

**COUNTY OF MADERA**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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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, 2015, 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

**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, 2015, 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.

**Emphasis of Matter**

*Implementation of New Accounting Pronouncement*

As disclosed in Note 1 to the financial statements, the County of Madera implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective July 1, 2014. Our opinion is not modified with respect to this matter,

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of plan contributions, and the schedule of funding progress, 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 29, 2016, 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 29, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**COUNTY OF MADERA**  
Management's Discussion and Analysis  
June 30, 2015

Within this section of Madera County's annual financial report, the County's management provides narrative discussion and analysis of the financial activities of the County for the fiscal year ended June 30, 2015. Readers are encouraged to consider the information presented here in conjunction with accompanying financial statements and disclosures following this section. The discussion focuses on the County's primary government and, unless otherwise noted, does not include discretely reported component units.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the County exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$203,367,235 (*net position*). Of this amount, \$(180,961,733) (*unrestricted net position*) may not be used to meet the County's ongoing obligations to citizens and creditors in accordance with the County's fund designation and fiscal policies. The *unrestricted net position* is negative, indicating that the County's assets spendable for other than restricted purposes are insufficient to meet its current and long-term obligations. The remaining net position, \$101,689,777, is restricted for specific purpose (*restricted net position*), and \$282,639,191, net investment in capital assets, is not spendable.
- The County's net position, net investment in capital assets increased by \$6,970,093.
- The County's governmental funds reported combined fund balances of \$121,581,571, an increase of \$8,477,964 in comparison to the prior year.
- The County's unrestricted fund balance for the governmental funds was \$17,458,037, or 8% of total governmental funds expenditures.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) **Government-wide** financial statements; 2) **Fund** financial statements; and 3) **Notes** to the basic financial statements. This report also contains other Supplementary Information in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances in a manner similar to a private-sector business.

- The *statement of net position* presents information on all County assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.
- The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation, and interest expense. The business-type activities of the County include the County Landfill, as well as County Maintenance Districts and County Service Areas that provide water and sewer services. Fiduciary activities are not included in the government-wide statements, since these assets are not available to fund County programs.

The County's financial reporting includes the funds of the County (primary government) and organizations for which the County is accountable (component units). These organizations are blended into the primary government for financial reporting purposes and include: County special revenue funds, County Flood Control district, lighting districts, road maintenance districts, County service areas and maintenance districts, and the

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Madera County Public Financing Authority. The Madera Community Action Agency and Workforce Development Agency are included in the County's overall reporting entity but are reported separately from the primary government. More complete information about the County's component units can be found in Note 1.

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

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

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

The County maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Housing and Community Development Fund, Special Revenue – Public Protection Programs Fund, Capital Projects Fund, and the Other Governmental Funds combined into a single, aggregated column.

*Proprietary funds* are maintained in two ways. *Enterprise funds* report the same functions presented as *business-type activities* in the government-wide financial statements. The County's enterprise funds account for the water and sewer operations and the landfill. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses three internal service funds to account for its fleet maintenance, risk management, and microwave radio functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Special Districts Water/Sewer and County Landfill are considered to be major funds of the County and are separately presented with combined internal service funds in the proprietary funds financial statements.

*Fiduciary funds* account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements, because the resources of those funds are not available to support the County's own programs.

**Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information** provides the schedule of funding progress for the County Employees Retirement Plan and Other Post-Employment Benefits. Also presented are the County's General Fund and Major Special Revenue Funds budgetary schedules. The County adopts an annual appropriated budget for each fiscal year. A budgetary comparison schedule has been provided for the General Fund, Road Fund, Housing and Community Development Fund, and Public Protection Programs Fund to demonstrate compliance with this budget.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, combined assets exceeded liabilities by \$203,367,235 at the close of the most recent fiscal year. Of these, combined net position 139% reflects the County's net investment in capital assets. The percentage exceeds 100%, indicating that the County's *net investment in capital assets* exceeds its *total net position* and its *total net position* is insufficient to meet its current and long-term obligations. Another 50% of the County's net position is subject to external restrictions on how it may be used. In addition, a portion of the remaining negative (89%), referred to as unrestricted, is dedicated to spending on specific programs or services.

The County's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 153,153	\$ 143,871	\$ 22,530	\$ 23,637	\$ 175,683	\$ 167,508
Capital Assets	298,528	275,918	70,017	59,180	368,545	335,098
Total Assets	<u>451,681</u>	<u>419,789</u>	<u>92,547</u>	<u>82,817</u>	<u>544,228</u>	<u>502,606</u>
Deferred Outflows - Pensions	13,810	-	-	-	13,810	-
Current and Other Liabilities	30,121	29,745	4,965	5,760	35,086	35,505
Long-Term Liabilities	272,361	112,044	26,680	23,966	299,041	136,010
Total Liabilities	<u>302,482</u>	<u>141,789</u>	<u>31,645</u>	<u>29,726</u>	<u>334,127</u>	<u>171,515</u>
Deferred Inflows - Pensions	20,543	-	-	-	20,543	-
Net Investment in Capital Assets	241,413	242,645	41,697	33,495	283,110	276,140
Restricted	101,690	102,819	-	-	101,690	102,819
Unrestricted	<u>(200,637)</u>	<u>(67,464)</u>	<u>19,205</u>	<u>19,596</u>	<u>(181,432)</u>	<u>(47,868)</u>
Total Net Position	<u>\$ 142,466</u>	<u>\$ 278,000</u>	<u>\$ 60,902</u>	<u>\$ 53,091</u>	<u>\$ 203,368</u>	<u>\$ 331,091</u>

A significant portion of the County's net position, \$283,109,410, reflects the amount invested in capital assets (e.g., land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the County's net position, \$101,690,777, represents resources that are subject to external restrictions on how they may be used. At the end of the current fiscal year the County reported positive balances in all three categories of net position for its separate business-type activities only. For its governmental type activities and for the County as a whole, only the County's net investment in capital assets and restricted net position reported positive balances. For governmental type activities and for the County as a whole the County reported a negative balance of unrestricted net position, indicating that the restricted balance of net position exceeded the actual restricted balances of net position reported as available to meet the County's ongoing obligations to citizens and creditors.

The County's net position, as adjusted, decreased by \$127,723,356 during the current fiscal year. The decrease in net position is primarily attributed to the implementation of GASB 68 which restated beginning net position by \$135,278,615 for the governmental activities and \$569,868 for the Internal Service Funds as reported in Note 9.

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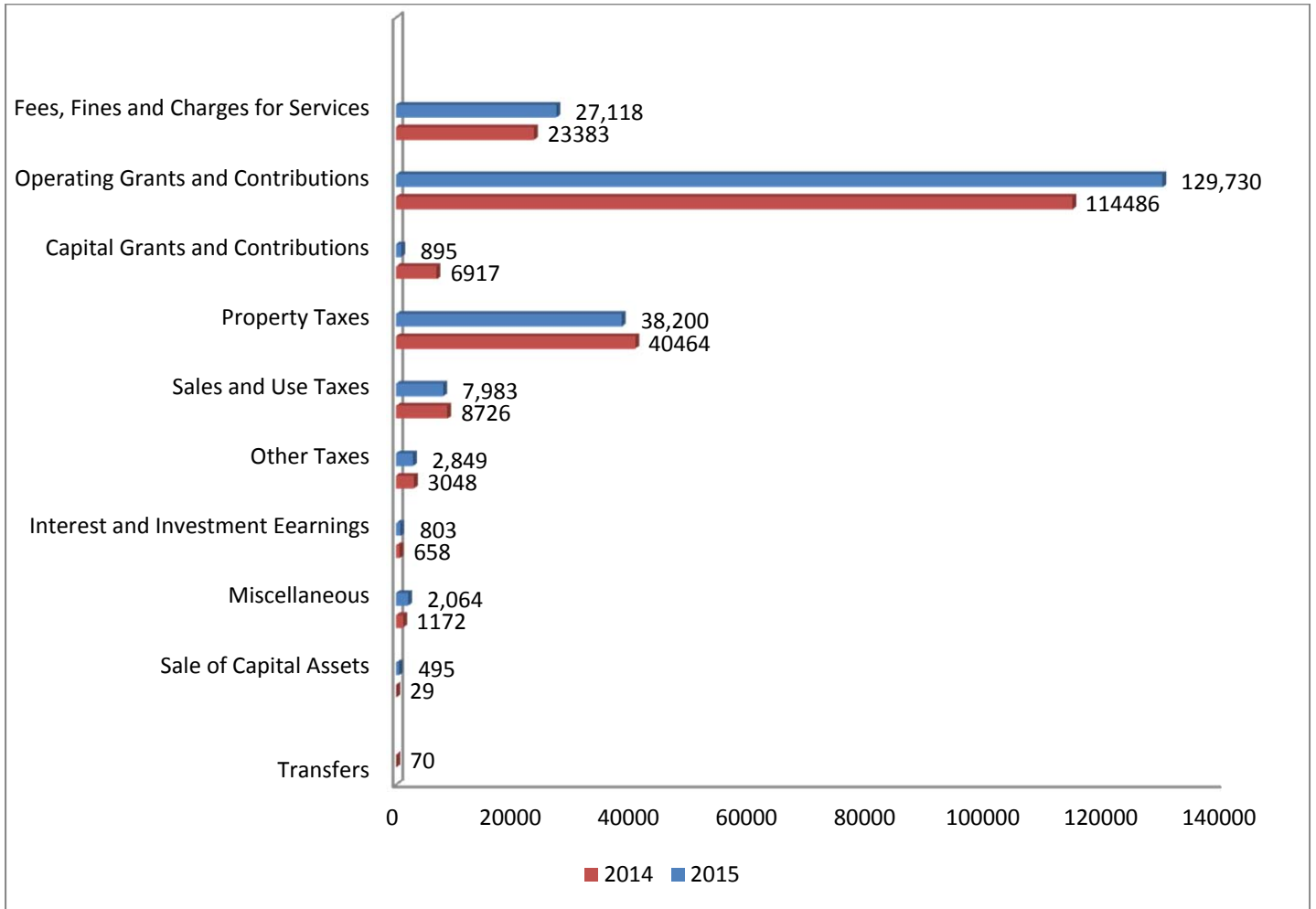
Change in net position due to current year operations was \$(632,572) for the governmental activities and \$3,826,338 for the business-type activities.

The County's Changes in Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
<b>Revenues</b>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 27,118	\$ 23,382	10,247	\$ 9,732	37,365	33,114
Operating grants/contributions	129,730	114,486	2,739	862	132,469	115,348
Capital grants/contributions	895	6,917	656	87	1,551	7,004
Property Taxes	38,200	40,464	422	376	38,622	40,840
Sales and Use Taxes	7,983	8,726	-	-	7,983	8,726
Other Taxes	2,849	3,048	-	-	2,849	3,048
Interest and Investment earnings	803	658	157	129	960	787
Miscellaneous	2,064	1,172	198	206	2,262	1,378
Sale of Capital Assets	495	29	-	-	495	29
Transfers	(377)	70	378	(70)	1	-
<b>Total Revenues</b>	<b>209,760</b>	<b>198,952</b>	<b>14,797</b>	<b>11,322</b>	<b>\$ 224,557</b>	<b>\$ 210,274</b>
<b>Expenses</b>						
General Government	27,482	30,530	-	-	27,482	30,530
Public Protection	71,347	64,076	-	-	71,347	64,076
Public Ways and Facilities	20,595	17,905	-	-	20,595	17,905
Health and Sanitation	27,708	26,291	-	-	27,708	26,291
Public Assistance	60,060	55,978	-	-	60,060	55,978
Education	1,366	1,186	-	-	1,366	1,186
Recreation	945	934	-	-	945	934
Interest on Debt	889	743	-	-	889	743
Special Districts - Water/Sewer	-	-	6,503	6,874	6,503	6,874
County Landfill	-	-	4,467	4,469	4,467	4,469
<b>Total Expenses</b>	<b>210,392</b>	<b>197,643</b>	<b>10,970</b>	<b>11,343</b>	<b>221,362</b>	<b>208,986</b>
Change in Position	(632)	1,309	3,827	(21)	3,195	1,288
Net Position - Beginning, Restated	143,098	276,691	57,075	53,112	200,173	329,803
Net Position - Ending	<u>\$ 142,466</u>	<u>\$ 278,000</u>	<u>\$ 60,902</u>	<u>\$ 53,091</u>	<u>\$ 203,368</u>	<u>\$ 331,091</u>

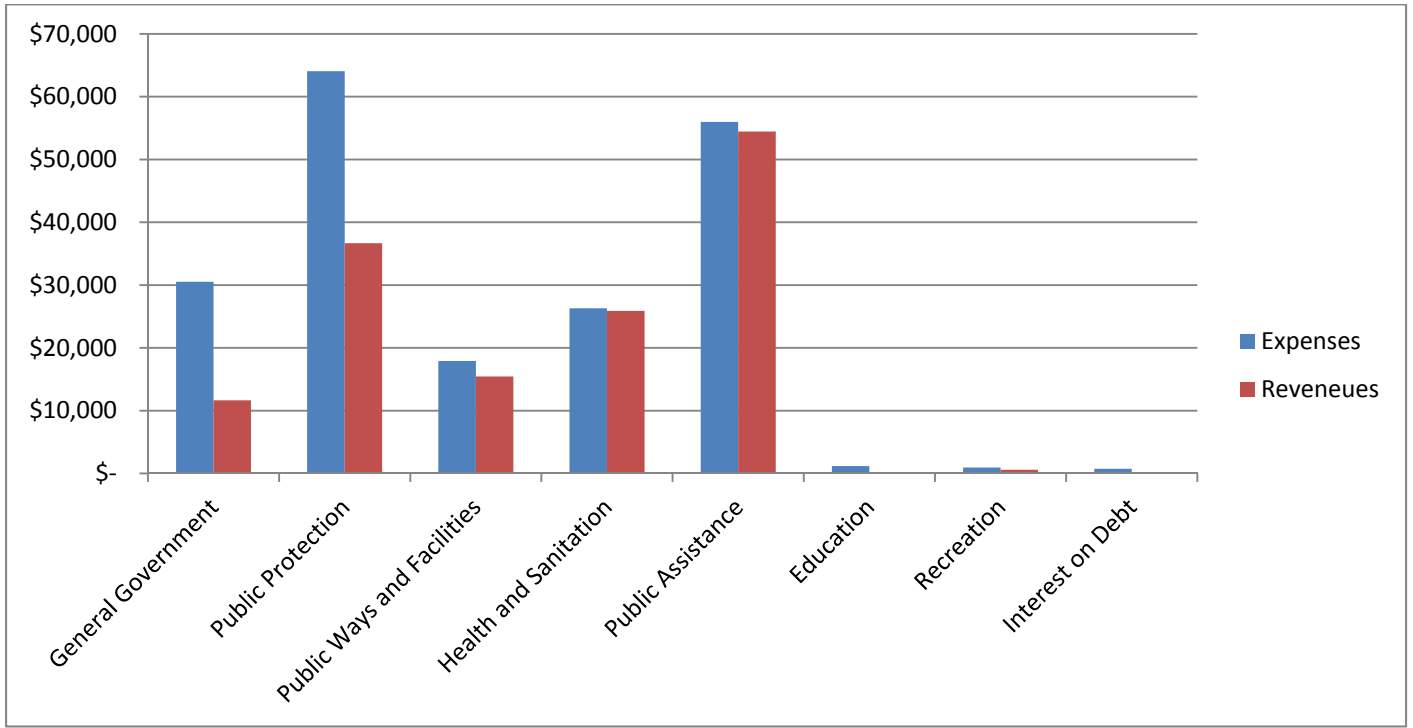
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Revenue by Source – Governmental Activities (\$ in thousands)

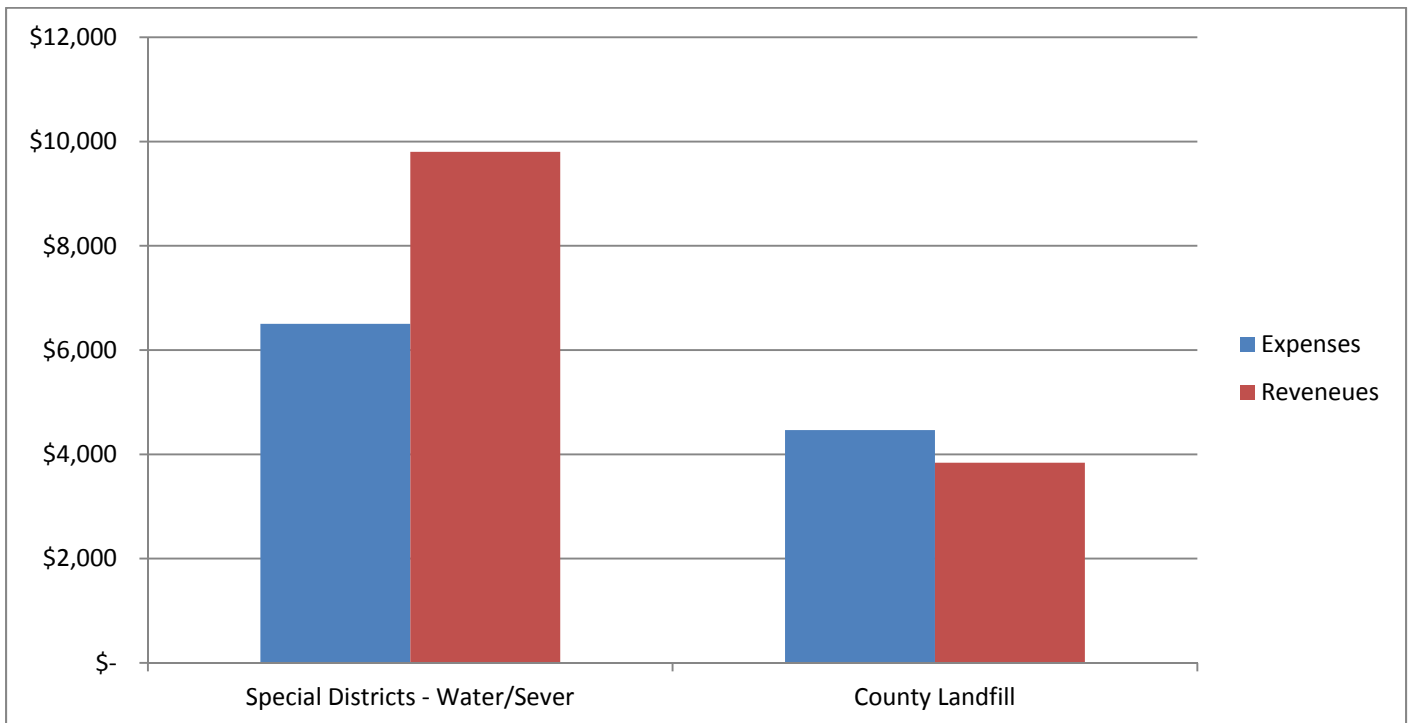


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Program Revenue and Expense – Governmental Activities (\$ in thousands)



Program Revenue and Expense – Business-Type Activities (\$ in thousands)



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**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

**Governmental funds.** The general government functions are contained in the General, Special Revenue, and Capital Project Funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

	Net Change in Fund Balance Governmental Funds		Net Change	
	FY 2015	FY2014	Amount	Percent
Fund Balance - Beginning, Restated	\$ 114,172,413	\$ 104,664,163	\$ 9,508,250	8.33%
Revenues	205,319,538	200,777,081	4,542,457	2.21%
Expenditures	(222,350,627)	(195,236,712)	(27,113,915)	12.19%
Other Financing Sources (Uses)	24,440,247	2,899,075	21,541,172	88.14%
Fund Balance - Ending	<u>\$ 121,581,571</u>	<u>\$ 113,103,607</u>	<u>\$ 8,477,964</u>	

At June 30, 2015 the County's governmental funds reported combined fund balances of \$121,581,571. Of these combined fund balances \$17,458,037 constitutes unrestricted fund balance of the General, Special Revenue, and Capital Projects Funds, which is available to meet the County's current and future needs. The restricted fund balance, \$101,704,671, consists of amounts with constraints put on their use by externally imposed creditors, grantors, laws, regulations, or enabling legislation. The committed fund balance of \$349,156 consists of amounts reserved to cover the County's future contractual obligations. The remainder of the fund balance, \$2,418,863, is non-spendable fund balance. These are amounts that are not spendable in form or are legally or contractually required to be maintained intact, such as inventories and prepaid amounts.

The General Fund is the chief operating fund of the County. At June 30, 2015 unrestricted General Fund balance was \$17,141,895, while total fund balance was \$62,717,335. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted and total General Fund balance to total General Fund expenditures. Unrestricted General Fund balance represents 34% of total General Fund expenditures.

The County's management also assigns (earmarks) unrestricted General Fund balance to a particular function, project, or activity. Fund balance may also be assigned for purposes beyond the current year. However, assigned fund balance is available for appropriation at any time. Of the \$17,141,895 General Fund unrestricted fund balance, 19% is assigned.

Total governmental funds Fund Balance, as restated as of June 30, 2014, increased by \$7,409,158 in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund increased \$9,117,069; Roads Fund decreased \$1,748,816; and the Special Revenue – Public Protection fund decreased \$135,422. The non-major governmental funds increased by \$176,327.

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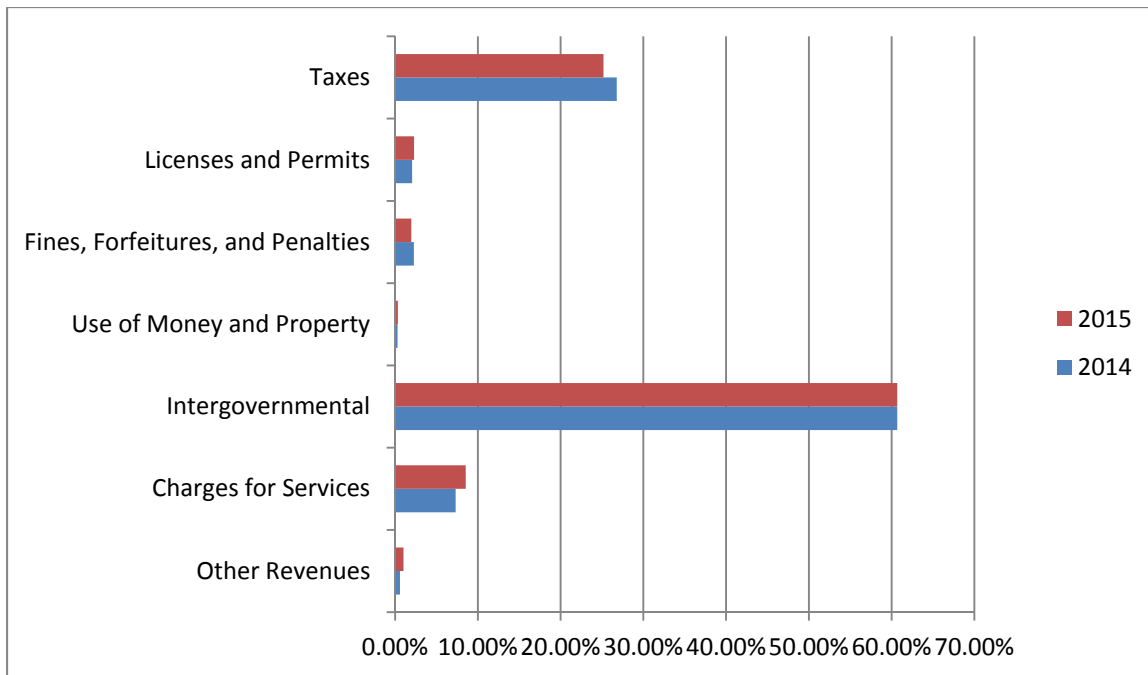
The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year:

Revenues Classified by Source  
Governmental Funds

	Fiscal Year 2015		Fiscal Year 2014		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 51,717,880	25.19%	\$ 53,795,055	26.79%	\$ (2,077,175)	-3.86%
Licenses and permits	4,710,488	2.29%	4,136,524	2.06%	573,964	13.88%
Fines, forfeitures & penalties	4,044,264	1.97%	4,541,181	2.26%	(496,917)	-10.94%
Use of money & property	685,545	0.33%	602,949	0.30%	82,596	13.70%
Intergovernmental	124,578,705	60.68%	121,823,509	60.68%	2,755,196	2.26%
Charges for services	17,518,607	8.53%	14,705,668	7.32%	2,812,939	19.13%
Other revenues	2,064,049	1.01%	1,172,195	0.58%	891,854	76.08%
<b>Total Revenue by Source</b>	<b>\$ 205,319,538</b>	<b>100.00%</b>	<b>\$ 200,777,081</b>	<b>100.00%</b>	<b>\$ 4,542,457</b>	<b>2.26%</b>

The following graph illustrates where the County funds come from:

Revenues by Source – Governmental Activities





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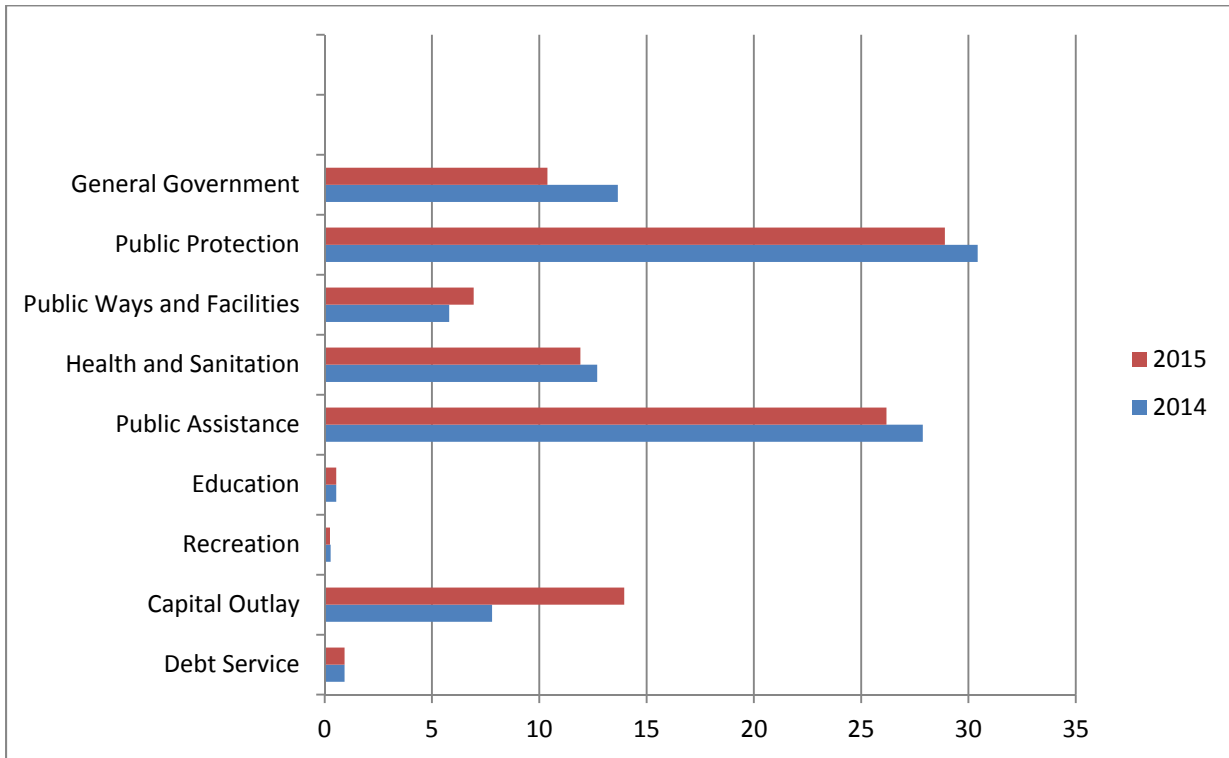
The following table presents expenditures by function compared to prior year amounts:

Expenditures Classified by Function  
Governmental Funds

	Fiscal Year 2015		Fiscal Year 2014		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$ 23,084,315	10.38%	\$ 26,659,880	13.66%	\$ (3,575,565)	-13.19%
Public Protection	64,250,966	28.90%	59,419,186	30.43%	4,831,780	17.82%
Public Ways and Facilities	15,422,364	6.94%	11,319,491	5.80%	4,102,873	15.13%
Health and Sanitation	26,495,540	11.92%	24,797,103	12.70%	1,698,437	6.26%
Public Assistance	58,218,056	26.18%	54,419,004	27.87%	3,799,052	14.01%
Education	1,208,367	0.54%	1,047,836	0.54%	160,531	0.59%
Recreation	551,020	0.25%	543,752	0.28%	7,268	0.03%
Capital Outlay	31,035,851	13.96%	15,220,732	7.80%	15,815,119	58.33%
Debt Service	2,084,148	0.94%	1,809,728	0.93%	274,420	1.01%
<b>Total by Function</b>	<b>\$ 222,350,627</b>	<b>100.00%</b>	<b>\$ 195,236,712</b>	<b>100.00%</b>	<b>\$ 27,113,915</b>	<b>100.00%</b>

The following graph illustrates how County funds were spent:

Expenditures by Function – Governmental Activities



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Other financing sources and uses are presented below to illustrate changes from the prior year:

Other Financing Sources (Uses)  
Governmental Funds

	Fiscal Year	Fiscal Year	Increase (Decrease)	
	2015	2014	Amount	Percent
Transfers In	\$ 27,756,082	\$ 18,710,106	\$ 9,045,976	48.35%
Transfers Out	(28,008,671)	(18,252,546)	(9,756,125)	53.45%
Capital Leases	24,108,690	332,386	23,776,304	7153.22%
Sales of Capital Assets	584,146	2,109,129	(1,524,983)	-72.30%
Net Financing Sources (Uses)	<u>\$ 24,440,247</u>	<u>\$ 2,899,075</u>	<u>\$ 21,541,172</u>	

Proceeds from Sale of Capital Assets are the result of sale transactions involving property that was not needed for public use by the County.

**Proprietary funds** reporting focuses on determining operating income, changes in net position (or costs recovery), financial position, and cash flows using the full accrual basis of accounting.

Enterprise funds report the business-type activities of the County. Enterprise funds are used to account for its landfill and special district water and sewer operations.

Net Change in Net Position  
Enterprise Funds

	Fiscal Year	Fiscal Year	Net Change	
	2015	2014	Amount	Percent
Total Net Position - Beginning	\$ 53,090,517	\$ 53,111,834	\$ (21,317)	0%
Prior Period Adjustment	3,984,664	-	3,984,664	0%
Operating Revenues	10,444,612	9,775,254	669,358	7%
Operating Expenses	(10,181,843)	(10,664,584)	482,741	-5%
Non-Operating Income	2,531,404	851,101	1,680,303	197%
Capital Contributions	654,576	86,912	567,664	653%
Transfers In	615,541	-	615,541	0%
Transfers Out	(237,952)	(70,000)	(167,952)	240%
Total Net Position - Ending	<u>\$ 60,901,519</u>	<u>\$ 53,090,517</u>	<u>\$ 7,811,002</u>	

Net position restricted for net investment in capital assets at fiscal year end was \$41,224,017. Unrestricted net position of the enterprise funds at fiscal year end was \$19,677,502.

The net position of the enterprise funds increased \$7,811,002 from prior fiscal year; \$3,984,664 of that increase was due to a prior period adjustment.

*Internal service funds* are an accounting device to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to account the County's self-insurance, central garage, and microwave radio functions.

**COUNTY OF MADERA**  
Management's Discussion and Analysis  
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Net Change in Net Position  
Internal Service Funds

	Fiscal Year	Fiscal Year	Net Change	
	2015	2014	Amount	Percent
Total Net Position - Beginning, Restated	\$ 3,258,461	\$ 7,264,596	\$ (4,006,135)	-55.15%
Operating Revenues	6,382,181	5,866,370	515,811	8.79%
Operating Expenses	(8,741,523)	(7,716,383)	(1,025,140)	13.29%
Non-Operating Revenues	19,822	36,452	(16,630)	-45.62%
Transfers Out	(125,000)	(387,560)	262,560	-67.75%
Total Net Position - Ending	<u>\$ 793,941</u>	<u>\$ 5,063,475</u>	<u>\$ (4,269,534)</u>	

Total net position of the internal service funds at fiscal year end was \$793,941 and includes \$4,367,126 invested in capital assets.

The net position of the internal service funds, as restated as of June 30, 2014 decreased \$2,464,520 over the prior fiscal year. Operating revenues increased 8.79% and operating expenses also increased 13.29%.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year the Board of Supervisors revised the County's budget many times. Each time a grant or specific revenue enhancement is made available to a County program new appropriations and budget amendments are required.

The mid-year review is a formal process by which each department is analyzed for expense and revenue trends. Adjustments are recommended where indicated and monitored for the remainder of the year. Unless there is some unforeseen and unusual circumstance that causes a budget overrun, a draw on the Contingency Reserve is not recommended.

Differences between the original budget and the final amended budget resulted in a \$7,319,807 increase in appropriations. The components of appropriations variance are briefly summarized as follows: \$1,760,427 increase in general government; \$2,826,137 increase in public protection; \$954,570 increase in public assistance; \$237,397 increase in health and sanitation; \$70,550 increase in education; \$1,416,727 increase in capital outlay; and \$53,998 increase in debt service.

Differences between the original budget and the final amended budget are summarized in the table below:

Budgetary Comparison  
General Fund

	Original	Final	Net Change	
	Budget	Budget	Amount	Percent
Total Revenues	\$ 151,464,571	\$ 154,794,540	\$ 3,329,969	2%
Total Expenditures	(148,276,173)	(155,595,980)	(7,319,807)	5%
Other Financing Sources (Uses)	16,911,486	16,605,301	(306,185)	-2%
Net Change in Fund Balances	<u>\$ 20,099,884</u>	<u>\$ 15,803,861</u>	<u>\$ 4,296,023</u>	

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Differences between the final amended budget and actual amounts are summarized in the table below:

Budgetary Comparison  
General Fund

	Final Budget	Actual Amounts	Net Change	
			Amount	Percent
Total Revenues	\$ 154,794,540	\$ 155,816,180	\$ 1,021,640	1%
Total Expenditures	(155,595,980)	(182,740,161)	(27,144,181)	17%
Other Financing Sources (Uses)	16,605,301	30,313,278	13,707,977	83%
Net Change in Fund Balances	<u>\$ 15,803,861</u>	<u>\$ 3,389,297</u>	<u>\$ 12,414,564</u>	

**CAPITAL ASSETS**

The County' investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounted to \$339,351,778 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, leasehold improvements, equipment, and infrastructure (roads and bridges). The total increase in the County's investment in capital assets for the current fiscal year was \$32,395,266.

Components of the change in net capital assets are as follows:

	Additions	Retirements (Net of Accum. Depreciation)	Transfers & Adjustments	Depreciation	Net Change
General Government	\$ 12,976,387	\$ 1,886	\$ (3,660,659)	\$ 1,288,019	\$ 8,025,823
Public Protection	15,306,534	44,624	(1,100,000)	2,284,953	11,876,957
Public Ways and Facilities	4,947,948	-	(1,122,095)	4,602,447	(776,594)
Health and Sanitation	33,549	26,417	-	121,338	(114,206)
Public Assistance	269,037	57,271	-	218,079	(6,313)
Education	1,464,768	16,134	(756,479)	88,445	603,710
Recreation and Cultural	392,232	-	-	394,536	(2,304)
Internal Service Funds	707,791	26,026	-	554,186	127,579
Enterprise Funds	11,952,282	219,064	-	1,538,256	10,194,962
Total	<u>\$ 48,050,528</u>	<u>\$ 391,422</u>	<u>\$ (6,639,233)</u>	<u>\$ 11,090,259</u>	<u>\$ 29,929,614</u>

**COUNTY OF MADERA**  
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Construction of capital assets during the current fiscal year included the following:

	Year Costs	Total Costs
Major bridge, road, and construction projects:		
Governmental Funds:		
Sheriff Facility	\$ -	\$ 13,296,647
Madera Library Remodel	685,545	756,479
Government Center 3rd Floor	1,239,660	4,375,810
Total Governmental Funds	\$ 1,925,205	\$ 18,428,936
Construction in Progress at June 30, 2015:		
Major bridge and road projects:		
Governmental Funds:		
Road 200, Ladd Creek to Fine Gold	\$ -	\$ 1,228,215
Road 200, Spring Valley to Leprechaun-Fine Gold	-	1,219,846
Road 200, Phase 2	-	424,349
Avenue 15 Shoulder, Road 36 to State Route 41	632,641	632,641
Avenue 25, Road 8 to Road 11	501,876	501,876
Avenue 15, Road 29 to Road 36	817,473	817,473
Bridge, Road 450 at Yosemite Sierra Parkway	-	1,702,721
Bridge, Road 425B at China Creek	-	1,488,097
	\$ 1,951,990	\$ 8,015,218
Building upgrades:		
Governmental Funds:		
Solar Project	\$ 9,050,472	\$ 9,204,973
Jail Phase II Kitchen	1,032,402	1,189,478
Ahwahnee Hills Regional Park	392,232	392,232
	\$ 10,475,106	\$ 10,786,683
Major construction:		
Enterprise Funds:		
Maintenance District 10A production wells	\$ 445,093	\$ 598,779
Maintenance District 6 production well	350,199	350,199
Maintenance District 7 production well	211,230	211,230
Maintenance District 22A sewer plant expansion	131,625	950,731
Maintenance District 43 water system improvements	86,594	381,711
	\$ 1,224,741	\$ 2,492,650
Summary of construction in progress at June 30, 2015:		
Total Governmental Funds	\$ 14,352,301	\$ 37,230,837
Total Enterprise Funds	1,224,741	2,492,650
Total Construction in Progress	\$ 15,577,042	\$ 39,723,487

Additional information regarding capital assets begins on page 55, note 4.

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the County had total debt obligations outstanding of \$82,700,855. Of this amount \$13,714,966 consists of Revenue Bonds, for which the County has pledged a portion of special assessment revenues to debt service of the bonds and secured by property subject to the assessments. \$2,712,254 consists of loans payable of special districts of the County, for which the County has pledged a portion of special assessment revenues to service the loans.

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The following table shows the composition of the County's debt obligations outstanding for governmental and proprietary funds:

	Long-Term Debt Obligations					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Certificates of Participation	\$ 14,640,000	\$ 15,680,000	\$ -	\$ -	\$ 14,640,000	\$ 15,680,000
Special District 1915 Act and Revenue Bonds	-	-	13,786,660	11,237,770	13,786,660	11,237,770
Capital Lease Obligations	25,172,493	1,482,356	-	-	25,172,493	1,482,356
Compensated Absences	14,715,907	13,236,639	-	-	14,715,907	13,236,639
Litigation Judgement	234,360	259,670	-	-	234,360	259,670
Liability for Unpaid Claims	11,038,000	10,118,000	-	-	11,038,000	10,118,000
Loans Payable	-	-	2,712,254	2,798,353	2,712,254	2,798,353
Landfill Loan Guarantees	-	-	472,875	472,875	472,875	472,875
Unamortized Bond Discount	-	-	(71,694)	(74,811)	(71,694)	(74,811)
<b>Total Debt</b>	<b>65,800,760</b>	<b>40,776,665</b>	<b>16,900,095</b>	<b>14,434,187</b>	<b>82,700,855</b>	<b>55,210,852</b>
Less Current Portion	(10,640,814)	(10,151,724)	(383,352)	(369,092)	(11,024,166)	(10,520,816)
<b>Net Long-Term Debt</b>	<b>\$ 55,159,946</b>	<b>\$ 30,624,941</b>	<b>\$ 16,516,743</b>	<b>\$ 14,065,095</b>	<b>\$ 71,676,689</b>	<b>\$ 44,690,036</b>

Reductions of the County's total outstanding debt included principal payments of \$1,856,072 and amortization of bond discount of \$3,117, with \$889,406 interest expense for governmental activities and principal payments of \$1,483,863 with \$685,021 interest expense for business-type activities.

Other obligations include compensated absences (accrued vacation and sick leave), workers' compensation and general liability claims liability, and the landfill closure/post-closure care costs liability. More detailed information about the County's long-term liabilities is presented in notes to the financial statements, page 57, note 5 and page 58, note 6.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County's fiscal year 2015-16 budget takes into consideration the overall financial health of the County and related impacts of the California State Budget. The County Executive Officer monitors the State's spending plan and advises the Board of Supervisors of any negative impact on the County's budget and the public we serve. Department heads and their fiscal managers are to be commended for their willingness to manage spending within available resources, while continuing to meet the needs of our community.

**California Economic Indicators**

The fiscal year 2015-16 Adopted Budget attempts to address potential harm from State take-backs. The County could receive significantly more or less than projected, if the State amends its budget. The Governor's Budget proposed to use increased projected revenues from taxes to pay down debt, increase reserves, as well as increase spending for education, the environment, public safety, public works, affordable health care, and CalWORKS.

The Governor's 2015-16 budget called for spending restraint. Consequently, the budget continues prior commitments to pay down the State's substantial burden of debt, invest in education and health care, and increase the "Rainy Day Fund," but without substantial increases to any spending type. The State also faces a looming crisis in deferred maintenance of infrastructure that could impact future budgets, unless alternate financing sources (issuance of additional long-term bonded debt or increased taxes) can be found.

The State Controller's December 2015 Cash Update reported revenues for the sixth month of Fiscal Year 2015-16 exceeded Budget Act estimates by \$1.9 billion, or 17.2 percent.

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The California Department of Finance Bulletin, February 2016 reports that California's labor market was unchanged, despite the addition of 60,400 non-farm jobs. California's unemployment rate remained at 5.8 percent in December, unchanged from October 2015's reported rate.

Madera County Budget

The adopted 2015-16 General Fund Budget is \$197.7 million, which represents a \$16.6 million increase over the fiscal year 2014-15 budget. The 2015-16 budget includes the County's first "Reserve for Future Budgetary Needs" of \$4.1 million.

**LONG-RANGE PLANNING**

The County is experiencing modest improvement to revenues, and the County continues to follow a conservative approach to spending due to the sensitivity of future revenues to a generally weak economic recovery from the recession. The County has remained solvent through the worst of the recession by limiting spending increases where required and implementing spending reductions wherever feasible.

Balancing service delivery with available resources will continue to challenge the County for the foreseeable future.

**DISCRETIONARY REVENUE**

The national, state, and local economic downturn resulted in a decline of property values, lagging sales of consumer goods and services, and a steep decline in interest rates. Madera County continues to suffer from depressed discretionary revenue compared to revenue prior to the economic downturn, despite a modest recovery. Fiscal year 2015-16 recommended discretionary revenue is \$64.6 million, a marginal increase of \$3.4 million over fiscal year 2014-15.

**NONDISCRETIONARY REVENUE**

In addition to discretionary sales tax revenues, sales taxes dedicated to public health, mental health, social services, and public safety have declined since the economic downturn but are recovering in recent years.

**1991 Realignment (Health and Human Services) sales tax and vehicle license fees (VLF)** are dedicated to public health, mental health, and social services and provide the majority of matching funds for numerous state and federal funding sources. After decreasing for several years, VLF reached its base allocation in fiscal year 2012-13 with strong growth, which was received in fiscal year 2013-14 for public health and mental health. However, under AB85, beginning in fiscal year 2013-14, a portion of health realignment and growth has been redirected to support the State's share of cost for CalWORKS payments as well as state and county costs associated with increases to the CalWORKS maximum assistance payment (MAP). This redirection of funding significantly limits the amount of public health growth received in the future. The growth formula in 1991 health realignment has also been changed, since the State has assumed responsibility for much of the indigent health care population through the Medi-Cal expansion implemented January 1, 2014. This change in funding has reduced future VLF and significantly limited its growth potential. Sales tax realignment revenue continue to grow in fiscal years 2014-15 and 2015-16 because of an improving economy.

**2011 Realignment (Health and Human Services)** revenues are being received as anticipated. Under 2011 realignment, social services programs receive payments for costs previously paid by the state general fund, with the majority of sales tax collected in excess of base allocations directed to a \$200 million statewide restoration of funding for child welfare services. Restoration is projected to be complete in fiscal year 2014-15, with growth payments then distributed between protective services and behavioral health. The 2011 realignment structure includes preferential treatment of behavioral health, intended to compensate for financial treatment that favored health and social services under the 1991 realignment mechanism.

**COUNTY OF MADERA**  
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**2011 Realignment (Public Safety)** included a major realignment of public safety programs from the state to local governments. The intent of the Community Corrections Partnership Program authorized by AB 109 is to end the revolving door of lower-level offenders and parole violators through the state's prisons.

The County's Community Corrections Partnership Committee, chaired by the Chief Probation Officer, approved its 2015-16 budget at the April 29, 2015 meeting and included it in its respective 2015-16 budget requests. Funding for fiscal year 2015-16 is expected to be \$2.7 million and appropriations are requested at \$3.4 million, balanced with use of \$700,000 in carryover AB 109 Restricted fund balance.

Receipts from Public Safety Augmentation (Proposition 172) sales tax have not shown any growth in the current year; receipts year to date are only marginally greater than the prior year to date. The County's pro-rata share of this sales tax has remained unchanged from the prior fiscal year at 0.9783786.

### **EMPLOYEE BENEFITS**

The cost of worker's compensation insurance, CalPERS retirement, health insurance rate increases, and retiree health care continue to impact the County. The County maintains a minimum confidence level of 80 percent for its self-insured worker's compensation and general liability insurance programs. Although the County is committed to maintaining this prudent reserve level, it fails to maintain the 80 minimum confidence for worker's compensation. In recent years the reserve funding levels established by the State far exceed the County's capacity to fund the program. At the same time the County's actual experience level for worker's compensation claims is running at significantly lower levels than that which the State contemplates in setting the reserve requirement. Eventually, the State will have to recognize the disparity between actual experience and the reserve requirements and adjust the funding requirements down to a level the County will be able to maintain at the minimum 80 confidence.

The County's employer share of CalPERS retirement had experienced volatility, because of investment losses PERS experienced during the downturn in the financial markets. Since April 2012 PERS has implemented a series of changes in assumptions in discount rates and other actuarial assumptions that are driving employer contribution rates up significantly in future periods. New pension law effective in 2013 reduced retirement benefits for new hires. However, the County will not realize immediate savings from the reduced benefits.

On the local level, the County has successfully negotiated with represented and unrepresented bargaining units for benefit concessions. All active employees, except elected officials and department heads, now pay the employee share of PERS retirement; new hires will be working longer (to age 62 for miscellaneous and 57 for public safety), and their retirement will be based on the average of three highest years instead of the highest year.

Beginning in fiscal year 2015-16 the County's financial statements incorporate changes to pension liability reporting and recognition mandated by the Governmental Accounting Standards Board (GASB) statements No. 67 and 68. The County's unfunded Net Pension Liability of \$138.3 million represents the actuarially determined future cost of pension benefits the County must fund over the future funding period. See Note 10 of the financial statements for complete details.

The County of Madera provides post-retirement medical benefits (OPEB) to eligible employees who retire directly from the County. Eligible retirees pay a portion of the medical premium based on the PEHMCA (CalPERS medical program) "unequal method." The remaining premium is shared by the County and active employees in accordance with bargaining agreements. Like most governmental agencies, the County pays for these post-retirement benefits on a "pay-as-you-go" basis. This means that OPEB costs are ignored while an employee renders service and are recognized only after the employee retires.

GASB statement No. 45 requires governmental agencies to conduct an actuarial valuation of the liability for OPEB and report them on their financial statements. The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over Plan Assets. This represents the amount of the Actuarial Accrued Liability at the valuation date that still must be funded. The County's estimated Unfunded Actuarial Liability as of June 30, 2013



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is \$109,063,000. The County has not pre-funded its OPEB liability and has no plans to pre-fund in the foreseeable future.

**REQUEST FOR INFORMATION**

This financial report is designed to demonstrate accountability of the Madera County government by providing both long-term and near-term view of the County's finances. Questions or comments regarding the information presented in this report or requests for additional financial information should be addressed to the Auditor-Controller, 200 West Fourth Street, Madera, CA 93637.

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## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**COUNTY OF MADERA**

Statement of Net Position  
June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 130,056,691	13,365,968	\$ 143,422,659	\$ 2,367,291
Restricted assets:				
Cash and investments	1,088,344	8,119,932	9,208,276	--
Cash with fiscal agent	69,319	240,619	309,938	--
Accounts receivable	2,029,908	1,650,255	3,680,163	119,625
Interest receivable	188,501	33,440	221,941	--
Due from other governments	16,539,919	1,521,793	18,061,712	1,722,611
Internal balances	2,402,405	(2,402,405)	--	--
Prepaid expenses	446,455	--	446,455	37,899
Inventories	331,577	--	331,577	31,456
Deposits with others	--	--	--	124,480
Total current assets	<u>153,153,119</u>	<u>22,529,602</u>	<u>175,682,721</u>	<u>4,403,362</u>
Noncurrent assets:				
Taxes receivable	10,606,577	314,555	10,921,132	--
Long-term receivables	--	11,578,538	11,578,538	--
Loan and notes receivable	6,693,815	--	6,693,815	--
Capital assets:				
Nondepreciable	100,723,587	17,620,174	118,343,761	--
Depreciable, net	180,504,081	40,503,936	221,008,017	2,405,818
Total capital assets, net	<u>281,227,668</u>	<u>58,124,110</u>	<u>339,351,778</u>	<u>2,405,818</u>
Total noncurrent assets	<u>298,528,060</u>	<u>70,017,203</u>	<u>368,545,263</u>	<u>2,405,818</u>
Total assets	<u>451,681,179</u>	<u>92,546,805</u>	<u>544,227,984</u>	<u>6,809,180</u>
<b>DEFERRED OUTFLOWS</b>				
Deferred outflows - pensions	<u>13,809,807</u>	--	<u>13,809,807</u>	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	5,521,296	3,148,967	8,670,263	3,142,477
Salaries and benefits payable	4,669,845	--	4,669,845	109,215
Retention payable	91,677	444,064	535,741	--
Interest payable	256,430	222,506	478,936	--
Due to other governments	3,146,502	61,503	3,208,005	--
Deposits payable	2,055,334	34,959	2,090,293	409
Unearned revenue	3,739,171	670,145	4,409,316	370,685
Claims payable	2,495,293	--	2,495,293	--
Compensated absences, due within one year	5,904,270	--	5,904,270	--
Long-term debt, due within one year	2,241,251	383,353	2,624,604	18,106
Total current liabilities	<u>30,121,069</u>	<u>4,965,497</u>	<u>35,086,566</u>	<u>3,640,892</u>
Noncurrent liabilities:				
Claims payable	8,542,707	--	8,542,707	--
Compensated absences, due in more than one year	8,811,637	--	8,811,637	--
Long-term debt, due in more than one year	37,805,603	16,516,740	54,322,343	42,382
Net OPEB obligation	88,708,001	--	88,708,001	--
Liability for landfill closure	--	10,163,049	10,163,049	--
Net pension liability	128,492,965	--	128,492,965	--
Total noncurrent liabilities	<u>272,360,913</u>	<u>26,679,789</u>	<u>299,040,702</u>	<u>42,382</u>
Total liabilities	<u>302,481,982</u>	<u>31,645,286</u>	<u>334,127,268</u>	<u>3,683,274</u>

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

**COUNTY OF MADERA**

Statement of Net Position  
June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<u>DEFERRED INFLOWS</u>				
Deferred inflows - pensions	20,543,288	--	20,543,288	
<u>NET POSITION</u>				
Net investment in capital assets	241,415,174	41,224,017	282,639,191	2,225,593
Restricted for:				
Public protection	16,171,988	--	16,171,988	--
Public ways and facilities	30,460,608	--	30,460,608	--
Public health and assistance	34,612,049	--	34,612,049	--
Public assistance	14,522,993	--	14,522,993	--
Education	53,109	--	53,109	--
Recreation and culture	78,000	--	78,000	--
Capital projects	3,525,525	--	3,525,525	--
Other programs	2,265,505	--	2,265,505	27,495
Unrestricted	(200,639,235)	19,677,502.00	(180,961,733)	872,818
Total net position	<u>\$ 142,465,716</u>	<u>60,901,519</u>	<u>\$ 203,367,235</u>	<u>\$ 3,125,906</u>

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



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**COUNTY OF MADERA**

Statement of Activities  
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 27,367,143	\$ 10,483,696	\$ 11,571,261	\$ --
Public protection	71,347,175	7,078,595	17,595,278	1,203,806
Public ways and facilities	20,708,953	5,736,762	10,496,154	2,507,642
Health and sanitation	27,707,771	2,929,478	26,923,585	9,850
Public assistance	60,060,080	269,820	59,967,650	--
Education	1,365,954	69,830	92,500	--
Recreation and culture	945,556	550,043	--	256,540
Interest and fiscal charges	889,406	--	--	--
Total Governmental Activities	<u>210,392,038</u>	<u>27,118,224</u>	<u>126,646,428</u>	<u>3,977,838</u>
Business-Type Activities:				
Special Districts - Water/Sewer	6,502,721	6,408,091	145,435	3,249,358
County Landfill	4,466,955	3,838,926	--	--
Total Business-type Activities	<u>10,969,676</u>	<u>10,247,017</u>	<u>145,435</u>	<u>3,249,358</u>
 Total Madera County	 <u>\$ 221,361,714</u>	 <u>\$ 37,365,241</u>	 <u>\$ 126,791,863</u>	 <u>\$ 7,227,196</u>
<b>Component Units:</b>				
Community Action Partnership of Madera County (CAPMC)	\$ 23,303,992	\$ 110,926	\$ 23,201,933	\$ --
Madera County Workforce Investment Corporation (MCWIC)	3,655,492	94,663	3,591,455	25,395
Total Component Units	<u>\$ 26,959,484</u>	<u>\$ 205,589</u>	<u>\$ 26,793,388</u>	<u>\$ 25,395</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 Position - 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		
(5,312,186)	\$ --	\$ (5,312,186)	\$ --
(45,469,496)	--	(45,469,496)	--
(1,968,395)	--	(1,968,395)	--
2,155,142	--	2,155,142	--
177,390	--	177,390	--
(1,203,624)	--	(1,203,624)	--
(138,973)	--	(138,973)	--
(889,406)	--	(889,406)	--
<u>(52,649,548)</u>	<u>--</u>	<u>(52,649,548)</u>	<u>--</u>
--	3,300,163	3,300,163	--
--	(628,029)	(628,029)	--
<u>--</u>	<u>2,672,134</u>	<u>2,672,134</u>	<u>--</u>
<u>(52,649,548)</u>	<u>2,672,134</u>	<u>(49,977,414)</u>	<u>--</u>
			8,867
			<u>56,021</u>
			<u>64,888</u>
38,200,143	421,764	38,621,907	--
7,982,869	--	7,982,869	--
2,849,261	--	2,849,261	--
803,117	157,133	960,250	1,352
2,064,049	197,718	2,261,767	12,179
495,126	--	495,126	--
(377,589)	377,589	--	--
<u>52,016,976</u>	<u>1,154,204</u>	<u>53,171,180</u>	<u>13,531</u>
(632,572)	3,826,338	3,193,766	78,419
<u>143,098,288</u>	<u>57,075,181</u>	<u>200,173,469</u>	<u>3,047,487</u>
<u>\$ 142,465,716</u>	<u>\$ 60,901,519</u>	<u>\$ 203,367,235</u>	<u>\$ 3,125,906</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, 2015

	General	Road	Special Revenue - Public Protection	Other Governmental Funds	Total
<u>Assets</u>					
Cash and investments	\$62,791,431	\$20,059,203	\$16,967,240	\$ 21,635,745	\$121,453,619
Cash and investments - restricted	1,088,344	--	--	--	1,088,344
Imprest cash	8,825	250	--	--	9,075
Receivables:					
Accounts	1,703,677	91,934	672	216,303	2,012,586
Interest	103,931	30,477	6,331	34,402	175,141
Due from other governments	7,356,780	4,193,248	1,391,492	3,598,399	16,539,919
Due from other funds	8,201,866	82,634	--	693,684	8,978,184
Prepays and other assets	446,455	--	--	--	446,455
Inventories	--	285,121	--	--	285,121
Taxes receivable	10,586,759	--	3,276	16,542	10,606,577
Loans receivable	--	--	--	6,693,815	6,693,815
Advances to other funds	1,687,287	--	583,136	3,795,294	6,065,717
Total Assets	<u>\$93,975,355</u>	<u>\$24,742,867</u>	<u>\$18,952,147</u>	<u>\$ 36,684,184</u>	<u>\$174,354,553</u>
<u>Liabilities</u>					
Accounts payable	2,747,916	1,702,732	381,945	650,143	5,482,736
Salaries and benefits payable	4,306,291	256,301	89,883	--	4,652,475
Deposits from others	1,337,809	717,525	--	--	2,055,334
Due to other funds	1,283,778	248,204	4,395,808	2,163,404	8,091,194
Due to other governments	1,497,267	153,305	323,526	1,127,945	3,102,043
Unearned revenue	3,738,629	542	--	--	3,739,171
Advances from other funds	3,095,294	--	--	1,387,511	4,482,805
Total Liabilities	<u>18,006,984</u>	<u>3,078,609</u>	<u>5,191,162</u>	<u>5,329,003</u>	<u>31,605,758</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue	13,251,036	5,059,025	224,496	2,632,667	21,167,224
<u>Fund Balances</u>					
Nonspendable	2,133,742	285,121	--	--	2,418,863
Restricted	43,441,698	16,320,112	13,536,489	28,406,372	101,704,671
Committed	27,584	--	--	321,572	349,156
Assigned	3,287,638	--	--	--	3,287,638
Unassigned	13,826,673	--	--	(5,430)	13,821,243
Total Fund Balances	<u>62,717,335</u>	<u>16,605,233</u>	<u>13,536,489</u>	<u>28,722,514</u>	<u>121,581,571</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$93,975,355</u>	<u>\$24,742,867</u>	<u>\$18,952,147</u>	<u>\$ 36,684,184</u>	<u>\$174,354,553</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, 2015

Fund Balance - total governmental funds	\$ 121,581,571
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	276,191,119
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	21,167,224
Deferred outflows of resources reported in the Statement of Net Position	13,757,513
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	(14,640,000)
Litigation settlement obligation	(234,360)
Capital leases	(24,503,071)
Accrued interest	(256,430)
Compensated absences	(14,670,671)
Other postemployment benefits (OPEB) liability	(88,306,627)
Net pension liability	(127,956,180)
Deferred inflows of resources reported in the Statement of Net Position	(20,458,313)
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.	793,941
Net position of governmental activities	<u>\$ 142,465,716</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, 2015

	General	Road	Special Revenue - Public Protection	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 45,972,041	\$ 4,439,074	\$ 171,572	\$ 1,135,193	\$ 51,717,880
Licenses and permits	4,566,747	143,741	--	--	4,710,488
Fines, forfeitures and penalties	3,429,397	--	381,394	233,473	4,044,264
Use of money and property	417,401	104,228	29,218	134,698	685,545
Intergovernmental	95,159,003	7,302,341	11,129,265	10,988,096	124,578,705
Charges for services	11,741,514	3,640,484	445,818	1,690,791	17,518,607
Other revenues	1,297,487	8,234	2,306	756,022	2,064,049
<b>Total Revenues</b>	<b>162,583,590</b>	<b>15,638,102</b>	<b>12,159,573</b>	<b>14,938,273</b>	<b>205,319,538</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	23,000,193	--	--	84,122	23,084,315
Public protection	58,585,323	--	4,593,577	1,072,066	64,250,966
Public ways and facilities	--	12,500,391	--	2,921,973	15,422,364
Health and sanitation	26,167,566	--	--	327,974	26,495,540
Public assistance	57,280,632	--	--	937,424	58,218,056
Education	1,208,367	--	--	--	1,208,367
Recreation and cultural services	--	--	--	551,020	551,020
Capital outlay	15,074,166	5,235,044	271,471	10,455,170	31,035,851
<b>Debt Service:</b>					
Principal	1,217,457	--	--	--	1,217,457
Interest	727,568	--	--	--	727,568
Bond issuance costs	139,123	--	--	--	139,123
<b>Total Expenditures</b>	<b>183,400,395</b>	<b>17,735,435</b>	<b>4,865,048</b>	<b>16,349,749</b>	<b>222,350,627</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(20,816,805)</b>	<b>(2,097,333)</b>	<b>7,294,525</b>	<b>(1,411,476)</b>	<b>(17,031,089)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	16,030,851	--	--	11,725,231	27,756,082
Transfers out	(10,789,813)	--	(7,429,947)	(9,788,911)	(28,008,671)
Capital leases	24,108,690	--	--	--	24,108,690
Sale of capital assets	584,146	--	--	--	584,146
<b>Total Other Financing Sources (Uses)</b>	<b>29,933,874</b>	<b>--</b>	<b>(7,429,947)</b>	<b>1,936,320</b>	<b>24,440,247</b>
<b>Net Changes in Fund Balances</b>	<b>9,117,069</b>	<b>(2,097,333)</b>	<b>(135,422)</b>	<b>524,844</b>	<b>7,409,158</b>
<b>Fund Balances, Beginning of Year, Restated</b>	<b>53,600,266</b>	<b>18,702,566</b>	<b>13,671,911</b>	<b>28,197,670</b>	<b>114,172,413</b>
<b>Fund Balances, End of Year</b>	<b>\$ 62,717,335</b>	<b>\$ 16,605,233</b>	<b>\$ 13,536,489</b>	<b>\$ 28,722,514</b>	<b>\$ 121,581,571</b>

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, 2015

Net change to fund balance - total governmental funds \$ 7,409,158

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	\$ 30,984,873	
Less: current year depreciation	<u>(8,997,422)</u>	21,987,451

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	4,273,877
---	-----------

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 position the lease obligation is reported as a liability.	(24,108,690)
--	--------------

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	(1,485,031)
Change in OPEB liability	(7,626,685)
Change in interest payable	17,333
Change in litigation settlement obligation	25,310
Change in net pension liability	51,767

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	247,458
Certificates of participation	<u>1,040,000</u>
	1,287,458

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.	<u>(2,464,520)</u>
--	--------------------

Change in net position of governmental activities	<u><u>\$ (632,572)</u></u>
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The accompanying notes are an integral part of these financial statements.

**COUNTY OF MADERA**

Statement of Net Position  
Proprietary Funds  
June 30, 2015

	Business-Type Activities - Enterprise Funds			Governmental
	Special Districts	County	Total	Internal
	Water/Sewer	Landfill	Enterprise	Service
			Funds	Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	12,500,728	865,240	\$ 13,365,968	\$ 8,593,997
Cash with fiscal agents	240,619	--	240,619	69,319
Receivables:				
Accounts	654,355	995,900	1,650,255	17,322
Interest	22,226	11,214	33,440	13,360
Taxes	314,555	--	314,555	--
Due from other funds	526,037	--	526,037	205,585
Due from other governments	1,521,793	--	1,521,793	--
Inventories	--	--	--	46,456
Total current assets	<u>15,780,313</u>	<u>1,872,354</u>	<u>17,652,667</u>	<u>8,946,039</u>
Noncurrent assets:				
Restricted cash and investments	1,779,725	6,340,207	8,119,932	--
Advances to other funds	46,200	--	46,200	--
Long-term receivables	11,578,538	--	11,578,538	--
Capital assets:				
Nondepreciable	16,505,449	1,114,725	17,620,174	293,563
Depreciable, net	<u>31,101,380</u>	<u>9,402,556</u>	<u>40,503,936</u>	<u>4,742,986</u>
Total noncurrent assets	<u>61,011,292</u>	<u>16,857,488</u>	<u>77,868,780</u>	<u>5,036,549</u>
Total assets	<u>76,791,605</u>	<u>18,729,842</u>	<u>95,521,447</u>	<u>13,982,588</u>
<u>DEFERRED OUTFLOWS</u> - pension	--	--	--	52,294
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,388,367	1,205,228	3,593,595	174,696
Accrued salaries and benefits	--	--	--	17,370
Interest payable	222,506	--	222,506	--
Due to other funds	1,230,766	114,764	1,345,530	273,082
Due to other governments	3,728	57,211	60,939	--
Deposits from others	34,959	--	34,959	--
Unearned revenues	670,145	--	670,145	--
Claims payable	--	--	--	2,495,293
Long-term debt, due in one year	<u>383,353</u>	<u>--</u>	<u>383,353</u>	<u>179,974</u>
Total current liabilities	<u>4,933,824</u>	<u>1,377,203</u>	<u>6,311,027</u>	<u>3,140,415</u>
Noncurrent liabilities:				
Advances from other funds	1,629,112	--	1,629,112	--
Compensated absences	--	--	--	45,236
Long-term debt, due in more than one year	16,043,865	472,875	16,516,740	489,449
Liability for post employment benefits	--	--	--	401,374
Claims payable	--	--	--	8,542,707
Closure/postclosure liability	--	10,163,049	10,163,049	--
Net pension liability	--	--	--	536,785
Total noncurrent liabilities	<u>17,672,977</u>	<u>10,635,924</u>	<u>28,308,901</u>	<u>10,015,551</u>
Total liabilities	<u>22,606,801</u>	<u>12,013,127</u>	<u>34,619,928</u>	<u>13,155,966</u>
<u>DEFERRED INFLOWS</u> - pension	--	--	--	84,975
<b>NET POSITION</b>				
Net investment in capital assets	31,179,611	10,044,406	41,224,017	4,367,126
Unrestricted	<u>23,005,193</u>	<u>(3,327,691)</u>	<u>19,677,502</u>	<u>(3,573,185)</u>
Total net position	<u>54,184,804</u>	<u>6,716,715</u>	<u>\$ 60,901,519</u>	<u>\$ 793,941</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, 2015

	Business-Type Activities - Enterprise Funds			Governmental
	Special Districts	County	Total	Internal
	Water/Sewer	Landfill	Enterprise Funds	Service Funds
Operating Revenues:				
Charges for services	\$ 6,408,091	\$ 3,838,926	\$ 10,247,017	\$ 6,351,715
Other revenues	197,595	--	197,595	30,466
Total Operating Revenues	<u>6,605,686</u>	<u>3,838,926</u>	<u>10,444,612</u>	<u>6,382,181</u>
Operating Expenses:				
Salaries and benefits	--	--	--	407,792
Services and supplies	1,142,470	3,667,580	4,810,050	2,654,826
Maintenance	2,130,267	1,885	2,132,152	2,316,832
Insurance	93,902	40,063	133,965	19,824
Utilities	1,238,400	25,754	1,264,154	10,844
Claims	--	--	--	2,775,357
Depreciation	1,212,661	325,481	1,538,142	554,582
Landfill closure/postclosure care costs	--	303,380	303,380	--
Other operating expense	--	--	--	1,466
Total Operating Expenses	<u>5,817,700</u>	<u>4,364,143</u>	<u>10,181,843</u>	<u>8,741,523</u>
Operating Income (Loss)	<u>787,986</u>	<u>(525,217)</u>	<u>262,769</u>	<u>(2,359,342)</u>
Non-Operating Revenue (Expenses):				
Taxes	421,764	--	421,764	--
Investment income	84,128	73,005	157,133	48,514
Intergovernmental	145,435	--	145,435	--
Interest and fiscal charges	(685,021)	--	(685,021)	(39,566)
Gain (Loss) on disposal of capital assets	--	(102,812)	(102,812)	10,874
Other non-operating revenue (expenses)	1,688	35	1,723	--
Total Non-Operating Revenue (Expenses)	<u>(32,006)</u>	<u>(29,772)</u>	<u>(61,778)</u>	<u>19,822</u>
Income (Loss) Before Contributions and Transfers	755,980	(554,989)	200,991	(2,339,520)
Capital contributions	3,247,758	--	3,247,758	--
Transfers in	615,541	--	615,541	--
Transfers out	--	(237,952)	(237,952)	(125,000)
Change in Net Position	4,619,279	(792,941)	3,826,338	(2,464,520)
Net Position - Beginning of Year	45,594,693	7,495,824	53,090,517	3,258,461
Prior period adjustment	3,970,832	13,832	3,984,664	--
Net Position - End of Year	<u>\$ 54,184,804</u>	<u>\$ 6,716,715</u>	<u>\$ 60,901,519</u>	<u>\$ 793,941</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, 2015

	Special Districts Water/ Sewer	County Landfill	Total Enterprise Funds	Governmental Activities Internal Service Funds
<b>Cash Flows from Operating Activities:</b>				
Cash receipts from customers and users	\$ 5,833,852	\$ 4,475,423	\$ 10,309,275	\$ 6,373,002
Cash paid to suppliers	(2,704,533)	(3,274,367)	(5,978,900)	(6,989,974)
Cash paid to employees	--	--	--	(352,927)
Net Cash Provided (Used) by Operating Activities	<u>3,129,319</u>	<u>1,201,056</u>	<u>4,330,375</u>	<u>(969,899)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Intergovernmental	108,663	--	108,663	58,292
Taxes	421,764	--	421,764	--
Interfund loans	322,520	101,115	423,635	(207,345)
Other revenue	1,688	35	1,723	--
Transfers in	615,541	--	615,541	--
Transfers out	--	(237,952)	(237,952)	(125,000)
Advances from other funds	1,246,074	--	1,246,074	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,716,250</u>	<u>(136,802)</u>	<u>2,579,448</u>	<u>(274,053)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of capital assets	(9,356,957)	(2,465,241)	(11,822,198)	(742,154)
Proceeds from capital contributions	3,247,758	--	3,247,758	--
Principal payments on debt	--	--	--	(171,094)
Proceeds of borrowing	2,465,906	--	2,465,906	--
Interest payments	(685,367)	--	(685,367)	(39,566)
Proceeds from sale of capital assets	--	--	--	10,874
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,328,660)</u>	<u>(2,465,241)</u>	<u>(6,793,901)</u>	<u>(941,940)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest received	87,546	79,046	166,592	56,878
Net Cash Provided (Used) by Investing Activities	<u>87,546</u>	<u>79,046</u>	<u>166,592</u>	<u>56,878</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>1,604,455</u>	<u>(1,321,941)</u>	<u>282,514</u>	<u>(2,129,014)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>12,916,617</u>	<u>8,527,388</u>	<u>21,444,005</u>	<u>10,792,330</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 14,521,072</u></u>	<u><u>\$ 7,205,447</u></u>	<u><u>\$ 21,726,519</u></u>	<u><u>\$ 8,663,316</u></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, 2015

	Special Districts Water/ Sewer	County Landfill	Total Enterprise Funds	Governmental Activities Internal Service Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 787,986	\$ (525,217)	\$ 262,769	\$ (2,359,342)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,212,661	325,481	1,538,142	554,582
Changes in assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	(1,384,658)	636,497	(748,161)	(9,179)
Deposits from others	(112,525)	--	(112,525)	66,876
Increase (decrease) in:				
Accounts payable and other liabilities	2,013,031	460,915	2,473,946	(189,986)
Unearned revenue	612,824	--	612,824	--
Compensated absences payable	--	--	--	(5,763)
Closure/postclosure liability	--	303,380	303,380	--
Net pension liability	--	--	--	(402)
Post employment benefits liability	--	--	--	53,315
Claims payable	--	--	--	920,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 3,129,319</u></u>	<u><u>\$ 1,201,056</u></u>	<u><u>\$ 4,330,375</u></u>	<u><u>\$ (969,899)</u></u>

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

**COUNTY OF MADERA**

Statement of Fiduciary Net Position  
June 30, 2015

	<u>Investment Trust Fund</u>	<u>Agency Funds</u>	<u>Private Purpose Trust</u>
<u>Assets</u>			
Cash and investments	\$ 187,549,534	\$ 4,834,111	\$ 1,175,358
Receivables:			
Accounts receivable	--	515	--
Interest receivable	--	5,412	--
Taxes	--	118,013	--
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 187,549,534</u>	<u>\$ 4,958,051</u>	<u>\$ 1,175,358</u>
 <u>Liabilities</u>			
Accounts payable	\$ --	\$ 132,699	\$ --
Due to other governments	--	659,136	--
Accrued expenses	--	375,309	--
Agency obligations	--	3,790,547	1,175,358
Deposits from others	--	360	--
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>                    </u>	<u>\$ 4,958,051</u>	<u>\$ 1,175,358</u>
 <u>Net Position</u>			
Net position held in trust for investment pool participants	<u>187,549,534</u>		
	<u>                    </u>		
Total Net Position	<u>\$ 187,549,534</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, 2015

	<u>Investment Trust Fund</u>
<u>Additions</u>	
Contributions to pooled investments	\$ 426,936,552
Net investment income:	
Investment income	<u>1,299,033</u>
Total Additions	<u>428,235,585</u>
 <u>Deductions</u>	
Distributions from pooled investments	<u>398,652,794</u>
Total Deductions	<u>398,652,794</u>
Change in net position	29,582,791
Net Position - Beginning of Year	<u>157,966,743</u>
Net Position - End of Year	<u><u>\$ 187,549,534</u></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, 2015

### **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, 2015

### 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, 2015

### 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, 2015

### 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, 2015

### 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, 2015

**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, 2015

### **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 County has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds balance sheet and related to pensions in its proprietary and government-wide statements. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. 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, 2015

### 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, 2015

**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, 2015

### **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. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the County's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. New Accounting Pronouncements**

In June 2013, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, to improve accounting and financial reporting by state and local governments for pensions. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* to address an issue in Statement No. 68 concerning provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of that Statement by employers and non-employer contributing entities. As of July 1, 2014, the County implemented these Statements and restated the beginning net position on the government-wide statements for the governmental activities and on its proprietary funds, as further noted in note 10.

The County has insufficient prior year data which makes it impractical to restate the amounts of all applicable deferred outflows of resources, net pension liability and deferred inflows of resources related to pensions. Therefore, the County has elected to report the implementation of these Statements as a cumulative effect of an accounting change in the fiscal year 2014-2015 financial statements.

**Q. Future Accounting Pronouncements**

Governmental Accounting Standards Board (GASB) Statement Numbers 72, 73, 74, 75 and 76 listed below will be implemented in future financial statements

Statement No. 72	<i>Fair Value Measurements and Application</i>	The provisions of this statement are effective for financial statement periods beginning after June 15, 2015
Statement No. 73	<i>Accounting and Financial Reporting for Pension and Related Assets That Are Not Within the Scope of GASB Statement No. 68, an amendment to Certain Provisions of GASB Statements No. 67 and No. 68.</i>	The provisions of this statement are effective for financial statement periods beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of of GASB Statement No. 68, which are effective for financial statement periods beginning after June 15, 2016.
Statement No 74	<i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>	The provisions of this statement are effective for financial statement periods beginning after June 15, 2016.
Statement No. 75	<i>Accounting and Financial reporting for Postemployment Benefits Other Than Pension Plans</i>	The provisions of this statement are effective for financial statement periods beginning after June 15, 2017.
Statement No. 76	<i>The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments</i>	The provisions of this statements are effective for financial statement periods beginning after June 15, 2015.

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 2: CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2015:

	Government-Wide Statement of Net Assets		Total Primary Government	Fiduciary Funds	Discretely Presented Component Units	Total
	Governmental Activities	Business-type Activities				
Cash and investments	\$ 130,056,691	\$ 13,365,968	\$ 143,422,659	\$ 193,559,003	\$ 2,367,291	\$ 339,348,953
Restricted assets:						
Cash and investments	1,088,344	8,119,932	9,208,276	--	--	9,208,276
Cash with fiscal agents	69,319	240,619	309,938	--	--	309,938
<b>Total</b>	<b>\$ 131,214,354</b>	<b>\$ 21,726,519</b>	<b>\$ 152,940,873</b>	<b>\$ 193,559,003</b>	<b>\$ 2,367,291</b>	<b>\$ 348,867,167</b>

Cash deposits and investments consisted as follows at June 30, 2015:

Cash and investments:	
Imprest Cash	\$ 11,025
Cash in Banks-Department Administered	809,513
Total cash	<u>820,538</u>
In custody of Treasurer:	
Cash on hand	5,500
Cash in banks	36,539,606
Total in custody of Treasurer	<u>36,545,106</u>
Investments Held by Treasurer:	
Certificates of deposit	1,000,000
LAIF	33,406,087
U.S. Government-Sponsored Enterprise Sec.	196,635,101
Medium Term Corporate Notes	48,600,119
Tobacco Settlement Escrow	8,050,952
Money market accounts	20,043,691
Total investments held by Treasurer	<u>307,735,950</u>
Cash Held With Fiscal Agent:	
US Bank	1,088,344
Government Money Market	240,619
Employees' Retirement Trust	69,319
Total cash held with fiscal agent	<u>1,398,282</u>
Total cash and investments	346,499,876
Discretely Presented Component Units:	
Cash and cash equivalents -	
Community Action Partnership of Madera County	2,305,730
Madera County Workforce Investment Corporation	61,561
<b>Total cash and investments</b>	<u><u>\$ 348,867,167</u></u>

## COUNTY OF MADERA

### Notes to Basic Financial Statements For the Year Ended June 30, 2015

#### **NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

##### **A. Cash Deposits**

The carrying amounts of the County's cash deposits were \$40,863,274 at June 30, 2015. Bank balances at June 30, 2015, 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, 2015

**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, 2015, 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, 2015:

Investment Type	Cost	Fair Value	Percentage of Portfolio	Average Maturity (in years)	Credit Rating (Moody's)
LAIF	33,406,087	33,406,087	10.86%	-	N/A
Certificates of Deposits	1,000,000	1,000,000	0.32%	0.10	N/A
Money Market Accounts	20,043,691	20,043,691	6.51%	-	N/A
Government-Sponsored Enterprise Securities	196,635,101	196,801,130	63.90%	2.26	AAA
Municipal Bonds	8,050,952	8,039,520	2.62%	1.24	AA3
Medium Term Corporate Notes					
Apple Inc.	1,248,385	1,249,412	0.41%	0.84	AA1
Bank of New York Mellon	3,056,601	3,045,630	0.99%	1.97	A1
Bank of New York Mellon	3,063,458	3,023,940	1.00%	3.87	A1
Berkshire Hathaway	3,060,320	3,046,800	0.99%	1.49	AA2
Chevron Corp	1,989,952	1,991,440	0.65%	2.43	AA1
Conoco Phillips Co.	2,983,366	2,977,410	0.97%	2.46	A1
Costco Wholesale Group	2,987,155	2,995,320	0.97%	2.46	A1
GE Capital Corp	3,016,408	3,018,540	0.98%	2.39	A1
General Electric Capital	3,032,947	3,022,470	0.99%	1.03	A1
Merck & Co. Inc.	2,977,407	2,988,150	0.97%	2.88	A2
Pfizer, Inc	2,991,304	3,002,070	0.97%	2.96	A1
WalMart	4,010,339	4,001,480	1.30%	0.78	AA2
WalMart	3,056,134	3,046,530	0.99%	3.46	AA2
Wells Fargo	2,980,151	3,011,790	0.97%	3.81	A2
Wells Fargo	3,021,840	3,018,180	0.98%	2.19	A2
Wells Fargo	3,109,799	3,081,690	1.01%	0.96	A2
Wells Fargo	2,014,551	2,008,480	0.65%	1.05	A2
<b>Total Investments Held by Treasurer</b>	<b>\$ 307,735,950</b>	<b>\$ 307,819,760</b>	<b>100.00%</b>		



**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**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, 2015, 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, 2015 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	25.35%	\$ 77,996,112
Federal Home Loan Bank	17.05%	52,470,571
Federal Home Loan Mortgage Corp.	11.13%	34,239,088
Federal National Mortgage Association	10.38%	31,929,330

**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, 2015

**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, 2015, 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, 2015, the County had \$33,406,087 invested in LAIF, which had invested .97% 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, 2015:

Statement of Net Position:	
Net position held for pool participants	\$ 344,281,056
Equity of internal pool participants	156,731,522
Equity of external pool participants	187,549,534
Total net assets	<u>\$ 344,281,056</u>
Statement of Changes in Net Position:	
Net position at July 1, 2014	\$ 306,967,394
Net change in investments by pool participants	37,313,662
Net position at June 30, 2015	<u>\$ 344,281,056</u>

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**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, 2015:

*Due to/from other funds:*

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Internal Service Fund	\$ 273,081	Charges for interfund services
	Special Districts - Water/Sewer	1,134,896	Charges for interfund services
	County Landfill	112,992	Charges for interfund services
	Capital Project	1,173	Charges for interfund services
	Road Fund	247,779	A-87 cost recovery; interfund services
	Special Revenue - Public Protection	4,391,918	Cost recovery from Realignment fund
	Nonmajor Governmental Funds	<u>2,040,027</u>	Cost recovery from Realignment fund
		<u>8,201,866</u>	
Road Fund	General Fund	1,040	Charges for interfund services
	County Landfill	1,772	Charges for interfund services
	Special Districts - Water/Sewer	19,822	Charges for interfund services
	Nonmajor Governmental Funds	<u>60,000</u>	Charges for interfund services
		<u>82,634</u>	
Special Districts - Water/Sewer	General Fund	450,000	Interfund Advance
		<u>450,000</u>	
Nonmajor Governmental Funds	Special Districts - Water/Sewer	11	Charges for Interfund Services
	General Fund	693,673	Overpayment from Realignment fund
		<u>693,684</u>	
Internal Service Fund	Special Revenue - Public Protection	3,889	Charges for interfund services
	Nonmajor Governmental Funds	62,204	Charges for interfund services
	Road Fund	425	Charges for interfund services
	General Fund	<u>139,066</u>	Charges for interfund services
		<u>205,584</u>	
		<u>\$ 9,633,768</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, 2015

**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, 2015:

	Advances from Other Funds			
	Governmental Activities		Business-Type Activities	
	General Fund	Capital Projects	Special Districts Water/Sewer	Total
Advances to other funds				
Governmental Activities:				
General fund	\$ -	\$ 1,004,375	\$ 682,912	\$ 1,687,287
Capital Projects	2,995,294	-	-	2,995,294
Special Revenue - Public Protection	100,000	383,136	100,000	583,136
Nonmajor Governmental Funds	-	-	800,000	800,000
Business-Type Activities:				
Special Districts Water/Sewer	-	-	46,200	46,200
Total	<u>\$ 3,095,294</u>	<u>\$ 1,387,511</u>	<u>\$ 1,629,112</u>	<u>\$ 6,111,917</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, 2015, were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 10,174,272	Solar project, repayment for land purchase, government center 4th floor tenant improvements, sheriff facility, jail phase II
General Fund	Special Dist - Water/Sewer	615,541	MD95 Well
Special Revenue - Public Protection	General Fund	6,526,331	Reimbursement for costs of sheriff, fire protection, public assistance and administration
Special Revenue - Public Protection	Nonmajor Governmental Funds	903,616	Jail phase II, sheriff facility, boot camp tenant improvements
Nonmajor Governmental Funds	General Fund	527,408	Cost for County's share of traffic signal, MD95 well construction
Nonmajor Governmental Funds	Nonmajor Governmental Funds	647,343	Jail phase II
Nonmajor Governmental Funds	General Fund	8,614,160	Reimbursement for costs of sheriff, fire protection, public assistance and administration
County Landfill	General Fund	237,952	LEA Service, repayment for construction of Fossil Discovery
Internal Service Fund	General Fund	125,000	LC 4850 TD Cost
		<u>\$ 28,371,623</u>	

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 4: CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

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

	Restated Balance July 1, 2014	Additions	Retirements	Transfers and Adj	Balance June 30, 2015
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 16,974,129	\$ 6,772	\$ (15,620)	\$ --	\$ 16,965,281
Construction-in-progress	17,884,958	15,257,686	--	(6,232,289)	26,910,355
Infrastructure (non-depreciable)	56,847,951	--	--	--	56,847,951
<b>Total capital assets, not being depreciated</b>	<b>91,707,038</b>	<b>15,264,458</b>	<b>(15,620)</b>	<b>(6,232,289)</b>	<b>100,723,587</b>
Capital assets, being depreciated:					
Infrastructure (depreciable)	171,630,259	230,428	--	--	171,860,687
Buildings and improvements	139,141,030	13,562,914	(59,859)	6,232,289	158,876,374
Equipment	45,211,050	2,820,314	(3,051,283)	--	44,980,081
<b>Total capital assets, being depreciated</b>	<b>355,982,339</b>	<b>16,613,656</b>	<b>(3,111,142)</b>	<b>6,232,289</b>	<b>375,717,142</b>
Less accumulated depreciation:					
Infrastructure (depreciable)	(126,341,944)	(3,952,302)	--	--	(130,294,246)
Structures and improvements	(29,287,800)	(3,250,431)	46,465	--	(32,491,766)
Equipment	(33,032,155)	(2,349,271)	2,954,377	--	(32,427,049)
<b>Total accumulated depreciation</b>	<b>(188,661,899)</b>	<b>(9,552,004)</b>	<b>3,000,842</b>	<b>--</b>	<b>(195,213,061)</b>
<b>Total capital assets, being depreciated</b>	<b>167,320,440</b>	<b>7,061,652</b>	<b>(110,300)</b>	<b>6,232,289</b>	<b>180,504,081</b>
<b>Total governmental activities</b>	<b>\$ 259,027,478</b>	<b>\$ 22,326,110</b>	<b>\$ (125,920)</b>	<b>\$ --</b>	<b>\$ 281,227,668</b>

Depreciation expense was charged to governmental functions as follows:

	Total
<u>Governmental Activities</u>	
General government	\$ 1,288,335
Public protection	2,284,953
Public ways and facilities	4,601,736
Health and sanitation	121,338
Public assistance	218,079
Education	88,445
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	554,582
<b>Total</b>	<b>\$ 9,552,004</b>

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**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, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 3,538,495	\$ 10,517	\$ --	\$ --	\$ 3,549,012
Land under roads	1,724,264	--	--	--	1,724,264
Construction-in-progress	3,026,270	9,355,513	(34,885)	--	12,346,898
Total capital assets, not being depreciated	<u>8,289,029</u>	<u>9,366,030</u>	<u>(34,885)</u>	<u>--</u>	<u>17,620,174</u>
Capital assets, being depreciated:					
Infrastructure (depreciable)	1,192,972	--	--	--	1,192,972
Land improvements	64,036,904	2,546,608	--	--	66,583,512
Equipment	1,730,317	39,644	(533,000)	--	1,236,961
Total capital assets, being depreciated	<u>66,960,193</u>	<u>2,586,252</u>	<u>(533,000)</u>	<u>--</u>	<u>69,013,445</u>
Less accumulated depreciation:					
Infrastructure (depreciable)	(1,125,502)	(72,575)	--	(776,687)	(1,974,764)
Land improvements	(2,710,942)	(314,466)	--	(343,544)	(3,368,952)
Structures and improvements	(22,626,624)	(1,080,708)	--	1,135,169	(22,572,163)
Equipment	(857,120)	(70,393)	348,821	(14,938)	(593,630)
Total accumulated depreciation	<u>(27,320,188)</u>	<u>(1,538,142)</u>	<u>348,821</u>	<u>--</u>	<u>(28,509,509)</u>
Total capital assets, being depreciated	<u>39,640,005</u>	<u>1,048,110</u>	<u>(184,179)</u>	<u>--</u>	<u>40,503,936</u>
<b>Total business-type activities</b>	<u>\$ 47,929,034</u>	<u>\$ 10,414,140</u>	<u>\$ (219,064)</u>	<u>\$ --</u>	<u>\$ 58,124,110</u>

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

	Total
<u>Business-Type Activities</u>	
Water and sewer special districts	\$ 1,212,661
County landfill	325,481
<b>Total</b>	<u>\$ 1,538,142</u>

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**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, 2015, was approximately \$1,354,206. 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, 2015:

Year Ending June 30:	
2016	1,423,955
2017	1,385,482
2018	1,176,062
2019	1,101,772
2020	<u>984,099</u>
 Totals	 <u>\$ 6,071,370</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, 2015:

	Stated Interest Rate	Present Value of Remaining Payment as of June 30, 2015
DA/CS building	10.10%	\$ 188,007
Microwave/Radio equipment	3.02%	669,423
Dell Computer Equipment	4% - 7.338%	575,414
Capital Lease Solar Equipment	3.49%	10,340,000
Capital Lease New Sheriff Facility	2.44%	13,399,651
<b>Total</b>		<u>\$ 25,172,495</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
Dell Computer Equipment (2015)	303,731
Capital Lease Solar Equipment	9,204,973
Capital Lease New Sheriff Facility	13,464,959
Less: accumulated depreciation	<u>(1,167,144)</u>
<b>Total</b>	<u>\$ 25,319,458</u>

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 5: LEASES (CONTINUED)**

**Capital Leases** (continued)

As of June 30, 2015, future minimum lease payments under capital leases was as follows:

Year Ending June 30:	
2016	\$ 1,431,761
2017	1,883,570
2018	1,867,209
2019	1,672,463
2020	1,505,926
2021-2025	13,480,380
2026-2030	3,600,000
2031-2035	3,600,000
2036-2040	<u>3,480,000</u>
Total Future Minimum Lease Payments	32,521,309
Less: Interest	<u>(7,348,814)</u>
Present Value Minimum Lease Payments	<u>\$ 25,172,495</u>

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
<b>Governmental Activities</b>					
2005 Certificates of Participation	\$ 15,680,000	\$ --	\$ (1,040,000)	\$ 14,640,000	\$ 1,080,000
Capital lease obligations	1,482,356	24,108,690	(418,552)	25,172,494	1,134,170
Compensated absences	13,236,639	7,631,189	(6,151,921)	14,715,907	5,904,270
Litigation judgment	259,670	--	(25,310)	234,360	27,081
Liability for unpaid claims	<u>10,118,000</u>	<u>3,435,940</u>	<u>(2,515,940)</u>	<u>11,038,000</u>	<u>2,495,293</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 40,776,665</u>	<u>\$ 35,175,819</u>	<u>\$ (10,151,723)</u>	<u>\$ 65,800,761</u>	<u>\$ 10,640,814</u>
<b>Business-Type Activities</b>					
Improvement District 1915 Act Bonds	\$ 11,152,170	\$ 2,835,000	\$ (281,710)	\$ 13,705,460	\$ 291,530
Unamortized discount	(74,811)	--	3,117	(71,694)	--
	<u>11,077,359</u>	<u>2,835,000</u>	<u>(278,593)</u>	<u>13,633,766</u>	<u>291,530</u>
Maintenance District 08A Revenue Bonds	85,600	--	(4,400)	81,200	4,600
Loans payable	2,798,353	--	(86,101)	2,712,252	90,340
Landfill Loan Guarantees	<u>472,875</u>	<u>--</u>	<u>--</u>	<u>472,875</u>	<u>--</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 14,434,187</u>	<u>\$ 2,835,000</u>	<u>\$ (369,094)</u>	<u>\$ 16,900,093</u>	<u>\$ 386,470</u>



**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

As of June 30, 2015, annual debt service requirements of governmental and business-type activities to maturity are as follows:

Certificates of Participation			Loans Payable			Bonds Payable			Revenue Bonds			Landfill Loan		
Year Ending	Principal	Interest	Year Ending	Principal	Interest	Year Ending	Principal	Interest	Year Ending	Principal	Interest	Year Ending	Principal	Interest
June 30:			June 30:			June 30:			June 30:			June 30:		
2016	\$ 1,080,000	\$ 593,831	2016	\$ 90,339	\$ 121,010	2016	\$ 291,530	\$ 579,758	2016	\$ 4,600	\$ 4,060	2016	\$ 472,875	\$ -
2017	1,125,000	549,731	2017	94,810	116,541	2017	305,480	566,129	2017	4,800	3,830	2017	-	-
2018	1,170,000	503,831	2018	99,410	111,845	2018	280,640	553,565	2018	5,100	3,590	2018	-	-
2019	1,215,000	456,131	2019	92,583	106,944	2019	289,120	541,348	2019	5,300	3,335	2019	-	-
2020	1,265,000	406,531	2020	103,980	125,395	2020	303,320	528,653	2020	5,600	3,070	2020	-	-
2021 - 2025	7,160,000	1,167,141	2021 - 2025	397,731	449,608	2021 - 2025	1,709,940	2,406,623	2021 - 2025	32,600	10,830	2021 - 2025	-	-
2026 - 2030	1,625,000	36,563	2026 - 2030	457,970	356,700	2026 - 2030	2,086,810	1,960,825	2026 - 2030	23,200	2,445	2026 - 2030	-	-
	<u>\$ 14,640,000</u>	<u>\$ 3,713,759</u>		<u>\$ 2,712,252</u>	<u>\$ 1,738,361</u>		<u>\$ 13,705,460</u>	<u>\$ 9,745,035</u>		<u>\$ 81,200</u>	<u>\$ 31,160</u>		<u>\$ 472,875</u>	<u>\$ -</u>

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

Long-term liabilities at June 30, 2015 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, 2015</u>
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**Governmental Activities**

***Certificates of Participation***

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>\$ 14,640,000</u>
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**Business-Type Activities**

***Maintenance District 08A Revenue Bonds***

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>\$ 81,200</u>
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***Improvement District 1915 Act Bonds***

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	\$ 491,960
County Service Area 03	6/22/2005	2017	5%	\$17,000 - \$22,000	178,000	43,000
County Service Area 05	12/31/2009	2021	5%	\$4,000 - \$7,000	66,000	43,000
County Service Area 19	3/2/2009	2038	5.18%	\$55,000 - \$225,000	3,410,677	3,050,000
Improvement District 19	6/30/1978	2017	5%	\$12,000 - \$16,700	378,800	34,000
Maintenance District 22A	9/2/2004	2044	4.5%	\$121,900 - \$331,900	8,471,064	7,202,500
Maintenance District 22A	6/27/2014	2054	2%	\$45,000 to \$108,000	2,886,000	2,841,000
						<u>\$ 13,705,460</u>

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**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, 2015</u>
<b><u>Business-Type Activities</u></b> (continued)						
<b><i>Loans Payable</i></b>						
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	\$ 105,438
Maintenance District 08A - State Clean Water	10/1/1994	2020	2.965%	\$5,199 - \$6,394	114,450	30,070
Maintenance District 27 - Rural Utility Services	6/30/2000	2040	3.25%	\$3,200 - \$7,600	175,190	133,600
Maintenance District 32 - USDA Rural Dev Loan	10/24/2000	2018	5.12%	\$15,010 - \$19,320	344,445	63,814
Maintenance District 01 - Rural Utility Services	9/3/2003	2043	4.25%	\$2,700 - \$9,410	185,000	158,600
Maintenance District 22A - Rural Utility Services	3/24/2004	2041	4.5%	\$41,500 - 111,380	3,091,782	2,220,730
						<u>\$ 2,712,252</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>
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## COUNTY OF MADERA

### Notes to Basic Financial Statements For the Year Ended June 30, 2015

#### **NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

##### **Compensated Absences**

The total of the earned compensated absences and early retirement incentive as of June 30, 2015 for the Governmental Activities (including the Internal Service funds) is \$14,715,907.

The above amount includes \$11,986,467, 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 \$2,729,440 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 57.35% of capacity. The Fairmead Landfill has no estimated remaining life, and the expansion landfill has an estimated remaining life of 12 years.

The liability for landfill closure and post closure care has a balance of \$10,163,049 (\$2,490,970 for the Fairmead Landfill and \$7,672,079 for the expansion landfill). The estimated total current cost of the landfill closure and post closure care remaining to be recognized is \$5,705,775. 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, 2015, \$6,340,207 was available for closure and monitoring.

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 8: DEFICIT NET POSITION**

The Self Insurance Internal Service Fund had a deficit net position at June 30, 2015 of (\$4,206,885). 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, 2015 is as follows:

	General Fund	Road Fund	Special Revenue - Public Protection	Other Governmental Funds	Total
<b>Nonspendable</b>					
Advances	\$ 1,687,287	\$ --	\$ --	\$ --	\$ 1,687,287
Prepays and inventory	446,455	285,121	--	--	731,576
Total Nonspendable	<u>2,133,742</u>	<u>285,121</u>	<u>--</u>	<u>--</u>	<u>2,418,863</u>
<b>Committed for:</b>					
Tobacco securitization	--	--	--	321,572	321,572
Other	27,584	--	--	--	27,584
Total Committed	<u>27,584</u>	<u>--</u>	<u>--</u>	<u>321,572</u>	<u>349,156</u>
<b>Restricted for:</b>					
General government	1,413,977	--	--	866,422	2,280,399
Public protection	2,635,499	--	13,536,489	--	16,171,988
Public ways and facilities	--	16,320,112	--	14,140,496	30,460,608
Health and sanitation	32,467,519	--	--	2,144,530	34,612,049
Public assistance	6,845,809	--	--	7,677,184	14,522,993
Education	34,630	--	--	18,479	53,109
Recreation	--	--	--	78,000	78,000
Capital projects	44,264	--	--	3,481,261	3,525,525
Total Restricted	<u>43,441,698</u>	<u>16,320,112</u>	<u>13,536,489</u>	<u>28,406,372</u>	<u>101,704,671</u>
<b>Assigned to:</b>					
Capital projects	3,287,638	--	--	--	3,287,638
Total Assigned	<u>3,287,638</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,287,638</u>
Unassigned	13,826,673	--	--	(5,430)	13,821,243
Total Fund Balance	<u>\$ 62,717,335</u>	<u>\$ 16,605,233</u>	<u>\$ 13,536,489</u>	<u>\$ 28,722,514</u>	<u>\$ 121,581,571</u>

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**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.

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Road</u>
Net position at July 1, 2014, as previously reported	\$ 278,000,074	\$ 52,459,867	\$ 18,703,316
Pension liability adjustment	(135,278,615)	-	-
Record missed receivables in prior year	1,227,186	1,164,982	-
Record additional expenses in prior year	(71,593)	-	(750)
Adjust capital assets	(779,351)	-	-
Overaccrual of expenses in PY	25,170	-	-
Fund reclassification	(24,583)	(24,583)	-
Net position at July 1, 2014, as restated	<u>\$ 143,098,288</u>	<u>\$ 53,600,266</u>	<u>\$ 18,702,566</u>
	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	
Net position at July 1, 2014, as previously reported	\$ 28,268,513	\$ 5,063,475	
Pension liability adjustment	-	(569,868)	
Record missed receivables in prior year	-	62,204	
Record additional expenses in prior year	(70,843)	-	
Adjust capital assets	-	(1,322,520)	
Overaccrual of expenses in PY	-	25,170	
Net position at July 1, 2014, as restated	<u>\$ 28,197,670</u>	<u>\$ 3,258,461</u>	
	<u>Business-type Activities</u>	<u>Special Districts - Water/Sewer</u>	<u>County Landfill</u>
Net position at July 1, 2014, as previously reported	\$ 53,090,517	\$ 45,594,693	\$ 7,495,824
Record missed receivables in prior year	197,015	197,015	-
Record additional expenses in prior year	(320,054)	(320,054)	-
Eliminate deposits payable for revenue earned in prior year	3,787,550	3,787,550	-
Adjust capital assets	13,832	-	13,832
Adjust utilities receivable	306,021	306,021	-
Net position at July 1, 2014, as restated	<u>\$ 57,074,881</u>	<u>\$ 49,565,225</u>	<u>\$ 7,509,656</u>

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 10: PENSION PLANS**

**A. General Information about the Pension Plans**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the County of Madera’s (County) separate Safety (peace) and Miscellaneous (all other) Employee Pension Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Misc Plan are applied as specified by the Public Employees’ Retirement Law.

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. Pursuant to PEPRA, the Miscellaneous and Safety "Classic" plans are closed to new entrants as of January 1, 2013.

The Miscellaneous Plan’s provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% at 55 2.7% at 55	2.0% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63 50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418% 2.000% to 2.700%	1.000% to 2.500%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	21.837%	21.837%

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 10: PENSION PLANS (CONTINUED)**

**A. General Information about the Pension Plans (continued)**

The Safety Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3.0% at 55 3.0% at 50	2.7% at 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.400% to 3.000% 3.000%	2.000% to 2.700%
Required employee contribution rates	9.000%	10.000%
Required employer contribution rates	24.614%	24.614%

**Employees Covered** – At June 30, 2015, the following employees were covered by the benefit terms for each plan based on CalPERS annual valuation reports as of June 30, 2013:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	986	147
Inactive employees entitled to but not yet receiving benefits	910	93
Active employee	964	243
Total	<u>2,860</u>	<u>483</u>

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Misc Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 8,711,485	\$ 3,122,180
Contributions - employee (paid by employer)	207,159	805,666

**B. Net Pension Liability**

The County's net pension liability for the each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the each Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.



**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 10: PENSION PLANS (CONTINUED)**

**B. Net Pension Liability (continued)**

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2013 actuarial valuation were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measure Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.30% - 14.20% (1)	3.30% - 14.20% (1)
Investment Rate of Return	7.50% (2)	7.50% (2)
Mortality	Derived using CalPERS' Membership data for all Funds (3)	Derived using CalPERS' Membership data for all Funds (3)

(1) Depending on age and service.

(2) Net of pension plan investment expenses, including inflation.

(3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 10: PENSION PLANS (CONTINUED)**

**B. Net Pension Liability (continued)**

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>1</sup></u>	<u>Real Return Years 11+<sup>2</sup></u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Equity	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 10: PENSION PLANS (CONTINUED)**

**C. Changes in the Net Pension Liability**

The changes in Net Pension Liability for each plan are as follows:

<b>Plan 1: Miscellaneous</b>	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
<b>Balances at June 30, 2013 (VD)</b>	\$ 306,225,084	\$ 194,079,331	\$ 112,145,753
Changes for the year:			
Service cost	8,157,719	-	8,157,719
Interest on total pension liability	22,719,323	-	22,792,630
Benefit payments, including refunds of employee contributions	(14,759,285)	(14,759,285)	-
Contributions - employer	-	8,914,032	(8,914,032)
Contributions - employee	-	3,389,966	(3,389,966)
Net investment income	-	33,572,837	(33,572,837)
Net changes	16,117,757	31,117,550	(14,926,486)
<b>Balances at June 30, 2014 (MD) - For 6/30/15 Reporting</b>	<u>\$ 322,342,841</u>	<u>\$ 225,196,881</u>	<u>\$ 97,219,267</u>

<b>Plan 2: Safety</b>	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balances at June 30, 2013 (VD)	\$ 99,583,830	\$ 63,604,477	\$ 35,979,353
Changes for the year:			
Service cost	3,267,969	-	3,267,969
Interest on total pension liability	7,438,687	-	7,438,687
Benefit payments, including refunds of employee contributions	(4,070,640)	(4,070,640)	-
Contributions - employer	-	3,121,564	(3,121,564)
Contributions - employee	-	1,130,044	(1,130,044)
Net investment income	-	11,160,703	(11,160,703)
Net changes	6,636,016	11,341,671	(4,705,655)
<b>Balances at June 30, 2014 (MD) - For 6/30/15 Reporting</b>	<u>\$ 106,219,846</u>	<u>\$ 74,946,148</u>	<u>\$ 31,273,698</u>

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 10: PENSION PLANS (CONTINUED)**

**C. Changes in the Net Pension Liability (continued)**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the County for each Plan, calculated using the discount rate for each Plan, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.5%	6.5%
Net Pension Liability	\$ 138,996,011	\$ 46,470,613
Current Discount Rate	7.5%	7.5%
Net Pension Liability	\$ 97,219,267	\$ 31,273,698
1% Increase	8.5%	8.5%
Net Pension Liability	\$ 62,433,097	\$ 18,774,664

**D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension**

For the year ended June 30, 2015, the County recognized pension expense of \$12,797,687. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 13,809,286	\$ -
Net differences between actual and allocated employer contributions	521	(75,749)
Net differences between projected and actual earnings on plan investments	-	(20,467,539)
Total	<u>\$ 13,809,807</u>	<u>\$ (20,543,288)</u>

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 10: PENSION PLANS (CONTINUED)**

**\$D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension (continued)**

\$13,809,286 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflow s/(Inflow s) of Resources
2016	\$ (5,151,220)
2017	(5,151,220)
2018	(5,123,444)
2019	(5,116,882)
Thereafter	-

**E. Payable to the Pension Plan**

At June 30, 2015, the County reported a payable of \$1,699,323 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**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 2014 basic health plan, the County's monthly contribution per eligible pre-Medicare retiree is \$426.65, \$651.20, and \$785.93 for 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, 2015:

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

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

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

**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 2014-15, the County paid \$2,471,535 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 Obligation</u>
June 30, 2013	63,694,066	15,865,000	2,548,000	(5,984,000)	(2,377,118)	73,786,066
June 30, 2014	73,785,948	12,915,000	2,951,000	(6,166,000)	(2,459,000)	81,028,001
June 30, 2015	81,028,001	14,000,000	3,421,000	(7,031,000)	(2,530,000)	88,708,001

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012-13, 2013-14, and 2014-15 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	12,429,000	18.8%	73,785,948
June 30, 2014	9,701,000	25.3%	81,028,001
June 30, 2015	10,210,000	24.8%	88,708,001

**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.

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

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

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

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.

**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 \$18,000 annually for deferral. For those over the age of 50, an additional \$6,000 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, 2015, 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.

**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**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.

**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.



**COUNTY OF MADERA**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2015

**NOTE 14: RISK MANAGEMENT (CONTINUED)**

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>
<b>Workers' Compensation</b>	
First level	\$ 125,000 to \$ 5,000,000
Second level	\$ 5,000,000 to \$ 50,000,000
Third level	\$ 50,000,000 to Statutory Limit
<b>General Public Liability</b>	\$ 100,000 to \$25,000,000

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

	<u>2015</u>	<u>2014</u>
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	\$ 10,118,000	\$ 9,868,000
Incurred claims and claim adjustment expenses	3,435,940	2,738,128
Claim payments	<u>(2,515,940)</u>	<u>(2,488,128)</u>
Unpaid claims and claim adjustment expenses, end of the fiscal year	<u>\$ 11,038,000</u>	<u>\$ 10,118,000</u>

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

<u>Type</u>	<u>Total Actuarially Determined Liability</u>
Workers' Compensation	\$ 9,957,000
General Public Liability	<u>1,081,000</u>
 Total	 <u>\$ 11,038,000</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.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**COUNTY OF MADERA**

Required Supplementary Information  
For the Year Ended June 30, 2015

**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, 2015, expenditures exceeded appropriations in the following functions of the respective funds:

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

**COUNTY OF MADERA**

Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 41,357,731	\$ 41,701,440	\$ 44,508,838	\$ 2,807,398
Licenses and permits	3,908,495	3,953,495	4,461,017	507,522
Fines, forfeitures and penalties	3,621,850	3,621,850	1,410,961	(2,210,889)
Use of money and property	123,650	123,650	206,239	82,589
Aid from other governments	90,162,826	92,349,850	92,398,223	48,373
Charges for services	10,597,176	10,650,226	11,599,986	949,760
Other revenues	1,692,843	2,394,029	1,230,916	(1,163,113)
<b>Total Revenues</b>	<b>151,464,571</b>	<b>154,794,540</b>	<b>155,816,180</b>	<b>1,021,640</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	17,791,669	19,552,096	22,870,939	(3,318,843)
Public protection	46,281,992	49,108,129	58,496,551	(9,388,422)
Health and sanitation	23,725,161	23,962,558	26,167,566	(2,205,008)
Public assistance	56,846,126	57,800,696	57,219,173	581,523
Education	887,198	957,748	1,208,367	(250,619)
Capital outlay	915,068	2,331,795	14,693,417	(12,361,622)
Debt service	1,828,959	1,882,957	2,084,148	(201,191)
<b>Total Expenditures</b>	<b>148,276,173</b>	<b>155,595,980</b>	<b>182,740,161</b>	<b>(27,144,181)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,188,398</u>	<u>(801,439)</u>	<u>(26,923,981)</u>	<u>(26,122,542)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	16,918,486	18,155,548	15,860,255	(2,295,293)
Transfers out	--	(999,447)	(10,239,813)	(9,240,366)
Capital leases	--	--	24,108,690	24,108,690
Proceeds from sale of capital assets	(7,000)	(550,800)	584,146	1,134,946
<b>Total Other Financing Sources (Uses)</b>	<b>16,911,486</b>	<b>16,605,301</b>	<b>30,313,278</b>	<b>13,707,978</b>
<b>Net Change in Fund Balances</b>	<b>20,099,884</b>	<b>15,803,861</b>	<b>3,389,297</b>	<b>(12,414,564)</b>
<b>Budgetary Fund Balances - Beginning of Year, Restated</b>	<b>2,892,608</b>	<b>2,892,608</b>	<b>2,892,608</b>	<b>--</b>
<b>Budgetary Fund Balances - End of Year</b>	<b>\$ 22,992,492</b>	<b>\$ 18,696,469</b>	<b>\$ 6,281,905</b>	<b>\$ (12,414,564)</b>

**COUNTY OF MADERA**

Budgetary Comparison Schedule (continued)  
 General Fund  
 For the Year Ended June 30, 2015

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>\$155,816,180</u>	<u>\$ 6,767,410</u>	<u>\$ 162,583,590</u>
Total expenditures	<u>182,740,161</u>	<u>660,234</u>	<u>183,400,395</u>
Revenues over (under) expenditures	(26,923,981)	6,107,176	(20,816,805)
Total other financing sources (uses)	<u>30,313,278</u>	<u>(379,404)</u>	<u>29,933,874</u>
Net change in fund balance	3,389,297	5,727,772	9,117,069
Beginning of year, Restated	<u>2,892,608</u>	<u>50,707,658</u>	<u>53,600,266</u>
End of year	<u><u>\$ 6,281,905</u></u>	<u><u>\$ 56,435,430</u></u>	<u><u>\$ 62,717,335</u></u>

**COUNTY OF MADERA**

Budgetary Comparison Schedule  
Road Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 1,599,071	\$ 1,599,071	\$ 4,439,074	\$ 2,840,003
Licenses and permits	--	--	143,741	143,741
Use of money and property	22,500	22,500	104,228	81,728
Aid from other governments	13,683,820	13,683,820	7,302,341	(6,381,479)
Charges for services	1,095,000	1,095,000	3,640,484	2,545,484
Other revenues	17,000	17,000	8,234	(8,766)
Total Revenues	<u>16,417,391</u>	<u>16,417,391</u>	<u>15,638,102</u>	<u>(779,289)</u>
Expenditures:				
Current:				
Public way and facilities	21,149,002	22,445,802	12,500,391	9,945,411
Capital outlay	<u>3,566,276</u>	<u>4,208,476</u>	<u>5,235,044</u>	<u>(1,026,568)</u>
Total Expenditures	<u>24,715,278</u>	<u>26,654,278</u>	<u>17,735,435</u>	<u>8,918,843</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,297,887)</u>	<u>(10,236,887)</u>	<u>(2,097,333)</u>	<u>8,139,554</u>
Other Financing Sources (Uses):				
Transfers out	<u>(920,468)</u>	<u>(920,468)</u>	--	920,468
Total Other Financing Sources (Uses)	<u>(920,468)</u>	<u>(920,468)</u>	<u>--</u>	<u>920,468</u>
Net Change in Fund Balances	(9,218,355)	(11,157,355)	(2,097,333)	9,060,022
Fund Balances - Beginning of Year, Restated	<u>18,702,566</u>	<u>18,702,566</u>	<u>18,702,566</u>	--
Fund Balances - End of Year	<u>\$ 9,484,211</u>	<u>\$ 7,545,211</u>	<u>\$ 16,605,233</u>	<u>\$ 9,060,022</u>



**COUNTY OF MADERA**

Budgetary Comparison Schedule  
Housing and Community Development Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ 510	\$ 510	\$ 4,199	\$ 3,689
Aid from other governments	--	963,268	1,154,091	190,823
Total Revenues	<u>510</u>	<u>963,778</u>	<u>1,158,290</u>	<u>194,512</u>
Expenditures:				
Current:				
Public assistance	--	956,268	817,312	138,956
Total Expenditures	<u>--</u>	<u>956,268</u>	<u>817,312</u>	<u>138,956</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>510</u>	<u>7,510</u>	<u>340,978</u>	<u>333,468</u>
Net Change in Fund Balances	510	7,510	340,978	333,468
Fund Balances - Beginning of Year, Restated	<u>5,707,189</u>	<u>5,707,189</u>	<u>5,707,189</u>	<u>--</u>
Fund Balances - End of Year	<u>\$ 5,707,699</u>	<u>\$ 5,714,699</u>	<u>\$ 6,048,167</u>	<u>\$ 333,468</u>

**COUNTY OF MADERA**

Budgetary Comparison Schedule  
Public Protection Programs Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 162,640	\$ 162,640	\$ 171,572	\$ 8,932
Fines, forfeitures and penalties	353,700	353,700	381,394	27,694
Use of money and property	14,456	14,456	29,218	14,762
Aid from other governments	11,150,122	11,276,372	11,129,265	(147,107)
Charges for services	412,500	412,500	445,818	33,318
Other revenues	490,000	490,000	2,306	(487,694)
Total Revenues	<u>12,583,418</u>	<u>12,709,668</u>	<u>12,159,573</u>	<u>(550,095)</u>
Expenditures:				
Current:				
Public protection	5,980,220	6,574,115	4,593,577	1,980,538
Capital outlay	95,000	399,820	271,471	128,349
Total Expenditures	<u>6,075,220</u>	<u>6,973,935</u>	<u>4,865,048</u>	<u>2,108,887</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,508,198</u>	<u>5,735,733</u>	<u>7,294,525</u>	<u>1,558,792</u>
Other Financing Sources (Uses):				
Transfers out	<u>(7,104,518)</u>	<u>(8,070,354)</u>	<u>(7,429,947)</u>	<u>640,407</u>
Total Other Financing Sources (Uses)	<u>(7,104,518)</u>	<u>(8,070,354)</u>	<u>(7,429,947)</u>	<u>640,407</u>
Net Change in Fund Balances	(596,320)	(2,334,621)	(135,422)	2,199,199
Fund Balances - Beginning of Year	<u>13,671,911</u>	<u>13,671,911</u>	<u>13,671,911</u>	<u>--</u>
Fund Balances - End of Year	<u>\$ 13,075,591</u>	<u>\$ 11,337,290</u>	<u>\$ 13,536,489</u>	<u>\$ 2,199,199</u>

**COUNTY OF MADERA**

Required Supplementary Information  
For the Year Ended June 30, 2015

**2. SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Last 10 Fiscal Years*	Miscellaneous Plan 6/30/2015	Safety Plan 6/30/2015
<b>Total Pension Liability</b>		
Service Cost	\$ 8,157,719	\$ 3,267,969
Interest on total pension liability	22,719,323	7,438,687
Difference between expected and actual experience	-	-
Change in assumptions	-	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(14,759,285)	(4,070,640)
<b>Net change in total pension liability</b>	16,117,757	6,636,016
<b>Total pension liability - beginning</b>	306,225,084	99,583,830
<b>Total pension liability - ending</b>	\$ 322,342,841	\$ 106,219,846
 <b>Plan fiduciary net position</b>		
Contributions- employer	\$ 8,914,032	\$ 3,121,564
Contributions- employee	3,389,966	1,130,044
Net investment income	33,572,837	11,160,703
Benefit payments	(14,759,285)	(4,070,640)
<b>Net change in plan fiduciary net position</b>	31,117,550	11,341,671
<b>Plan fiduciary net position - beginning</b>	194,079,331	63,604,477
<b>Plan fiduciary net position - ending</b>	\$ 225,196,882	\$ 74,946,148
 Net pension liability - ending	\$ 97,145,959	\$ 31,273,698
 Plan fiduciary net percentage as a percentage of the total pension liability	69.86%	70.56%
 Covered - employee payroll	\$ 48,955,277	\$ 13,528,043
 Net pension liability as a percentage of covered-employee payroll	198.44%	231.18%

**Notes to Schedule;**

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service

Change in assumptions: There were no changes in assumptions.

\*Fiscal year 2015 was the 1st year of implementation. Additional years will be presented as they become available.

**COUNTY OF MADERA**

Required Supplementary Information  
For the Year Ended June 30, 2015

**3. SCHEDULE OF CONTRIBUTIONS**

Last 10 Fiscal Years*	Miscellaneous 6/30/2015	Safety 6/30/2015
Actuarially determined contribution	\$ 8,914,032	\$ 3,121,564
Contributions related to the actuarially determined contribution	8,914,032	3,121,564
Contribution deficiency (excess)	\$ -	\$ -
County's covered-employee payroll	\$ 48,955,277	\$ 13,528,043
Contributions as a percentage of covered-employee payroll	18.21%	23.07%

\*Fiscal year 2015 was the 1st year of implementation. Additional years will be presented as they become available.

**Notes to schedule**

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years as of valuation date      21 years as of valuation date
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.30% - 14.20% Depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**COUNTY OF MADERA**

Required Supplementary Information  
For the Year Ended June 30, 2015

**4. OTHER POST EMPLOYMENT BENEFITS**

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (B)</u>	<u>Unfunded AAL (UAAL) (A-B)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a % of Covered Payroll [(B-A)/C]</u>
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%