>718,811</u> | <u>(197,183)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public assistance | -- | 915,374 | 1,055,935 | (140,561) |
| Total Expenditures | <u>--</u> | <u>915,374</u> | <u>1,055,935</u> | <u>(140,561)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>620</u> | <u>620</u> | <u>(337,124)</u> | <u>(337,744)</u> |
| Net Change in Fund Balances | 620 | 620 | (337,124) | (337,744) |
| Fund Balances - Beginning of Year, Restated | <u>6,050,673</u> | <u>6,050,673</u> | <u>6,050,673</u> | <u>--</u> |
| Fund Balances - End of Year | <u>\$ 6,051,293</u> | <u>\$ 6,051,293</u> | <u>\$ 5,713,549</u> | <u>\$ (337,744)</u> |

COUNTY OF MADERA

Budgetary Comparison Schedule
Public Protection Programs Fund
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 140,629 | \$ 140,629 | \$ 150,582 | \$ 9,953 |
| Fines, forfeitures and penalties | 434,900 | 434,900 | 396,498 | (38,402) |
| Use of money and property | 17,388 | 17,388 | 28,449 | 11,061 |
| Aid from other governments | 18,983,084 | 18,983,084 | 10,810,827 | (8,172,257) |
| Charges for services | 404,500 | 404,500 | 440,827 | 36,327 |
| Other revenues | -- | -- | 79,352 | 79,352 |
| Total Revenues | <u>19,980,501</u> | <u>19,980,501</u> | <u>11,906,535</u> | <u>(8,073,966)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public protection | 5,013,624 | 5,010,522 | 4,039,932 | 970,590 |
| Capital outlay | 15,795 | 266,115 | 22,528 | 243,587 |
| Total Expenditures | <u>5,029,419</u> | <u>5,276,637</u> | <u>4,062,460</u> | <u>1,214,177</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>14,951,082</u> | <u>14,703,864</u> | <u>7,844,075</u> | <u>(6,859,789)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | -- | 45,200 | 45,200 | -- |
| Transfers out | (7,049,617) | (7,113,649) | (5,530,179) | 1,583,470 |
| Total Other Financing Sources (Uses) | <u>(7,049,617)</u> | <u>(7,068,449)</u> | <u>(5,484,979)</u> | <u>1,583,470</u> |
| Net Change in Fund Balances | 7,901,465 | 7,635,415 | 2,359,096 | (5,276,319) |
| Fund Balances - Beginning of Year | <u>11,312,815</u> | <u>11,312,815</u> | <u>11,312,815</u> | <u>--</u> |
| Fund Balances - End of Year | <u>\$ 19,214,280</u> | <u>\$ 18,948,230</u> | <u>\$ 13,671,911</u> | <u>\$ (5,276,319)</u> |

COUNTY OF MADERA

Required Supplementary Information
For the Year Ended June 30, 2014

2. DEFINED BENEFIT PENSION PLAN

FUNDED STATUS OF MISCELLANEOUS PLAN

| Valuation Date | Accrued Liability (A) | Actuarial Value of Assets (B) | Unfunded Liability (UL) (A)-(B) | Funded Ratios (B)/(A) | Annual Covered Payroll (C) | UL as a % of Payroll [(A)-(B)]/C |
|----------------|-----------------------|-------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------------|
| June 30, 2011 | \$ 289,772,492 | \$ 214,700,807 | \$ 75,071,685 | 74.10% | \$ 48,608,633 | 154.40% |
| June 30, 2012 | 303,882,784 | 226,256,607 | 77,626,177 | 74.50% | 47,395,327 | 163.80% |
| June 30, 2013 | 320,156,401 | 213,105,566 | 107,050,835 | 66.60% | 47,529,395 | 225.20% |

FUNDED STATUS OF SAFETY PLAN

| Valuation Date | Accrued Liability (A) | Actuarial Value of Assets (B) | Unfunded Liability (UL) (A)-(B) | Funded Ratios (B)/(A) | Annual Covered Payroll (C) | UL as a % of Payroll [(A)-(B)]/C |
|----------------|-----------------------|-------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------------|
| June 30, 2011 | \$ 289,772,492 | \$ 214,700,807 | \$ 75,071,685 | 74.10% | \$ 48,608,633 | 154.40% |
| June 30, 2012 | 303,882,784 | 226,256,607 | 77,626,177 | 74.50% | 47,395,327 | 163.80% |
| June 30, 2013 | 320,156,401 | 213,105,566 | 107,050,835 | 66.60% | 47,529,395 | 225.20% |

3. OTHER POST EMPLOYMENT BENEFITS

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Liability (AAL) Entry Age (B) | Unfunded AAL (UAAL) (A-B) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a % of Covered Payroll [(B-A)/C] |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|--|
| June 30, 2009 | \$ -- | \$ 114,075,000 | \$ 114,075,000 | 0.00% | \$ 64,026,000 | 178.17% |
| June 30, 2011 | -- | 107,385,000 | 107,385,000 | 0.00% | 55,217,000 | 194.47% |
| June 30, 2013 | -- | 109,063,000 | 109,063,000 | 0.00% | 56,107,000 | 194.38% |