

**COUNTY OF INYO**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2015**

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COUNTY OF INYO

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Inyo (County), California, 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 First 5 Inyo County which represents 100 percent of the assets, liabilities, and revenues of the discretely presented component unit. These financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion as it relates to the amounts included for the First 5 Inyo County 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.

The Honorable Board of Supervisors and the Grand Jury  
County of Inyo

## **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 discretely presented component unit, 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 Standards*

As disclosed in the Notes to the Financial Statements, effective as of July 1, 2014, the County adopted the provisions of Governmental Accounting Standards Board (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*. 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, schedule of changes in the net pension liability and related ratios and schedule of contributions, schedule of funding progress – other postemployment benefits, and budgetary comparison information, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements (supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Board of Supervisors and the Grand Jury  
County of Inyo

**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 the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California  
March 29, 2016

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)**

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## COUNTY OF INYO

### Management's Discussion and Analysis (MD & A) June 30, 2015

As management of the County of Inyo we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here along with the information presented in the County's basic financial statements, which follows this section.

#### FINANCIAL HIGHLIGHTS

In Fiscal Year 2014-2015 the County implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 revises and establishes accounting and financial reporting requirements for state and local governments that provide their employees with pension benefits. GASB Statement No. 68 requires the County to recognize its long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual cost of pension benefits. Accordingly, the County has recognized an obligation of \$39,536,924 for long-term pension benefits.

#### Government-wide financial analysis

The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources as the close of the most recent fiscal year by \$30,508,116 (*net position*). The majority of this amount, \$53,417,675 is the net investment in capital assets, while \$11,452,064 is restricted for specific purposes (*restricted net position*). *Unrestricted net position* indicates the portion of net position which may be used to meet the County's ongoing obligations to citizens and creditors; however, the recording of the County's pension liability in accordance with GASB Statement No. 68 created a negative unrestricted net position of \$(34,361,623).

#### Fund financial analysis

Total fund balances for the County's governmental funds amounted to \$39,616,622 as of June 30, 2015, an increase of \$5,133,092 from the prior fiscal year.

Spendable fund balance in the General Fund, at year end was \$27.1 million, or 53.7% of its total expenditures for the year.

#### Capital asset and long-term liabilities

The County's investment in capital assets has increased by \$1,034,824 from \$54,481,390 to \$55,516,214. These balances consisted of \$46,883,384 for the governmental activities and \$8,632,830 for the business-type activities.

The County's outstanding long term liabilities have increased by \$41,821,807. The significant increase in the County's long term liabilities is primarily due to the recording of the County's pension liability, per the requirements of GASB Statement No. 68. Additional increases are due to an increase of \$2 million in other post-employee benefit (OPEB) liability resulting from a prior GASB Statement No. 45.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements include the following three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

## COUNTY OF INYO

### Management's Discussion and Analysis (MD & A) June 30, 2015

This report also contains other supplementary information in addition to the basic financial statements.

#### **Government-wide Financial Statements**

The *Statement of Net Position* presents information on all of the County's 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 financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned, but unused vacation leave, long-term debt and grant funds expended but not received as of fiscal year end).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation. The business-type activities of the County include the Airports, Solid Waste, County Service Area #2, Water Systems, and Mosquito Abatement.

The government-wide financial statements can be found on pages 15-17 of this report.

#### **Fund financial statements.**

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

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

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

The County maintains several 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 and Grant Programs, all of which are

## COUNTY OF INYO

### Management's Discussion and Analysis (MD & A) June 30, 2015

considered to be major funds. Data from other governmental funds are combined into a single, aggregate presentation under the Other Governmental heading. Individual data for the other governmental funds can be found in Other Supplementary Information on pages 71-78.

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

The basic governmental fund financial statements can be found on pages 19-22 of this report.

**Proprietary funds:** The County maintains two different types of proprietary funds.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Airports, Solid Waste, County Service Area #2, Water Systems, and Mosquito Abatement.

*Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for Motor Pool, Purchasing Revolving, Workers Compensation, County Liability, and Medical Malpractice Insurance. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airports and Solid Waste and combine all other enterprise funds under the Non-major Enterprise heading. Conversely, all internal service funds are combined into a single aggregate presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

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

The fiduciary fund financial statements can be found on pages 27-28 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-62 of this report.

**Other information** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparison schedules for the General Fund and all major special revenue funds as well as the schedules of funding progress for the retirement programs. Required Supplementary Information can be found on pages 63-70 of this report.

**COUNTY OF INYO**

Management's Discussion and Analysis (MD & A)  
June 30, 2015

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. In the case of the County of Inyo, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,508,116 at June 30, 2015.

Condensed Statement of Net Position							
	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2014	2015	2014	2015	2014	
<b>Assets:</b>							
Current and other assets	\$ 54,089,609	\$ 53,113,886	\$ 4,255,571	\$ 3,508,544	\$ 58,345,180	\$ 56,622,430	3.04%
Capital assets	46,883,384	47,851,438	8,632,830	6,629,953	55,516,214	54,481,391	1.90%
Total assets	100,972,993	100,965,324	12,888,401	10,138,497	113,861,394	111,103,821	2.48%
<b>Deferred outflows:</b>	6,091,975	--	200,634	--	6,292,609	--	100%
<b>Liabilities:</b>							
Current and other liabilities	11,737,242	11,369,034	387,458	341,534	12,124,700	11,710,568	3.54%
Long-term liabilities	59,612,928	19,712,410	7,517,759	5,372,135	67,130,687	25,084,545	167.62%
Total liabilities	71,350,170	31,081,444	7,905,217	5,713,669	79,255,387	36,795,113	115.40%
<b>Deferred inflows:</b>	10,082,271	--	308,229	--	10,390,500	--	100%
<b>Net Position:</b>							
Net investment in capital assets	45,607,610	46,470,020	7,810,065	6,579,870	53,417,675	53,049,890	0.69%
Restricted	11,452,064	10,093,964	--	--	11,452,064	10,093,964	13.45%
Unrestricted	(31,427,147)	13,319,896	(2,934,476)	(2,155,042)	(34,361,623)	11,164,854	-407.77%
Total net position	\$ 25,632,527	\$ 69,883,880	\$ 4,875,589	\$ 4,424,828	\$ 30,508,116	\$ 74,308,708	-58.94%

Unrestricted net position indicates the portion of net position which may be used to meet the County's ongoing obligations to citizens and creditors. The recording of the County's pension liability, per the requirements of GASB Statement No. 68, caused the County's unrestricted net position to turn negative indicating that the majority of the County's net position is invested in capital assets or otherwise restricted for use. In the prior year's approximately 19%, or \$13 million, of the County's net position was unrestricted.

The most significant portion of the County's net position, \$53,417,675, or 175%, of total net position, reflects its net investment in capital assets (e.g. land, structures and improvements, infrastructure, and equipment), less any outstanding 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**COUNTY OF INYO**

Management's Discussion and Analysis (MD & A)  
June 30, 2015

**Analysis of Net Position**

At the end of the fiscal year, the County is able to report positive balances in total net position of both governmental-type and business-type net position. The following table indicates the changes in net position for governmental and business-type activities.

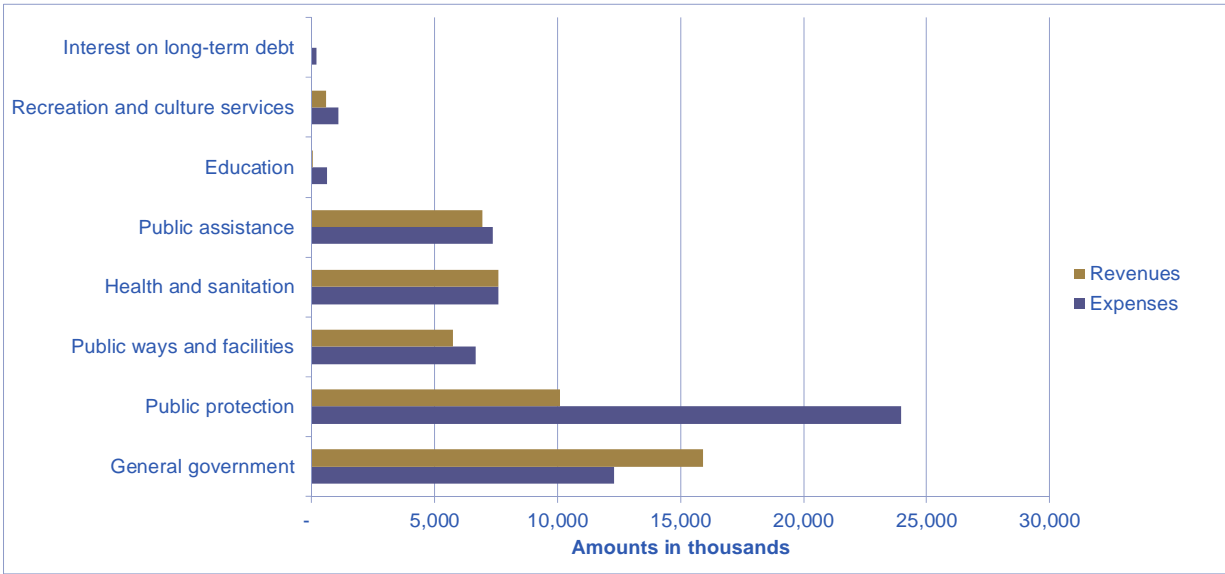
Condensed Statement of Changes in Net Position							
	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2014	2015	2014	2015	2014	
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 9,107,791	\$ 8,561,679	\$ 3,270,652	\$ 2,979,857	\$ 12,378,443	\$ 11,541,536	7.25%
Operating grants and contributions	37,482,636	36,995,434	518,208	303,061	38,000,844	37,298,495	1.88%
Capital grants and contributions	300,004	2,216,966	1,204,094	636,238	1,504,098	2,853,204	-47.28%
General revenues:							
Property taxes	12,070,842	10,971,730	--	--	12,070,842	10,971,730	10.02%
Sales and use taxes	1,157,585	2,028,768	1,506,129	1,211,139	2,663,714	3,239,907	-17.78%
Other taxes	3,667,596	3,313,934	--	--	3,667,596	3,313,934	10.67%
Interest and investment earnings	563,811	179,381	4,824	2,340	568,635	181,721	212.92%
Other revenue	5,565	3,074	399,350	334,292	404,915	337,366	20.02%
Total revenues	64,355,830	64,270,966	6,903,257	5,466,927	71,259,087	69,737,893	2.18%
<b>Expenses:</b>							
General government	12,290,486	12,786,985	--	--	12,290,486	12,786,985	-3.88%
Public protection	23,946,594	25,351,181	--	--	23,946,594	25,351,181	-5.54%
Public ways and facilities	6,652,889	9,872,075	--	--	6,652,889	9,872,075	-32.61%
Health and sanitation	7,581,253	8,093,288	--	--	7,581,253	8,093,288	-6.33%
Public assistance	7,346,718	7,785,607	--	--	7,346,718	7,785,607	-5.64%
Education	609,993	649,042	--	--	609,993	649,042	-6.02%
Recreation and culture services	1,095,710	1,041,721	--	--	1,095,710	1,041,721	5.18%
Interest on long-term debt	188,677	191,466	--	--	188,677	191,466	-1.46%
Airport	--	--	1,924,241	2,039,609	1,924,241	2,039,609	-5.66%
Solid Waste	--	--	2,354,566	2,502,341	2,354,566	2,502,341	-5.91%
Water System	--	--	425,920	432,763	425,920	432,763	-1.58%
CSA #2	--	--	59,420	74,040	59,420	74,040	-19.75%
Mosquito Abatement	--	--	552,384	506,505	552,384	506,505	9.06%
Total Expenses	59,712,320	65,771,365	5,316,531	5,555,258	65,028,851	71,326,623	-8.83%
Change in net position before transfers	4,643,510	(1,500,399)	1,586,726	(88,331)	6,230,236	(1,588,730)	-492.15%
Transfers	(286,058)	(353,046)	286,058	353,046	--	--	
Change in net position	4,357,452	(1,853,445)	1,872,784	264,715	6,230,236	(1,588,730)	-492.15%
Net positing, beginning	69,883,880	71,737,325	4,424,828	4,160,113	74,308,708	75,897,438	-2.09%
Prior period adjustment	(48,608,805)	--	(1,422,023)	--	(50,030,828)	--	100.00%
Net positing, beginning restated	21,275,075	71,737,325	3,002,805	4,160,113	24,277,880	75,897,438	-68.01%
Net position, ending	\$ 25,632,527	\$ 69,883,880	\$ 4,875,589	\$ 4,424,828	\$ 30,508,116	\$ 74,308,708	-58.94%

**COUNTY OF INYO**

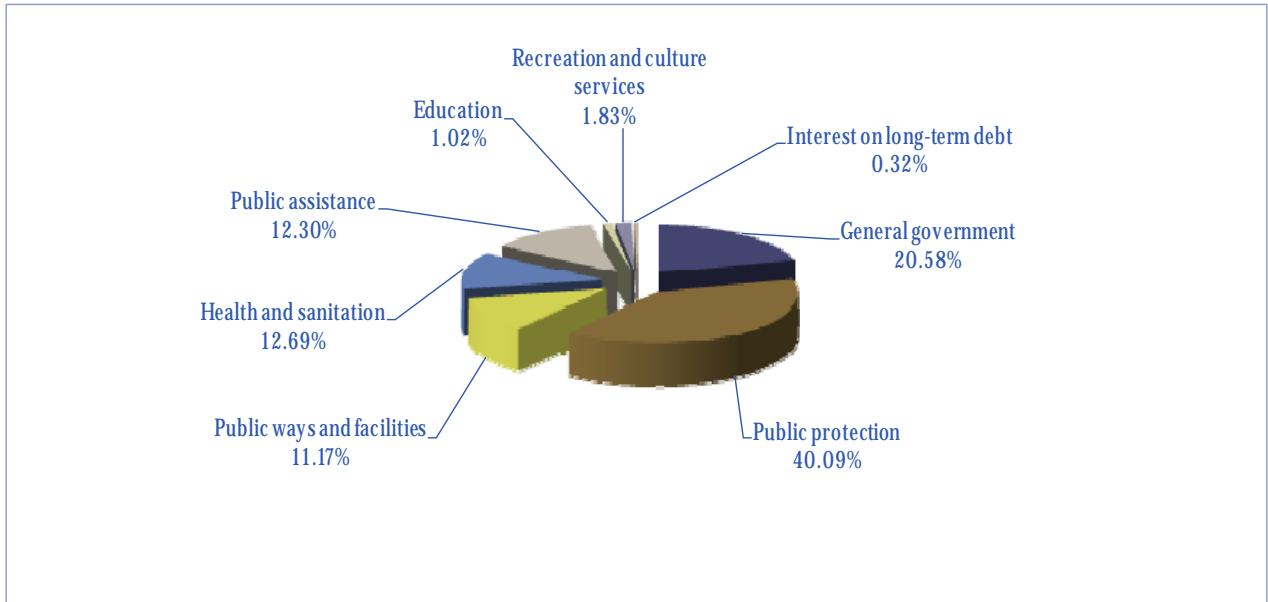
Management's Discussion and Analysis (MD & A)  
June 30, 2015

**Governmental activities** experienced an increase in net change in position of nearly \$4.3 million in part due to increases in fees, fines, and charges for services revenue of \$540,000, increases in operating grants and contributions of \$500,000, increases in general revenue of \$1 million and decreases in expenses of \$2 million.

**Governmental Activities  
Revenue and Expenses by Function**



**Governmental Activities  
Percent of Revenue by Function**





**COUNTY OF INYO**

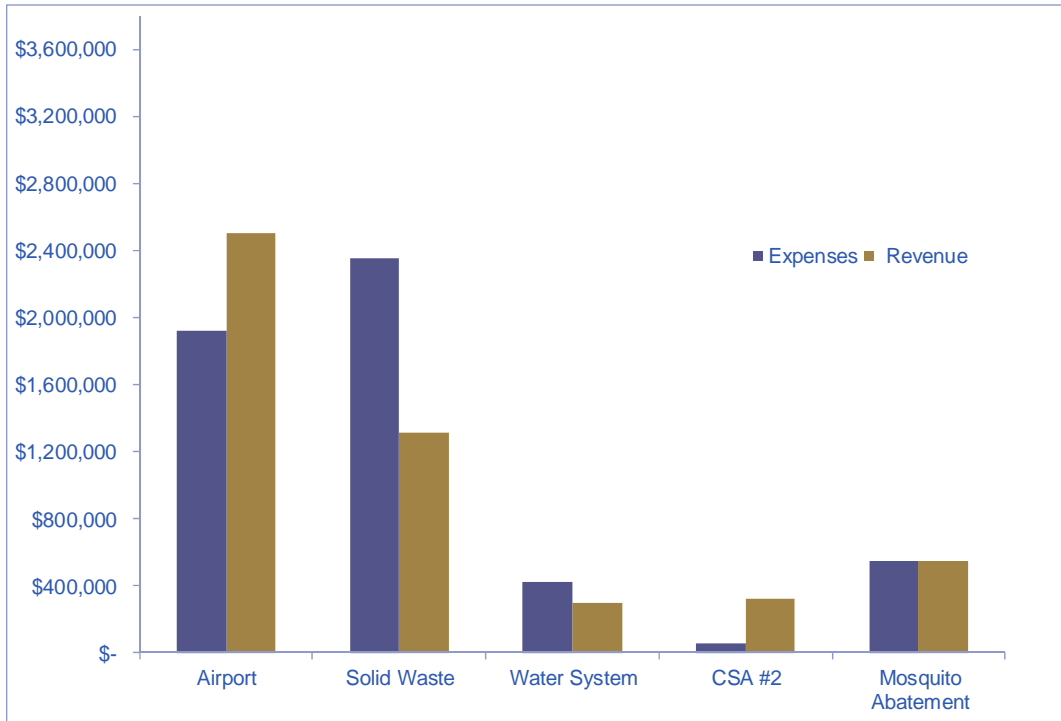
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Some of the more relevant sections of the chart are highlighted below.

- Operating Grants and Contributions comprise the largest portion of the County’s revenue, which indicates a high reliance on state and federal funding to maintain many core programs.
- Charges for services are also a fairly large component of the County’s budget and can be used as indicator to see how well the County is recovering many of its program costs that are not mandated.
- Combined taxes continue to generate a large portion of the County’s discretionary revenues that are used to fund critical programs.
- Governmental activities expenses total \$59,712,320, with public protection expenses of \$23,946,594 being one of the largest components. This is an indication of the County’s operating philosophy that the safety and welfare of the County’s citizens and residents is very important.

**Business-type activities** expenses and program revenue are shown on the following charts.

**Business-Type Activities  
Revenue and Expenses by Activity**

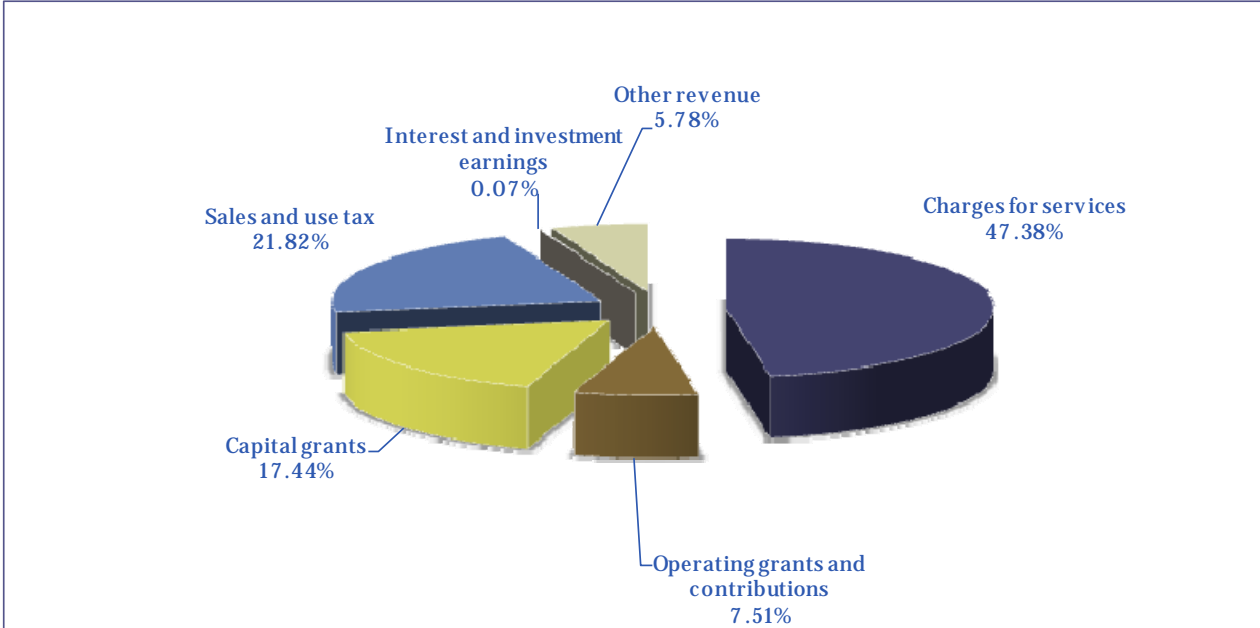


Total program revenue for business-type activities was \$4,992,954 and charges for services accounted for \$3,270,652 of the total.

COUNTY OF INYO

Management's Discussion and Analysis (MD & A)  
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**Business-Type Activities  
Percent of Revenue by Type**



Operating grants and contributions, other taxes and charges for services provide the largest direct revenue sources for the business-type activities. Operating grants represent State and Federal funding for the airports and transit projects. Other taxes reflect the ½% Transaction Use Tax (approved by the voters in October of 1988) that is used to fund the solid waste program.

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

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

**Governmental funds:** The Governmental Funds are accounted for in the General Fund, Road Fund, Grant Programs and Other Governmental funds. The functional areas encompassed by these funds are identified in page 21 of the report. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- **Fund Balance:** At June 30, 2015, the County's governmental funds reported combined ending fund balances of \$39,616,622. Fund balance by definition is simply the difference between the assets and liabilities of a governmental fund. Because governmental funds report only *financial* assets and certain *near-term* liabilities, it may be tempting to view total fund balance as a measure of expendable available financial resources. However, not all of the financial resources of the fund may be available to liquidate liabilities of the current period. A long-term receivable, for instance, cannot be used to liquidate a liability that is currently due and payable. Consequently, fund balance in total is not a good measure of expendable available financial resources in a governmental fund.

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Management's Discussion and Analysis (MD & A)  
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**Proprietary funds:** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All proprietary funds, except Solid Waste, had positive net asset balances on June 30, 2015. The Statement of Revenues, Expenses and Changes in Fund Net Position for Proprietary Funds can be found on page 24 of this report.

**BUDGETARY HIGHLIGHTS FOR GENERAL FUND**

Differences between the original budget and the final amended budget can be attributed to an increase in fixed costs, as well as departments recognizing new revenues and appropriating associated expenditures.

**CAPITAL ASSETS**

**Capital Assets:** The County's investment in capital assets for its governmental and business type activities as of June 30, 2015, amount to \$55,516,214 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, park facilities, roads, highways, and bridges. Additional information on the County's capital assets can be found in Note 4 on pages 44-45 of this report.

**LONG-TERM LIABILITIES**

The following table depicts the County's long-term obligations for the governmental activities and business-type activities for the past two years. Additional information on long-term liabilities can be found in Notes 6-8 on pages 45-49 and Note 10-12 on pages 50-61.

Long term Liabilities						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital leases payable	\$ --	\$ --	\$ 822,765	\$ 50,083	\$ 822,765	\$ 50,083
Loans payable		389,364	--	--	-	389,364
Compensated absences	1,438,378	1,423,990	67,055	62,553	1,505,433	1,486,543
Claims liability	348,000	415,000	--	--	348,000	415,000
Closure-post closure liability	--	--	5,408,131	5,259,499	5,408,131	5,259,499
Loans payable	5,222,774	5,029,054	--	--	5,222,774	5,029,054
Other post employment benefits	14,286,660	12,455,000	--	--	14,286,660	12,455,000
Net pension liability	38,317,116	--	1,219,808	--	39,536,924	--
Total	\$ 59,612,928	\$ 19,712,408	\$ 7,517,759	\$ 5,372,135	\$ 67,130,687	\$ 25,084,543

## COUNTY OF INYO

Management's Discussion and Analysis (MD & A)  
June 30, 2015

### **Economic Factors and Next Year's Budget**

- ❑ The County's 2015-2016 budget benefited an estimated increased in revenue of \$1.7 million. This increase in revenue is primarily attributed to increases in property taxes and transient occupancy tax (TOT).
- ❑ Although the 2015-2016 County budget seems to be looking up with increased revenue, expenditures are still growing at a faster rate. The fiscal year 2015-2016 recommended general fund budget totals \$53,864,158 in expenditures and \$50,334,369 in revenues. General fund expenditures represent an increase of \$2,149,014 or 4.2% over the prior fiscal year.
- ❑ The County anticipates continuing to make a modest contribution to the OPEB trust in an effort to pre-fund the retiree health benefits and reduce the County's liability.
- ❑ The County plans to continue funding critical technology infrastructure needs including replacing the obsolete property tax software system and implementation of the Tech Refresh program that insures the County stays on top of computer and software replacement and upgrade needs.

Of course, as economic factors continue to change the County will remain vigilant and conservative.

### **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Inyo County Auditor-Controller, at P.O. Drawer R, Independence, CA 93526 or the Inyo County Administrator, at P.O. Drawer N, Independence, CA 93526.

**BASIC FINANCIAL STATEMENTS –  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**COUNTY OF INYO**

Statement of Net Position  
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	First 5 Inyo
<b>Assets</b>				
Cash and investments	\$ 47,247,444	\$ 3,844,592	\$ 51,092,036	\$ 707,494
Imprest cash	2,845	915	3,760	--
Cash with fiscal agent	106,683	--	106,683	--
Internal balances	1,199,000	(1,199,000)	--	--
Due from external parties	1,827,388	--	1,827,388	--
Accounts receivable	1,582,998	532,625	2,115,623	--
Interest receivable	53,743	2,725	56,468	646
Prepaid expenses	40,621	--	40,621	542
Deposits with others	41,700	--	41,700	--
Notes receivable	780,000	--	780,000	--
Inventories	348,749	33,471	382,220	--
Due from other governmental agencies	858,438	1,040,243	1,898,681	79,397
Capital assets:				
Nondepreciable	14,754,497	3,207,675	17,962,172	--
Depreciable, net	32,128,887	5,425,155	37,554,042	--
Total assets	<u>100,972,993</u>	<u>12,888,401</u>	<u>113,861,394</u>	<u>788,079</u>
<b>Deferred outflows of resources</b>				
Deferred pensions	<u>6,091,975</u>	<u>200,634</u>	<u>6,292,609</u>	<u>--</u>
<b>Liabilities</b>				
Accounts payable	1,524,332	323,842	1,848,174	7,317
Accrued salaries and benefits	1,830,646	48,327	1,878,973	3,464
Unearned revenue	8,374,210	15,000	8,389,210	--
Interest payable	8,054	289	8,343	--
Long-term liabilities:				
Portion due or payable within one year:				
Compensated absences	1,438,378	67,055	1,505,433	4,483
Claims liability	100,000	--	100,000	--
Loan payable	215,553	--	215,553	--
Capital leases	--	157,564	157,564	--
Portion due or payable after one year:				
Compensated absences	--	--	--	4,482
Claims liability	248,000	--	248,000	--
Loan payable	5,007,221	--	5,007,221	--
Capital leases	--	665,201	665,201	--
Closure/post closure liability	--	5,408,131	5,408,131	--
Other post-employment benefit liability	14,286,660	--	14,286,660	--
Net pension liability	<u>38,317,116</u>	<u>1,219,808</u>	<u>39,536,924</u>	<u>--</u>
Total liabilities	<u>71,350,170</u>	<u>7,905,217</u>	<u>79,255,387</u>	<u>19,746</u>
<b>Deferred inflows of resources</b>				
Deferred pensions	<u>10,082,271</u>	<u>308,229</u>	<u>10,390,500</u>	<u>--</u>
<b>Net Position</b>				
Net investment in capital assets	45,607,610	7,810,065	53,417,675	--
Restricted for public ways programs	6,420,666	--	6,420,666	--
Restricted for other purposes	5,031,398	--	5,031,398	768,333
Unrestricted	(31,427,147)	(2,934,476)	(34,361,623)	--
Total net position	<u>\$ 25,632,527</u>	<u>\$ 4,875,589</u>	<u>\$ 30,508,116</u>	<u>\$ 768,333</u>

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

**COUNTY OF INYO**

For the Year Ended June 30, 2015  
Statement of Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 12,290,486	\$ 5,452,655	\$ 10,463,670	\$ --
Public protection	23,946,594	1,637,661	8,467,222	--
Public ways and facilities	6,652,889	267,430	5,174,730	300,004
Health and sanitation	7,581,253	1,213,005	6,366,740	--
Public assistance	7,346,718	167,917	6,758,798	--
Education	609,993	9,411	39,164	--
Recreation and culture	1,095,710	359,712	212,312	--
Interest on long-term debt	188,677	--	--	--
<b>Total governmental activities</b>	<b>59,712,320</b>	<b>9,107,791</b>	<b>37,482,636</b>	<b>300,004</b>
Business-type Activities:				
Airport	1,924,241	1,259,471	40,000	1,204,094
Solid Waste	2,354,566	1,165,977	151,669	--
Water System	425,920	300,362	--	--
CSA #2	59,420	83,120	242,179	--
Mosquito Abatement	552,384	461,722	84,360	--
<b>Total business-type activities</b>	<b>5,316,531</b>	<b>3,270,652</b>	<b>518,208</b>	<b>1,204,094</b>
<b>Total primary government</b>	<b>\$ 65,028,851</b>	<b>\$ 12,378,443</b>	<b>\$ 38,000,844</b>	<b>\$ 1,504,098</b>
<b>Component Unit</b>				
First Five Inyo	\$ 325,333	\$ --	\$ 375,000	\$ --

General Revenues:

Taxes:

Property taxes

Sales and use taxes

Other

Miscellaneous

Unrestricted interest and investment earnings

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Prior period adjustment

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

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	First Five Inyo
\$ 3,625,839	\$ --	\$ 3,625,839	\$ --
(13,841,711)	--	(13,841,711)	--
(910,725)	--	(910,725)	--
(1,508)	--	(1,508)	--
(420,003)	--	(420,003)	--
(561,418)	--	(561,418)	--
(523,686)	--	(523,686)	--
(188,677)	--	(188,677)	--
<u>(12,821,889)</u>	<u>--</u>	<u>(12,821,889)</u>	<u>--</u>
--	579,324	579,324	--
--	(1,036,920)	(1,036,920)	--
--	(125,558)	(125,558)	--
--	265,879	265,879	--
--	(6,302)	(6,302)	--
<u>--</u>	<u>(323,577)</u>	<u>(323,577)</u>	<u>--</u>
<u>\$ (12,821,889)</u>	<u>\$ (323,577)</u>	<u>\$ (13,145,466)</u>	<u>\$ --</u>
			\$ 49,667
\$ 12,070,842	\$ --	\$ 12,070,842	--
1,157,585	1,506,129	2,663,714	--
3,667,596	--	3,667,596	--
5,565	4,824	10,389	--
563,811	399,350	963,161	1,785
(286,058)	286,058	--	--
<u>17,179,341</u>	<u>2,196,361</u>	<u>19,375,702</u>	<u>1,785</u>
4,357,452	1,872,784	6,230,236	51,452
69,883,880	4,424,828	74,308,708	716,881
(48,608,805)	(1,422,023)	(50,030,828)	--
<u>21,275,075</u>	<u>3,002,805</u>	<u>24,277,880</u>	<u>716,881</u>
<u>\$ 25,632,527</u>	<u>\$ 4,875,589</u>	<u>\$ 30,508,116</u>	<u>\$ 768,333</u>

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

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**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

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**COUNTY OF INYO**

Balance Sheet  
Governmental Funds  
June 30, 2015

	<u>General</u>	<u>Road</u>	<u>Grant Programs</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets</b>					
Cash and investments	\$32,598,007	\$5,547,238	\$2,605,277	\$ 4,010,739	\$44,761,261
Restricted Assets:					
Cash with fiscal agent	106,683	--	--	--	106,683
Imprest cash	2,505	--	300	40	2,845
Interest receivable	43,036	4,634	1,564	2,882	52,116
Accounts receivable	1,103,686	290,456	186,765	1,962	1,582,869
Due from other funds	3,839,654	--	--	--	3,839,654
Due from other governments	594,648	144,433	118,124	1,233	858,438
Loans receivable	--	--	780,000	--	780,000
Inventory	--	344,232	--	--	344,232
Deposits with others	41,700	--	--	--	41,700
Advances to other funds	137,000	--	--	--	137,000
Prepaid expenses	37,230	--	2,721	670	40,621
<b>Total Assets</b>	<u>\$38,504,149</u>	<u>\$6,330,993</u>	<u>\$3,694,751</u>	<u>\$ 4,017,526</u>	<u>\$52,547,419</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,085,252	\$ 282,542	\$ 38,105	\$ 17,082	\$ 1,422,981
Accrued salaries and benefits	1,687,920	76,945	25,614	36,536	1,827,015
Due to other funds	--	--	525,266	100,000	625,266
Unearned revenue	8,374,210	--	--	--	8,374,210
Total liabilities	<u>11,147,382</u>	<u>359,487</u>	<u>588,985</u>	<u>153,618</u>	<u>12,249,472</u>
Deferred Inflows of Resources:					
Unavailable revenue	224,951	282,036	174,338	--	681,325
Fund balances:					
Nonspendable	174,230	344,232	--	--	518,462
Restricted	1,287,484	5,345,238	2,931,428	1,206,589	10,770,739
Assigned	4,926,642	--	--	2,657,319	7,583,961
Unassigned	20,743,460	--	--	--	20,743,460
Total fund balances	<u>27,131,816</u>	<u>5,689,470</u>	<u>2,931,428</u>	<u>3,863,908</u>	<u>39,616,622</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$38,504,149</u>	<u>\$6,330,993</u>	<u>\$3,694,751</u>	<u>\$ 4,017,526</u>	<u>\$52,547,419</u>

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

**COUNTY OF INYO**

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	\$	39,616,622
<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.		46,117,694
Deferred outflows of resources reported in the Statement of Net Position		6,073,160
Internal service funds are used by the County to charge the cost of unemployment insurance, dental insurance, and fleet services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position is:		2,340,409
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.		681,325
Deferred inflows of resources reported in the Statement of Net Position		(10,053,366)
Certain liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Interest payable		(8,054)
Loans payable		(5,222,774)
Other post employment benefits liability		(14,286,660)
Compensated absences		(1,423,103)
Net pension liability		<u>(38,202,726)</u>
Net position of governmental activities	\$	<u>25,632,527</u>

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

**COUNTY OF INYO**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

	<u>General</u>	<u>Road</u>	<u>Grant Programs</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 16,793,495	\$ --	\$ 40,531	\$ 61,997	\$ 16,896,023
Licenses and permits	528,228	17,494	--	--	545,722
Fines, forfeitures and penalties	1,306,636	--	--	--	1,306,636
Use of money and property	537,178	11,290	4,643	6,718	559,829
Intergovernmental	26,723,679	6,149,070	2,822,613	2,841,075	38,536,437
Charges for services	6,452,421	216,008	41,308	145,015	6,854,752
Other revenues	224,507	33,887	4,070	1,828	264,292
Total revenues	<u>52,566,144</u>	<u>6,427,749</u>	<u>2,913,165</u>	<u>3,056,633</u>	<u>64,963,691</u>
<b>Expenditures</b>					
Current:					
General government	11,785,913	--	7,073	51,887	11,844,873
Public protection	22,026,692	--	690,452	1,027,855	23,744,999
Public ways and facilities	33,608	4,504,321	--	33,871	4,571,800
Health and sanitation	6,445,627	--	581,004	529,079	7,555,710
Public assistance	6,483,659	--	930,940	--	7,414,599
Education	570,575	--	--	--	570,575
Recreation and culture	960,575	--	39,039	--	999,614
Capital outlay	1,765,287	684,373	8,540	--	2,458,200
Debt Service:					
Principal	195,644	--	--	--	195,644
Interest	188,677	--	--	--	188,677
Total expenditures	<u>50,456,257</u>	<u>5,188,694</u>	<u>2,257,048</u>	<u>1,642,692</u>	<u>59,544,691</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,109,887</u>	<u>1,239,055</u>	<u>656,117</u>	<u>1,413,941</u>	<u>5,419,000</u>
<b>Other Financing Sources (Uses)</b>					
Sale of fixed assets	150	--	--	--	150
Transfers in	45,000	--	71,844	114,206	231,050
Transfers out	(472,108)	--	--	(45,000)	(517,108)
Total other financing sources (uses)	<u>(426,958)</u>	<u>--</u>	<u>71,844</u>	<u>69,206</u>	<u>(285,908)</u>
Net change in fund balances	1,682,929	1,239,055	727,961	1,483,147	5,133,092
Fund balances, beginning of year	<u>25,448,887</u>	<u>4,450,415</u>	<u>2,203,467</u>	<u>2,380,761</u>	<u>34,483,530</u>
Fund balances, end of year	<u>\$ 27,131,816</u>	<u>\$ 5,689,470</u>	<u>\$ 2,931,428</u>	<u>\$ 3,863,908</u>	<u>\$ 39,616,622</u>

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

**COUNTY OF INYO**

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 \$ 5,133,092

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	2,381,302	
Less: current year depreciation	<u>(3,050,084)</u>	(668,782)

Revenues in the statement of activities that do not provide  
current financial resources are not reported as revenues  
in governmental funds. (753,797)

Long-term debt proceeds provide current resources to governmental funds,  
but issuing debt increases long-term liabilities in the statement of net position.  
Principal retirements 195,644

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 other post employment benefits	(1,831,660)	
Change in compensated absences	(12,860)	
Change in net pension liability	<u>2,314,937</u>	470,417

Internal service funds are used by management to charge the costs of  
certain activities to individual funds. The net revenue (expense) of  
certain activities of the internal service funds is reported with  
governmental activities. (19,122)

Change in net position of governmental activities (page 16) \$ 4,357,452

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



**COUNTY OF INYO**

Statement of Net Position  
Proprietary Funds  
June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Airport	Solid Waste	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 528,407	\$ 1,334,655	\$ 423,784	\$ 2,286,846	\$ 2,486,183
Imprest cash	265	650	--	915	--
Accounts receivable	32,864	175,113	324,648	532,625	129
Due from other governments	1,040,243	--	--	1,040,243	--
Interest receivable	51	2,320	354	2,725	1,627
Inventory	33,471	--	--	33,471	4,517
Noncurrent assets:					
Restricted cash	--	1,557,746	--	1,557,746	--
Capital assets:					
Nondepreciable	3,207,675	--	--	3,207,675	6,979
Depreciable, net	2,007,730	1,363,071	2,054,354	5,425,155	758,711
Total assets	<u>6,850,706</u>	<u>4,433,555</u>	<u>2,803,140</u>	<u>14,087,401</u>	<u>3,258,146</u>
<b>Deferred Outflows</b>					
Deferred outflows - pension	<u>41,985</u>	<u>136,325</u>	<u>22,324</u>	<u>200,634</u>	<u>18,815</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	45,975	256,273	19,394	321,642	101,351
Accrued salaries and benefits	10,010	24,155	14,162	48,327	3,631
Due to other funds	1,169,000	--	30,000	1,199,000	200,000
Compensated absences	10,902	31,555	24,598	67,055	15,275
Interest payable	--	289	--	289	--
Unearned revenue	--	15,000	--	15,000	--
Due to other governments	2,200	--	--	2,200	--
Liability for self-insurance	--	--	--	--	100,000
Capital leases payable	--	157,564	--	157,564	--
Noncurrent liabilities:					
Advances from other funds	--	--	--	--	125,000
Liability for self-insurance	--	--	--	--	248,000
Capital leases payable	--	665,201	--	665,201	--
Estimated liability for landfill closure/ postclosure costs	--	5,408,131	--	5,408,131	--
Net pension liability	255,267	828,818	135,723	1,219,808	114,390
Total liabilities	<u>1,493,354</u>	<u>7,386,986</u>	<u>223,877</u>	<u>9,104,217</u>	<u>907,647</u>
<b>Deferred Inflows</b>					
Deferred inflows - pension	<u>64,503</u>	<u>209,431</u>	<u>34,295</u>	<u>308,229</u>	<u>28,905</u>
<b>Net Position</b>					
Net investment in capital assets	5,215,405	540,306	2,054,354	7,810,065	765,690
Unrestricted	119,429	(3,566,843)	512,938	(2,934,476)	1,574,719
Total net position	<u>\$ 5,334,834</u>	<u>\$ (3,026,537)</u>	<u>\$ 2,567,292</u>	<u>\$ 4,875,589</u>	<u>\$ 2,340,409</u>

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

**COUNTY OF INYO**

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds			Governmental
	Airport	Solid Waste	Nonmajor Enterprise Funds	Internal Service Funds
<b>Operating Revenues:</b>				
Charges for services	\$ 1,486,605	\$ 840,534	\$ 845,204	\$ 3,172,343
Other revenues	2,179	325,443	2,645	330,267
Total operating revenues	<u>1,488,784</u>	<u>1,165,977</u>	<u>847,849</u>	<u>3,502,610</u>
<b>Operating Expenses:</b>				
Salaries and benefits	290,397	816,129	439,403	1,545,929
Services and supplies	1,521,122	1,393,023	525,695	3,439,840
Depreciation	112,722	143,371	72,626	328,719
Total operating expenses	<u>1,924,241</u>	<u>2,352,523</u>	<u>1,037,724</u>	<u>5,314,488</u>
Operating income (loss)	<u>(435,457)</u>	<u>(1,186,546)</u>	<u>(189,875)</u>	<u>(1,811,878)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Tax revenue	--	1,506,129	--	1,506,129
Reimbursements and miscellaneous revenues	--	--	--	--
Intergovernmental revenues	40,000	151,669	326,539	518,208
Interest revenue	161,603	9,694	919	172,216
Interest expense	--	(2,043)	--	(2,043)
Gain (loss) on sale of assets	--	--	--	--
Total nonoperating revenues (expenses)	<u>201,603</u>	<u>1,665,449</u>	<u>327,458</u>	<u>2,194,510</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(233,854)</u>	<u>478,903</u>	<u>137,583</u>	<u>382,632</u>
Capital contributions	1,204,094	--	--	1,204,094
Transfers in	64,058	222,000	--	286,058
Change in net position	1,034,298	700,903	137,583	1,872,784
Net position, beginning of year	4,598,121	(2,761,224)	2,587,931	4,424,828
Prior period adjustment	(297,585)	(966,216)	(158,222)	(1,422,023)
Net position, beginning of year restated	<u>4,300,536</u>	<u>(3,727,440)</u>	<u>2,429,709</u>	<u>3,002,805</u>
Net position, end of year	<u>\$ 5,334,834</u>	<u>\$ (3,026,537)</u>	<u>\$ 2,567,292</u>	<u>\$ 4,875,589</u>

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

**COUNTY OF INYO**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds			Governmental
	Airport	Solid Waste	Nonmajor Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from customers	\$ 756,887	\$ 1,157,703	\$ 657,286	\$ 2,571,876
Cash paid to suppliers for goods and services	(1,540,937)	(1,071,448)	(542,644)	(3,155,029)
Cash paid to employees for salaries and benefits	(313,485)	(885,895)	(433,704)	(1,633,084)
Net cash provided (used) by operating activities	(1,097,535)	(799,640)	(319,062)	(2,216,237)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Receipt of interfund loan	842,200	--	(110)	842,090
Payment of interfund loan	--	--	30,000	30,000
Intergovernmental revenues	40,000	151,669	326,720	518,389
Other revenue	--	--	--	--
Transfers in	64,058	222,000	--	286,058
Tax revenue	--	1,506,129	--	1,506,129
Net cash provided (used) by noncapital financing activities	946,258	1,879,798	356,610	3,182,666
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	1,204,094	--	--	1,204,094
Interest repayments related to capital purposes	--	(2,039)	--	(2,039)
Proceeds of borrowings for capital purposes	--	772,682	--	772,682
Payments related to the acquisition of capital assets	(1,017,164)	(995,590)	(318,842)	(2,331,596)
Net cash provided (used) by capital and related financing activities	186,930	(224,947)	(318,842)	(356,859)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	161,642	8,738	880	171,260
Net cash provided (used) by investing activities	161,642	8,738	880	171,260
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>197,295</b>	<b>863,949</b>	<b>(280,414)</b>	<b>780,830</b>
Cash and cash equivalents, beginning of year	331,377	2,029,102	704,198	3,064,677
Cash and cash equivalents, end of year	\$ 528,672	\$ 2,893,051	\$ 423,784	\$ 3,845,507
Reconciliation of cash and cash equivalents to the statement of net position				
Cash and investments	528,407	1,334,655	423,784	2,286,846
Imprest cash	265	650	--	915
Restricted cash	--	1,557,746	--	1,557,746
	\$ 528,672	\$ 2,893,051	\$ 423,784	\$ 3,845,507

continued

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

**COUNTY OF INYO**

Statement of Cash Flows (continued)  
 Proprietary Funds  
 For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Airport	Solid Waste	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ (435,457)	\$ (1,186,546)	\$ (189,875)	\$ (1,811,878)	\$ 3,570
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	112,722	143,371	72,626	328,719	420,817
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	38,391	12,962	(190,563)	(139,210)	(129)
Due from other governments	(737,621)	--	--	(737,621)	--
Inventory	38,699	--	--	38,699	(559)
Increase (decrease) in:					
Accounts payable	(58,514)	172,323	(16,949)	96,860	20,778
Accrued salaries	1,198	(2,225)	3,990	2,963	(168)
Liability for compensated absences	(4,486)	(3,249)	11,283	3,548	1,528
Liability for self-insurance	--	--	--	--	(67,000)
Unearned revenues	(32,667)	(21,236)	--	(53,903)	--
Prepaid expenses	--	620	--	620	--
Closure/postclosure liability	--	148,632	--	148,632	--
Net pension liability	(19,800)	(64,292)	(9,574)	(93,666)	(8,873)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (1,097,535)</u>	<u>\$ (799,640)</u>	<u>\$ (319,062)</u>	<u>\$ (2,216,237)</u>	<u>\$ 369,964</u>

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

**COUNTY OF INYO**

Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

	Investment Trust	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 47,617,965	\$ 16,644,679
Imprest cash	3,444	60
Cash with fiscal agent	63,285	--
Accounts receivable	--	886
Interest receivable	41,697	5,434
Due from other governments	--	302,196
Taxes receivable	--	1,937,252
	<u>47,726,391</u>	<u>18,890,507</u>
<b>Liabilities</b>		
Due to other funds	20,000	1,795,388
Advances from other funds	--	12,000
Accounts payable	--	241,976
Agency obligations	--	16,841,143
	<u>20,000</u>	<u>18,890,507</u>
<b>Net Position</b>		
Net position held in trust for investment pool participants	<u>47,706,391</u>	<u>--</u>
Total net position	<u>\$ 47,706,391</u>	<u>\$ --</u>

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

COUNTY OF INYO

Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2015

	<u>Investment Trust</u>
Additions:	
Contributions to investment pool	\$ 36,863,871
Interest and investment income	<u>110,695</u>
Total Additions	<u>36,974,566</u>
Deductions:	
Distributions from investment pool	<u>(43,264,289)</u>
Total Deductions	<u>(43,264,289)</u>
Change in net position	(6,289,723)
Net position, beginning of year	<u>53,996,114</u>
Net position, end of year	<u><u>\$ 47,706,391</u></u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a Summary of Significant Accounting Policies for the County, and other necessary disclosures of pertinent matter relating to the financial position of the County. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Reporting Entity**

The County of Inyo (County), the primary government, is a political subdivision of the State of California. It is governed by an elected board of five County Supervisors.

The County defines its reporting entity in accordance with accounting principles generally accepted in the United States of America (GAAP), which provides guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. The accompanying financial statements present information on the activities of the reporting entity, including all fund types of the County (the primary government) and its component units.

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

Blended Component Units – Based on the foregoing criteria, the following entities have been classified as blended component units of the County:

Big Pine Lighting District	County Service Area No. 2
County of Inyo Capital Asset	Independence Lighting District
Leasing Corporation	Lone Pine Lighting District

The above component units are legally separate entities which are governed by the County's Board of Supervisors; therefore, their financial data has been combined with the County's financial data and presented as blended component units.

Additional detailed information and/or separately issued financial statements for each of these entities can be obtained from the County of Inyo Auditor-Controller's Office located at 168 North Edwards Street, Independence, CA 93526.

Discretely Presented Component Units

First 5 Inyo County – First 5 was created in 1998 with the passage of Proposition 10, the California Children and Families Act. First 5's mission is to allocate funds from the California Children and Families Trust Fund and advocate for quality programs and services, supporting children prenatal to age 5, to ensure that every child is healthy and ready to learn in school. First 5 is governed by a six-member commission that includes public officials and community leaders from the fields of early childhood education, health care, and family support. The County can influence the day-to-day operations and financial decisions of First 5 as the County Board of Supervisors appoints all commission members. First 5 is reported as a discretely presented component unit because its governing body is not substantively the same as the County's governing body, and it does not provide services entirely or exclusively to the County.



## COUNTY OF INYO

Notes to Financial Statements  
June 30, 2015

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

#### B. Basis of Presentation

##### *Government-Wide Financial Statements*

The statement of net position and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities demonstrates the degree to which program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

The County first utilizes restricted resources to finance qualified activities, then unrestricted resources as needed.

##### *Fund Financial Statements*

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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 public protection, public ways and facilities, health and sanitation, public assistance, education and recreation services.
- The *Road Fund* is used to account for money derived from the Highway Users Tax Fund, a portion of Federal Forest Reserve (under Government Code Section 29484) and any other sources of revenue that the Board of Supervisors designates for deposit into the Road Fund. Money deposited into the Road Fund is restricted to expenditures made in accordance with Article XIX of the State Constitution and Streets and Highways Code Sections 2101 and 2150.
- The *Grant Programs Fund* is used to account for programs that receive resources from other governmental units and are required to follow special legal, contractual, accounting or reporting requirements.

## COUNTY OF INYO

Notes to Financial Statements  
June 30, 2015

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

The County reports the following major enterprise funds:

- The *Airport Fund* was established to account for the operation of the Eastern Sierra Regional Airport, Lone Pine Airport, Independence Airport, and the Shoshone Airport.
- The *Solid Waste Fund* was established to account for operations of the solid waste handling activity.

The County reports the following additional fund types:

- The *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 County, or to other governments on a cost-reimbursement basis. The County uses internal service funds to account for its motor pool, purchasing revolving and self-insurance activities.
- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The *Agency Funds* account for assets held by the County as an agent for various local governments.

#### C. **Basis of Accounting**

The government-wide, proprietary and investment trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available ("susceptible to accrual"). Property and sales taxes, interest, state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

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

**D. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the general purpose financial statements and the reported amount of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**E. Deposits and Investments**

The County follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents. Interest income earned on pooled cash and investments is allocated quarterly to the various funds, based on the average daily balances.

The County pool is not registered with the Securities and Exchange Commission as an investment company and does not issue separate investment reports. The County has not provided or obtained any legally binding guarantees to support the value of the shares. County Ordinance #970 requires the formation of an Investment Oversight Committee, which is charged with overseeing activity in the pool for compliance to policy and code requirements.

Certain special districts and all public school districts are required by legal provisions to deposit their funds with the County Treasurer. Participants may withdraw up to the total of their respective shares as displayed on the combined balance sheet.

**F. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows – Proprietary Funds, the County considers all short-term highly liquid investments, including restricted cash and investments, to be cash and cash equivalents. Amounts held in the County's investment pool are available on demand; thus, they are considered highly liquid and cash equivalents for purposes of the Statement of Cash Flows – Proprietary Funds.

**G. Restricted Cash**

The County reports as restricted cash those funds which have been set aside for future costs associated with the closure and postclosure liability of various landfills in the County.

**H. Inventories and Prepaid Items**

Inventory consists of expendable supplies held for consumption. In governmental funds, inventories are valued at cost. In proprietary funds, they are valued at lower of cost or market. Cost is determined by using either the weighted average or the first-in, first-out method. The consumption method of accounting of inventory is used for the governmental fund types and the proprietary fund types. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

**I. Receivables**

The County only accrues revenues at fiscal year-end and accrues only those revenues it deems collectible; as such the County has no allowance for doubtful accounts in its governmental funds.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

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

**J. Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and 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) in the balance sheet of governmental funds and statement of net position for proprietary funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the government funds balance sheet, are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation of the government-wide presentation.

**K. Property Tax Revenue**

Property taxes attach as an enforceable lien on January 1. Taxes are levied on July 1 and payable in two installments, December 10 and April 10. All general property taxes are then allocated by the County Auditor-Controller’s Office to the various taxing entities per the legislation implementing Proposition 13. The method of allocation used by the County is subject to review by the State of California. County property tax revenues are recognized when levied, under the alternative method for tax allocation (Teeter Plan), to the extent that they are measurable and available.

**L. Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, lighting systems, and drainage systems. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

Infrastructure (except for the maintained pavement subsystem)	15 to 50 years
Structures and improvements	50 years
Equipment	3 to 20 years

The County has three networks of infrastructure assets – roads, lighting and drainage.

## COUNTY OF INYO

Notes to Financial Statements  
June 30, 2015

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

#### **M. Unearned Revenue**

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete. Those assets, grant advances received prior to meeting all eligibility requirements, are offset by a corresponding liability for unearned revenue.

#### **N. 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 of 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. The County has deferred outflows of resources related to pensions.

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 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.

#### **O. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30 or rolled into the next year.

#### **P. Fund Equity**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based on the extent to which the County is bound to honor various constraints.

- Nonspendable fund balance – amounts that cannot be spent because they are either (1) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Board of Supervisors) and which remain in place unless removed by taking the same type of action it employed to commit those amounts. The formal action that commits fund balance to a specific purpose should occur prior to the end of the reporting period.
- Assigned fund balance – amounts that are considered by the County's intent to be used for specific purposes. Intent should be expressed either by the governing body itself or a body (a budget or finance committee, for example) or official to which the governing body has delegated authority to assign amounts to be used for specific purposes. This is also the classification for residual funds in the County's special revenue funds.

## COUNTY OF INYO

### Notes to Financial Statements June 30, 2015

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

- Unassigned fund balance – the residual classification for the General Fund that includes amounts not contained in the preceding classifications. In other governmental funds, the unassigned classification is used when expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

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.

The government-wide and business-wide activities fund financial statements utilize a net position presentation. Net position are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the County, not restricted for any project or other purpose.

#### Q. **New Accounting Pronouncements**

GASB recently released several new accounting and financial reporting standards. The following GASB Statements have been implemented in the current financials.

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

**GASB Statement No. 69**, *Government Combinations and Disposals of Government Operations*, is effective for periods beginning after December 15, 2013.

**GASB Statement No. 70**, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, is effective for periods beginning after December 15, 2013.

**GASB Statement No. 71**, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, is effective for periods beginning after June 15, 2014.

COUNTY OF INYO

Notes to Financial Statements  
June 30, 2015

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

R. 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.

NOTE 2: **CASH IN TREASURY**

A. Cash Management

As provided for by the California Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. The investment pool is not registered within the Securities and Exchange Commission (SEC) and as suggested by the California Government Code, a treasury oversight committee provides oversight to the management of the pool. The respective funds’ shares of the total pool are included in the accompanying combined balance sheet under the caption “Cash and Investments”. Interest earned on these investments is allocated quarterly to certain participating funds based on their daily cash in county treasury balances.

The County Treasurer determines the fair value of investments annually, at fiscal year-end, for the purpose of financial reporting. Participants may withdraw their investment from the pool on a dollar per dollar basis. School districts are considered involuntary participants in the investment pool and comprise 25 percent of the total treasury investment pool which includes County operational funds. Special districts and various trust funds approximate 16 percent of the investment pool and the extent of involuntary participation cannot be determined at this time. County operational funds and agency funds comprise the remaining 59 percent of the investment pool.

At June 30, 2015, total County cash and investments were as follows:

Cash on hand	\$	11,475
Deposits		11,252,714
Less: outstanding checks		(2,718,975)
Investments		107,694,192
Total Cash and Investments	\$	<u>116,239,406</u>

Total cash and investments at June 30, 2015 were presented on the County’s financial statements as follows:

Primary government	\$	51,202,479
Investment trust fund		47,684,694
Agency funds		16,644,739
Discretely presented component unit		707,494
Total Cash and Investments	\$	<u>116,239,406</u>

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 2: CASH IN TREASURY (CONTINUED)**

Custodial Credit Risk Related to Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Pool will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the County's total bank balance, \$250,000 per account is insured by the Federal Depository Insurance Corporation. The remaining 9,003,591 on deposit is collateralized with securities held by the pledging financial institution's agent. Per Government Code Section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral.

At June 30, 2015, the carrying amount of the Pool's deposits was \$11,252,714 and the corresponding bank balance was \$16,536,397. The difference of \$5,283,683 was principally due to deposits in transit and outstanding warrants.

Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Federal Agency Obligations	5 years	None	None
U.S. Treasury Bills	5 years	None	None
State of California Obligations	5 years	None	None
Local Agency Bonds and Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper - Select Agencies	270 days	25%	10%
Commercial Paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Non-Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	None	None
California Asset Management Program	N/A	None	None

At June 30, 2015, the County had the following investments:

	Interest Rates	Maturities	Par Value	Cost	Fair Value	WAM (Years)
<b>Pooled Investments</b>						
Federal Agency Obligations	0.05% - 2.05%	10/24/16 - 6/15/20	\$ 32,000,000	\$ 31,988,450	\$ 32,038,100	2.73
Commercial Paper	0.25% - 0.32%	7/13/15 - 1/5/16	18,250,000	18,196,610	18,230,723	0.30
Local Agency Investment Fund	Variable	On Demand	39,000,000	39,000,000	39,000,000	--
Negotiable Certificates of Deposit	0.30% - 5.30%	8/13/15 - 6/30/20	16,607,000	16,622,916	16,597,247	1.13
Local Agency Debt	1.24% - 1.27%	7/15/15 - 4/1/20	723,220	723,220	723,220	4.59
AIM Money market	Variable	On Demand	1,000,000	1,000,000	1,000,000	--
<b>Total Pooled Investments</b>			<b>\$ 107,580,220</b>	<b>\$ 107,531,196</b>	<b>\$ 107,589,290</b>	<b>1.07</b>
<b>Non-Pooled Investments</b>						
Cash with fiscal agent	Variable	On Demand		\$ 162,996	\$ 162,996	
<b>Total Investments</b>				<b>\$ 107,694,192</b>	<b>\$ 107,752,286</b>	



**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 2: CASH IN TREASURY (CONTINUED)**

Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

Credit Risk

State law and the County's Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law and the County's Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor's and Moody's Investors Service. The County does not have credit limits on government agency securities.

At June 30, 2015, the County had the following investments in any one issuer that represent 5% or more of the total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded because they are not a concentration of credit risk.

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount Reported</u>	<u>% of Total Investments</u>
Federal Farm Credit Bank	Federal Agency Obligations	\$ 10,988,100	10.21%
Federal Home Loan Bank	Federal Agency Obligations	7,003,250	6.51%
Federal National Mortgage Assn.	Federal Agency Obligations	11,045,980	10.27%
Natixis Global Asset Management	Commercial Paper	6,743,238	6.27%
Abbey National NA	Commercial Paper	8,987,610	8.35%

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

	<u>S&amp;P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Federal Agency Obligations	AAA	AAA	29.78%
Local Agency Investment Fund	Unrated	Unrated	36.25%
Local Agency Debt	Unrated	Unrated	0.67%
Commercial Paper	N/A	N/A	16.94%
Negotiable CDs	N/A	N/A	15.43%
Money Market Funds	N/A	N/A	0.93%
Total			<u>100.00%</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. At year end, the County's investment pool and specific investments had no securities exposed to custodial credit risk.

COUNTY OF INYO

Notes to Financial Statements  
June 30, 2015

NOTE 2: **CASH IN TREASURY** (CONTINUED)

Local Agency Investment Fund

The County Treasurer’s Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2015, the County’s investment position in the State of California Local Agency Investment Fund (LAIF) was \$39,000,000, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$69.6 billion. Of that amount, 2.08% was invested in structured notes and asset-backed securities with the remaining 98.14% invested in other non-derivative financial products.

County Investment Pool Condensed Financial Statements

The following represents a condensed statement of net position and changes in net position for the Treasurer’s investment pool as of June 30, 2015:

**Statement of Net Position**

**Assets:**

Investments	\$ 107,531,196
Other deposits	8,538,242
Total Assets	<u>\$ 116,069,438</u>

**Net Position:**

Equity of internal pool participants	\$ 67,677,250
Equity of external pool participants	48,392,188
Total Net Position	<u>\$ 116,069,438</u>

**Statement of Changes in Net Position**

Net position at July 1, 2014	\$ 114,023,586
Net deductions from pool participants	2,045,852
Net position at June 30, 2015	<u>\$ 116,069,438</u>

**B. Allocations of Interest Income Among Funds**

Interest income from pooled investments is allocated first to those funds, which are required by law or administrative action to receive interest, and then to the Proprietary Funds. Interest is allocated on a quarterly basis based on the aggregate daily cash balance in each fund.

Cash and investments held separately from the pool are managed by a trustee or fiscal agent. Investments are stated at fair value.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

NOTE 2: **CASH IN TREASURY** (CONTINUED)

**C. Authorized Investments**

State statutes and adopted investment policy authorize the County to invest in bonds issued by the County of Inyo, obligations of the U.S. Treasury, its agencies and instrumentality's, registered warrants and bonds of the State of California, registered warrants and bonds of any local agency in the State of California, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record's, certificates of deposit, bankers' acceptances from banks with 'A' rating or better by a nationally recognized rating service, medium term corporate notes issued by companies rated 'A' or better by a nationally recognized rating service, mortgage pass-through securities and collateralized mortgage obligations having a rating of 'AA' or higher by a nationally recognized rating agency, repurchase agreements and the State Treasurer's investment pool. The

County is also authorized to enter in reverse repurchase agreements. Investments for bond proceeds and funds held by bond fiscal agent or trustees are governed and restricted by the bond documents. The permitted investment language in each bond transaction is usually unique to each transaction and at times can either be more permissive or less permissive than the County's investment policy over other investments.

**D. Fair Value of Investments**

Accounting pronouncement GASB Statement No. 31 generally applies to investments in external investment pools (State of California LAIF and other government sponsored investment pools), investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statement.

**E. Methods and Assumptions Used to Estimate Fair Value**

The County's investment custodian provides market values on each investment instrument on a monthly basis. The investments held by the County are widely traded and trading values are readily available from numerous published sources.

The County has determined that cost to fair values are not materially different (fair value is 99.95 percent of cost) so that no adjustment has been reported on these financial statements.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 3: INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables**

The composition of interfund balances as of June 30, 2015 is as follows:

***Due to/from other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Grant Programs	\$ 525,266	Cash flow reimbursement grants
	Airport	1,169,000	Provide short term cash flow
	Nonmajor Enterprise Funds	30,000	Provide short term cash flow
	Nonmajor Governmental Funds	100,000	Provide short term cash flow
	Internal Service Funds	200,000	Provide short term cash flow
	Investment Trust	20,000	Short term loan to district
	Agency Fund	1,795,388	Fund Teeter distributions and tax refunds
		<u>\$ 3,839,654</u>	

***Advances to/from other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Internal Service Funds	\$ 125,000
	Agency Funds	12,000
		<u>\$ 137,000</u>

The above interfund advances are loans that are not expected to be repaid within one year.

The General Fund loaned the Purchasing Revolving fund \$125,000 for working capital purposes several years ago without establishing a repayment plan. The intent was that the monies would be returned to the General Fund when the purchasing revolving function would cease to exist. Currently, there are no plans for the purchasing revolving function to cease to exist.

**Transfers**

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

***Between Governmental and Business-Type Activities:***

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Solid Waste	\$ 222,000	To augment ongoing operations
	Airport	64,058	To augment ongoing operations
		<u>\$ 286,058</u>	

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 3: INTERFUND TRANSACTIONS (CONTINUED)**

**Transfers (continued)**

***Between Funds Within the Governmental or Business-Type Activities:***

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Grant Funds	\$ 55,500	To augment ongoing operations
	Grant Funds	16,344	Closeout of final grant expenditures
	Nonmajor Governmental Funds	114,206	One time revenue sources for capital projects
		<u>186,050</u>	
Nonmajor Governmental Funds	General Fund	<u>45,000</u>	To augment ongoing operations
		<u>\$ 231,050</u>	

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Balance June 30, 2015</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 8,899,171	\$ --	\$ --	\$ --	\$ 8,899,171
Construction in progress	4,742,766	1,252,532	--	(139,972)	5,855,326
Total capital assets, not being depreciated	<u>13,641,937</u>	<u>1,252,532</u>	<u>--</u>	<u>(139,972)</u>	<u>14,754,497</u>
Capital assets, being depreciated:					
Infrastructure	197,709,364	8,889	--	--	197,718,253
Land improvements	4,708,199	--	--	--	4,708,199
Structures and improvements	17,689,814	782,041	--	139,972	18,611,827
Equipment	17,748,673	517,206	(127,746)	--	18,138,133
Total capital assets, being depreciated	<u>237,856,050</u>	<u>1,308,136</u>	<u>(127,746)</u>	<u>139,972</u>	<u>239,176,412</u>
Less accumulated depreciation for:					
Infrastructure	(181,327,168)	(1,943,660)	--	--	(183,270,828)
Land improvements	(1,665,752)	(116,904)	--	--	(1,782,656)
Structures and improvements	(5,974,683)	(375,560)	--	--	(6,350,243)
Equipment	(14,678,947)	(1,034,777)	69,926	--	(15,643,798)
Total accumulated depreciation	<u>(203,646,550)</u>	<u>(3,470,901)</u>	<u>69,926</u>	<u>--</u>	<u>(207,047,525)</u>
Total capital assets, being depreciated, net	<u>34,209,500</u>	<u>(2,162,765)</u>	<u>(57,820)</u>	<u>139,972</u>	<u>32,128,887</u>
Governmental activities capital assets, net	<u>\$ 47,851,437</u>	<u>\$ (910,233)</u>	<u>\$ (57,820)</u>	<u>\$ --</u>	<u>\$ 46,883,384</u>

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 4: CAPITAL ASSETS (CONTINUED)**

**Business-type Activities**

Capital assets, not being depreciated:

Land	\$ 1,851,399	\$ --	\$ --	\$ --	\$ 1,851,399
Construction in progress	477,812	1,017,164	--	(138,700)	1,356,276
Total capital assets, not being depreciated	<u>2,329,211</u>	<u>1,017,164</u>	<u>--</u>	<u>(138,700)</u>	<u>3,207,675</u>

Capital assets, being depreciated:

Infrastructure	18,579,996	318,842	--	--	18,898,838
Land improvements	2,708,346	--	--	--	2,708,346
Structures and improvements	2,771,835	--	--	--	2,771,835
Equipment	2,497,082	995,590	(9,573)	138,700	3,621,799
Total capital assets, being depreciated	<u>26,557,259</u>	<u>1,314,432</u>	<u>(9,573)</u>	<u>138,700</u>	<u>28,000,818</u>

Less accumulated depreciation for:

Infrastructure	(16,370,345)	(71,498)	--	--	(16,441,843)
Land improvements	(2,066,617)	(42,806)	--	--	(2,109,423)
Structures and improvements	(1,657,982)	(60,574)	--	--	(1,718,556)
Equipment	(2,161,573)	(153,841)	9,573	--	(2,305,841)
Total accumulated depreciation	<u>(22,256,517)</u>	<u>(328,719)</u>	<u>9,573</u>	<u>--</u>	<u>(22,575,663)</u>

Total capital assets, being depreciated, net	<u>4,300,742</u>	<u>985,713</u>	<u>--</u>	<u>138,700</u>	<u>5,425,155</u>
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Business-type activities capital assets, net	<u>\$ 6,629,953</u>	<u>\$ 2,002,877</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 8,632,830</u>
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**Depreciation**

Depreciation expense was charged to governmental activities as follows:

General government	\$ 833,664
Public protection	379,825
Public ways	2,092,635
Health and sanitation	65,907
Public assistance	6,067
Culture and recreation	92,803
Total depreciation expenses - governmental activities	<u>\$ 3,470,901</u>

Depreciation expense was charged to the business-type activities as follows:

Airport Fund	\$ 112,722
Solid Waste Fund	143,371
Non-Major Enterprise Funds	72,626
Total depreciation expense - business-type activities	<u>\$ 328,719</u>

**NOTE 5: LOANS RECEIVABLE**

The County issued four loans as part of the federal HOME program to first time home buyers totaling \$780,000 during the fiscal year ending June 30, 2008. The loans are deferred for a period of 30 years and are due in the event that the property acquired with the proceeds is sold before the deferral period ends.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 6: LONG-TERM LIABILITIES**

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

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 1,423,990	\$ 1,270,380	\$ 1,255,992	\$ 1,438,378	\$ 1,438,378
Claims liability	415,000	33,678	100,678	348,000	100,000
Loans payable	5,418,418	--	195,644	5,222,774	215,553
Total Governmental Activities	<u>\$ 7,257,408</u>	<u>\$ 1,304,058</u>	<u>\$ 1,552,314</u>	<u>\$ 7,009,152</u>	<u>\$ 1,753,931</u>
<b>Business-type Activities</b>					
Capital lease obligations	\$ 50,083	\$ 942,216	\$ 169,534	\$ 822,765	\$ 157,564
Compensated absences	62,553	49,373	44,871	67,055	67,055
Closure/post closure liability	5,259,499	148,632	--	5,408,131	--
Total Business-type Activities	<u>\$ 5,372,135</u>	<u>\$ 1,140,221</u>	<u>\$ 214,405</u>	<u>\$ 6,297,951</u>	<u>\$ 224,619</u>

Required payments as of June 30, 2015, are as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>	
	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 215,553	\$ 241,334
2017	229,728	232,281
2018	251,818	222,423
2019	271,877	211,383
2020	292,885	199,288
2021-2025	1,675,550	776,979
2026-2030	2,285,363	317,578
	<u>\$ 5,222,774</u>	<u>\$ 2,201,266</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

The General Fund pays for the capital lease obligations attributable to the governmental activities and the Grants fund pays for the loan payable obligation attributable to the governmental activities.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

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

Long-term debt at June 30, 2015, consisted of the following:

	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2015
<b><u>Governmental activities</u></b>						
CalPERS side fund refunding (to refund unfunded accrued liability for the County's retirement plan)	03/14	05/11 - 05/25	5.50%	\$90,000 - \$479,000	4,045,000	3,947,000
CEC solar loan (to finance a photovoltaic solar project)	10/13	12/14 - 12/28	1.00%	\$26,287 - \$36,865	992,054	933,532
Loan payable (to finance new property tax management software)	12/12	01/13 - 05/25	5.00%	\$45,992 - \$49,901	616,258	342,242

**NOTE 7: ESTIMATED LIABILITY FOR SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE MAINTENANCE COSTS**

The County currently owns and maintains five landfill sites. State and federal laws and regulations require that the County place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. In addition to operating expenditures related to current activities of the landfill, an estimated liability is being recognized based on the future closure and postclosure maintenance costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the estimated liability for closure and postclosure maintenance costs is based on the amount of the landfill used through the end of the fiscal year.

The estimated liability of all County landfill sites for closure and postclosure maintenance costs was \$5,408,131 as of the fiscal year end, which is based on the estimated percentage usage (filled), ranging from 33.58% to 67.90%, of each landfill site. It is estimated that an additional \$7,520,952 liability will be recognized as closure and postclosure maintenance costs between the date of the balance sheet and the date the landfills are expected to be filled to capacity.

The estimated total current cost of the landfill closure and postclosure maintenance costs of \$12,929,083 is based on the amounts that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of the balance sheet date. However, the costs for landfill closure and postclosure maintenance costs are based on yearly estimates, reviewed by the California Integrated Waste Management Board, as prepared by the Geo-logic Associates of Claremont, California.

These cost estimates are subject to change based on such factors as inflation or deflation, changes in technology, or changes in federal or state landfill laws and regulations.

The County is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure maintenance costs. The County makes deposits into various accounts based on the annual liability amounts calculated by CWA. As of June 30, 2015, a total of \$1,557,746 was deposited into these accounts for the purpose of funding landfill closure costs. This amount is reported as restricted cash in the Solid Waste Fund. A Pledge of Revenue agreement with the California Integrated Waste Management Board has been established as a funding mechanism for the County's landfill postclosure costs.



**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 7: ESTIMATED LIABILITY FOR SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE MAINTENANCE COSTS (CONTINUED)**

The following is the information for each landfill as of June 30, 2015:

	Percent Filled	Total Closure/ Postclosure Cost Estimates	Liability 6/30/2015
Bishop Sunland	33.58%	\$ 7,806,258	\$ 2,621,617
Independence	67.90%	1,681,169	1,141,561
Lone Pine	40.64%	2,383,459	968,534
Shoshone	64.00%	494,122	316,227
Tecopa	63.86%	564,075	360,192
		<u>\$ 12,929,083</u>	<u>\$ 5,408,131</u>

**NOTE 8: LEASES**

**Capital Leases**

The County has entered into a capital lease agreement under which the related 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 Payments as of June 30, 2015
Equipment	2.95 - 4.07%	\$ 822,765
		<u>\$ 822,765</u>

The cost of equipment under capital leases is as follows:

Equipment	\$ 1,060,563
Less: accumulated amortization	<u>(59,174)</u>
	<u>\$ 1,001,389</u>

COUNTY OF INYO

Notes to Financial Statements  
June 30, 2015

NOTE 8: **LEASES** (CONTINUED)

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

<u>Year Ending June 30:</u>	
2016	\$ 171,571
2017	149,927
2018	146,571
2019	146,574
2020	146,571
Thereafter	<u>146,773</u>
Total Future Minimum Lease Payments	907,987
Less: Interest	<u>(85,222)</u>
Present Value of Minimum Lease Payments	<u>\$ 822,765</u>

**Operating Leases**

The County is committed under a noncancelable operating lease with Xerox for photocopy machines and various cancelable operating leases.

Future minimum operating lease commitments are as follows:

<u>Year Ending June 30:</u>	
2016	\$ 79,428
2017	79,428
2018	79,428
2019	<u>39,714</u>
	<u>\$ 277,998</u>

Total rents and lease expenditures were \$90,964 for the year ended June 30, 2015.

NOTE 9: **NET POSITION/FUND BALANCES**

Classification

In the fund financial statements, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor the constraints imposed on the use of resources reported in the funds.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 9: NET POSITION/FUND BALANCES (CONTINUED)**

Fund balances for all major and nonmajor governmental funds as of June 30, 2015, were distributed as follows:

	<u>General</u>	<u>Roads</u>	<u>Grants</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Nonspendable:</b>					
Advances	\$ 174,230	\$ --	\$ --	\$ --	\$ 174,230
Inventories	--	344,232	--	--	344,232
Subtotal	<u>174,230</u>	<u>344,232</u>	<u>--</u>	<u>--</u>	<u>518,462</u>
<b>Restricted for:</b>					
General government	814,658	--	600,538	142,445	1,557,641
Public protection	14,846	--	1,851,727	89,227	1,955,800
Public ways & facilities	729	5,345,238	1,605	773,090	6,120,662
Health & sanitation	457,251	--	294,632	201,827	953,710
Public assistance	--	--	177,103	--	177,103
Recreation	--	--	5,823	--	5,823
Subtotal	<u>1,287,484</u>	<u>5,345,238</u>	<u>2,931,428</u>	<u>1,206,589</u>	<u>10,770,739</u>
<b>Assigned to:</b>					
General government	2,567,867	--	--	2,657,319	5,225,186
Public protection	48,408	--	--	--	48,408
Health & sanitation	422,885	--	--	--	422,885
Public assistance	867,480	--	--	--	867,480
Education	591,994	--	--	--	591,994
Recreation	428,008	--	--	--	428,008
Capital projects	--	--	--	--	--
Subtotal	<u>4,926,642</u>	<u>--</u>	<u>--</u>	<u>2,657,319</u>	<u>7,583,961</u>
<b>Unassigned</b>	<u>20,743,460</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>20,743,460</u>
<b>Total</b>	<u>\$ 27,131,816</u>	<u>\$ 5,689,470</u>	<u>\$ 2,931,428</u>	<u>\$ 3,863,908</u>	<u>\$ 39,616,622</u>

**NOTE 10: DEFINED BENEFIT PENSION PLAN**

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

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the County's Safety (sheriff and certain district attorney members) or Miscellaneous (all others) Plans. The County's Safety Plan is a cost-sharing multiple-employer defined benefit plan while the Miscellaneous Plan is an agent multiple-employer defined benefit pension plan. The County's Safety and Miscellaneous Plans are part of the California Public Employees Retirement System (PERS), a public employee retirement system which acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and other requirements are established by State statute and County resolution. The County's defined benefit pension plans provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The County selects optional benefit provisions by contract with CalPERS and adopts

## COUNTY OF INYO

Notes to Financial Statements  
June 30, 2015

### NOTE 10: **DEFINED BENEFIT PENSION PLAN** (CONTINUED)

those benefits through County ordinance. CalPERS issues a separate comprehensive annual financial report; however, separate reports for the County's Safety and Miscellaneous Plans are not available. Copies of CalPERS annual financial reports which include required supplementary information (RSI) for each plan may be obtained from CalPERS Executive Offices, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

#### ***Benefits Provided***

All pension plans provide benefits, upon retirement, disability or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing five years of retirement service credit forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within a prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning five years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected and actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

Service related disability benefits are provided to safety members and are based on final compensation. Non-service related disability benefits are provided to both safety and miscellaneous members. The benefit is based on final compensation, multiplied by *service*, which is determined as follows:

- *service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service.

Death benefits are based upon a variety of factors including whether the participant was retired or not.

Annual cost-of-living adjustments (COLAs) after retirement are provided in all plans. COLAs are granted to retired members each May based upon the Bureau of Labor Statistics Average Consumer Price Index for All Urban Consumers for the previous calendar year and is subject to a maximum of 2% per annum.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

	Miscellaneous	
	Prior to Jan. 1, 2013	On or after Jan. 1, 2013
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit formula	2% @55	2% @62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as % of eligible compensation	1.426% 2.404%	1.00%- 2.50%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	8.003%	6.237%
Status	Open	Open
	Safety	
	Prior to Jan. 1, 2013	On or after Jan. 1, 2013
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit formula	3 @50	2.7 @57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	50-57
Monthly benefits, as % of eligible compensation	3.00%	2.00%- 2.70%
Required employee contribution rates	9.00%	11.50%
Required employer contribution rates	18.524%	11.500%
Status	Open	Open

***Employees Covered***

At June 30, 2015, the following employees were covered by the benefit terms for the Miscellaneous Plan. The corresponding data is not available for employees included in the Safety Plan as the plan is a cost-sharing multiple employer plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	437
Inactive employees entitled to but not yet receiving benefits	260
Active employees	363
	1,060

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires 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 both Plans are 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.

**B. Net Pension Liability**

The County's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans 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.

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	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	Varies by Entry Age and Service	
Investment Rate of Return	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>
Mortality	Derived using CalPERS' Membership Data for All Funds	

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

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.

## COUNTY OF INYO

### Notes to Financial Statements June 30, 2015

#### NOTE 10: **DEFINED BENEFIT PENSION PLAN** (CONTINUED)

##### ***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 7.5 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.

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 2017-2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until there is a change in 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 investment expense and inflation) are developed for each major asset class.

The long-term expected rate of return includes both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) 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 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.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Real Return Years 1-10 <sup>(1)</sup></u>	<u>Real Return Years 11-60 <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 Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

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

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

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

The changes in the Net Pension Liability for the County's Miscellaneous Plan follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
<b>Balance at June 30, 2013</b>	<u>\$ 137,625,628</u>	<u>\$ 98,533,441</u>	<u>\$ 39,092,187</u>
<b>Changes in the year:</b>			
Service cost	3,208,960		3,208,960
Interest on total pension liability	10,187,707		10,187,707
Contributions from the employer		3,085,417	(3,085,417)
Contributions from employees		1,477,303	(1,477,303)
Net Investment Income		17,039,603	(17,039,603)
Benefit payments, including refunds of employee contributions	(6,788,054)	(6,788,054)	-
Net Changes	<u>6,608,613</u>	<u>14,814,269</u>	<u>(8,205,656)</u>
<b>Balance at June 30, 2014</b>	<u>\$ 144,234,241</u>	<u>\$ 113,347,710</u>	<u>\$ 30,886,531</u>



**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The County's net pension liability for the Safety Plan was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all plan participants, actuarially determined. The County's net pension liability and related Plan proportion for the Safety Plan is as follows:

Plan	Plan's Proportion to Total Pool @ June 30, 2013	Plan's Proportion to Total Pool @ June 30, 2014	Plan's Proportionate Share of Net Pension Liability
Safety Plan	0.00188%	0.13902%	\$ 8,650,393

***Sensitivity of the Net Pension Liability to Change 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 points lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety	Total
1% Decrease	6.50%	6.50%	6.50%
Net Pension Liability	\$ 54,173,778	\$ 15,283,461	\$ 69,457,239
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	\$ 30,886,531	\$ 8,650,393	\$ 39,536,924
1% Increase	8.50%	8.50%	8.50%
Net Pension Liability	\$ 11,289,665	\$ 3,185,031	\$ 14,474,696

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

For the year ended June 30, 2015, the County recognized pension expense of \$(2,418,430). Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Change in net pension liability	\$ (14,692,105)
Contributions	8,175,784
Deferral for subsequent contributions	(6,292,609)
Deferred inflow - excess investment earnings	10,390,500
Pension expense	<u>\$ (2,418,430)</u>

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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>
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ 10,348,753
Adjustment due to differences in proportions		41,747
County contributions subsequent to the measurement date	<u>6,292,609</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 6,292,609</u></u>	<u><u>\$ 10,390,500</u></u>

\$6,292,609 reported as deferred outflows of resources related to pensions resulting from County 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 in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2016	\$ (2,601,769)
2017	(2,601,769)
2018	(2,599,006)
2019	(2,587,956)
2020	-
Thereafter	-
<b>Total</b>	<u><u>\$ (10,390,500)</u></u>

A prior period adjustment of \$50,030,828 was made to decrease both governmental and business-type activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability and other adjustments as described below.

The restatement of beginning net position is summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net position at July 1, 2014, as previously stated	\$ 69,883,880	\$ 4,424,828	\$ 74,308,708
Net pension liability adjustment	(48,608,805)	(1,422,023)	(50,030,828)
Net position at July 1, 2014, as restated	<u><u>\$ 21,275,075</u></u>	<u><u>\$ 3,002,805</u></u>	<u><u>\$24,277,880</u></u>

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Prior adjustments were made in the following funds:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
<b>Governmental Activities</b>		
Motor Pool Fund	To account for net pension liability	\$ (133,353)
Governmental Funds	To account for net pension liability	<u>(48,475,452)</u>
	Total	<u>\$ (48,608,805)</u>
<b>Business-Type Activities</b>		
Airport	To account for net pension liability	\$ (297,585)
Solid Waste	To account for net pension liability	(966,216)
Nonmajor Enterprise Funds	To account for net pension liability	<u>(158,222)</u>
	Total	<u>\$ (1,422,023)</u>

**NOTE 11: 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; and natural disasters.

The County has risk management funds (Internal Service Funds) to account for the County’s General Liability and Medical Malpractice insurance programs that are self-insured. Beginning with the fiscal year ended June 30, 2014, the County’s Workers’ Compensation liability is no longer self-insured. Risk of insurance has been assumed by a third-party insurer.

Fund revenues are primarily premium charges to other funds and are planned to equal estimated payments resulting from self-insurance programs, liability insurance coverage in excess of the self-insured amounts, and operating expenses.

The County maintains a self-insured retention (SIR) of \$100,000 per occurrence for its general liability program. Losses which exceed the SIR are covered by excess insurance policy up to \$15,000,000 per occurrence.

The County maintains a self-insured retention (SIR) of \$10,000 per occurrence for its medical malpractice coverage. Losses which exceed the SIR are covered by excess insurance policy up to \$10,000,000 per occurrence.

Airport coverage consists of primary insurance with no self-insured retention and a coverage limit of \$10,000,000.

Claim settlements have not exceeded insurance coverage in each of the past three years. Also, non-incremental claims adjustments have been included as part of the liability for unpaid claims.

It is the County’s policy to charge to the expense of the Internal Service Fund the estimated liability for outstanding claims, as determined with the assistance of independent actuaries. The liability for self-insurance coverage reported in the internal service funds is based on the requirements of Governmental Accounting Standards Board Statements No. 10 and 30, which require that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 11: RISK MANAGEMENT (CONTINUED)**

Changes in the County's claims liability for the fiscal years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Unpaid claims, beginning of year	\$ 415,000	\$ 303,000
Plus estimated claims incurred	33,678	116,477
Less claims payments	<u>(100,678)</u>	<u>(4,477)</u>
Unpaid claims, end of year	<u>\$ 348,000</u>	<u>\$ 415,000</u>

**NOTE 12: OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The County contributes to the miscellaneous plan of the County of Inyo and the safety plan of the County of Inyo (plans) which are part of the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental entities in the State of California. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office – 400 P Street, Sacramento, CA 95814.

The County sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA", also known as PERS Health. PEMHCA provides health insurance through a variety of HMO and PPO options. The eligibility requirements for the plan are retirement at age 50, or older, and at least 5 years of continuous services. The medical benefit coverage is the same for the safety and miscellaneous employees. The County also contributes towards the premiums of spouses and dependents.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the County. The contribution is based on pay-as-you-go financing requirements, with a \$1 million contribution to PARS OPEB trust for the fiscal year ended June 30, 2010 to prefund benefits. For fiscal year 2014-15, the County contributed a total of \$1,724,096, or 46.8%, of the actuarially required contributions, to the Retiree Healthcare Plan.

Annual OPEB Cost and Net OPEB Obligation

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*. The County's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years.

**COUNTY OF INYO**

Notes to Financial Statements  
June 30, 2015

**NOTE 12: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

The following table 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 to the retiree healthcare plan:

Annual required contribution	\$ 3,686,591
Interest on net OPEB obligation	620,610
Adjustment to net OPEB obligation	<u>(751,445)</u>
Annual OPEB cost (expense)	<u>3,555,756</u>
Contributions made	<u>(1,724,096)</u>
Increase in net OPEB obligation	1,831,660
Net OPEB obligation - beginning of year	<u>12,455,000</u>
Net OPEB obligation - end of year	<u>\$ 14,286,660</u>

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan (as described in the funding policy above), and the Net OPEB Obligation for fiscal year 2014-2015 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	3,319,706	39.1%	10,343,507
6/30/2014	3,555,756	40.6%	12,455,000
6/30/2015	3,555,756	48.5%	14,286,660

**Funded Status and Funding Progress**

The funded status of the plan, based on an actuarial valuation as of July 1, 2013, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 34,100,062
Actuarial value of plan assets	<u>4,435,355</u>
Unfunded actuarial accrued liability (UAAL)	\$ 29,664,707
Funded ratio (actuarial value of plan assets/AAL)	15.0%
Covered payroll (active plan members)	\$ 23,247,553
UAAL as a percentage of covered payroll	127.6%

**Actuarial Methods and Assumptions**

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

COUNTY OF INYO

Notes to Financial Statements  
June 30, 2015

NOTE 12: **OTHER POST EMPLOYMENT BENEFITS (OPEB)** (CONTINUED)

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

In the July 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6% investment rate of return and assumed medical inflation of 7% graded down to 5% over 5 years. The OPEB plan's unfunded actuarial liability is being amortized by level percent of payroll contributions over 30 years. The remaining amortization period at June 30, 2015, was 28 years.

NOTE 13: **DEFICIT FUND BALANCE/NET POSITION**

The following funds had deficit fund balances/net position at June 30, 2015, as follows:

Fund	Deficit
Internal Service Funds:	
Purchasing Revolving	\$ 46
County Liability	160,896
 Enterprise Funds:	
Solid Waste	3,026,537

The deficits in the Internal Service Funds are anticipated to be recovered through future years' revenues.

The Solid Waste deficit is expected to be eliminated in the future through a restructuring of service at the landfills and retirement of closure/post closure liability.

NOTE 14: **CONTINGENCIES**

A. **Government Programs**

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

B. **Claims and Assessments**

There are several pending lawsuits in which the County is involved. County Counsel believes the potential uninsured claims against the County resulting from such litigation at June 30, 2014, would not materially affect the financial statements of the County.

COUNTY OF INYO

Notes to Financial Statements  
June 30, 2015

NOTE 15: **FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB recently released several new accounting and financial reporting standards. The following GASB Statements will be implemented in the future financial statements.

**GASB Statement No. 72**, *Fair Value Measurement and Application*, is effective for reporting periods beginning after June 15, 2015.

**GASB Statement No. 73**, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, is effective for fiscal years 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 GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

**GASB Statement No. 74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is effective for fiscal years beginning after June 15, 2016.

**GASB Statement No. 75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, is effective for reporting periods beginning after June 15, 2017.

**GASB Statement No. 76**, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for reporting periods beginning after June 15, 2015.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**COUNTY OF INYO**

Required Supplementary Information  
For the Fiscal Year Ended June 30, 2015

**Schedule of Changes in Net Pension Liability and Related Ratios**

Miscellaneous Plan – Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Fiscal Years\*

	<u>FY 2014</u>
<b>Total Pension Liability</b>	
Service cost	\$ 3,208,960
Interest on total pension liability	10,187,707
Differences between expected and actual experience	-
Change in assumption	-
Change in benefits	-
Benefit payments, including refunds of employee contributions	<u>(6,788,054)</u>
<b>Net Change in total pension liability</b>	6,608,613
<b>Total pension liability - beginning</b>	<u>137,625,628</u>
<b>Total pension liability - ending (a)</b>	<u>144,234,241</u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - employer	3,085,417
Contributions - employee	1,477,303
Net investment income	17,039,603
Benefit payments, including refunds of employee contributions	<u>(6,788,054)</u>
<b>Net change in plan fiduciary net position</b>	14,814,269
<b>Plan fiduciary net position - beginning</b>	<u>98,533,441</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>113,347,710</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 30,886,531</u>
 Plan fiduciary net position as a percentage of total pension liability	78.59%
County's covered-employee payroll	20,277,786
Net pension liability as a percentage of covered-employee payroll	152.32%

\*Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

**Schedule of Pension Plan Contributions**

**Miscellaneous Plan**

	<u>2014</u>
Actuarially determined contribution	\$ 3,085,417
Contributions in relation to the actuarially determined contributions	<u>3,085,417</u>
Contributions deficiency (excess)	<u>-</u>
 Covered-employee payroll	20,277,786
	15.22%

**COUNTY OF INYO**

Required Supplementary Information  
For the Fiscal Year Ended June 30, 2015

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-2014 were from the June 30, 2011 valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2011 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Asset. For details, see June 30, 2001 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of pension plan investment and administrative expenses; includes 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.

**Schedule of Proportionate Share of the Net Pension Liability / (Asset) and Related Ratios as of the Measurement Date**

Safety Plan – Cost-Sharing Multiple-Employer Defined Benefit Pension Plans  
Last 10 Fiscal Years\*

	<u>FY 2014</u>
<b>Safety Plan</b>	
County's proportion of the net pension liability (asset)	0.13902%
County's proportionate share of the net pension liability (asset)	\$ 8,650,393
County's covered-employee payroll	\$ 3,279,232
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	263.79%
Plan fiduciary net position as a percentage of total pension liability	82.53%
Plan's proportionate share of aggregate employer contributions	\$ 4,993,292

**Schedule of Pension Plan Contributions**

**Safety Plans - Multiple-Employer Defined Benefit Pension Plan**

	<u>2014</u>
Actuarially determined contribution	\$ 1,142,366
Contributions in relation to the actuarially determined contributions	5,090,367
Contributions deficiency (excess)	<u>(3,948,001)</u>
 Covered-employee payroll	 3,279,232
	155.23%

\*Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

**COUNTY OF INYO**

Required Supplementary Information  
For the Fiscal Year Ended June 30, 2015

**Schedule of Funding Progress**

**Postemployment Health Plan:**

The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

<u>Actuarial Valuation Date</u>	<u>Entry Age Normal Accrual Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
7/1/2009	\$ 31,214,538	\$ --	\$ 31,214,538	0.0%	\$ 23,026,193	135.6%
7/1/2011	29,968,670	3,329,600	26,639,070	12.5%	23,247,553	114.6%
7/1/2013	34,100,062	4,435,355	29,664,707	15.0%	23,247,553	127.6%

**COUNTY OF INYO**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
General Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 14,951,000	\$14,969,195	\$ 16,793,495	\$ 1,824,300
Licenses and permits	455,346	460,747	528,187	67,440
Fines, forfeitures and penalties	1,003,620	1,002,594	934,048	(68,546)
Use of money and property	163,352	173,865	226,005	52,140
Intergovernmental	27,150,047	27,693,425	26,100,292	(1,593,133)
Charges for services	6,658,500	6,947,875	6,439,415	(508,460)
Other revenues	247,660	221,185	208,312	(12,873)
Total revenues	<u>50,629,525</u>	<u>51,468,886</u>	<u>51,229,754</u>	<u>(239,132)</u>
<b>Expenditures:</b>				
Current:				
General government	13,370,503	13,892,412	11,785,913	2,106,499
Public protection	24,072,174	24,673,740	21,858,794	2,814,946
Health and sanitation	7,894,875	7,841,306	6,445,019	1,396,287
Public assistance	7,951,137	7,743,671	6,483,659	1,260,012
Education	616,131	619,501	570,575	48,926
Recreation and culture	1,021,797	1,052,063	960,575	91,488
Capital outlay	990,584	2,143,535	1,765,287	378,248
Debt Service				
Principal	198,521	170,637	195,644	(25,007)
Interest	237,799	235,799	188,677	47,122
Reserves	210,794	95,539	--	95,539
Total expenditures	<u>56,564,315</u>	<u>58,468,203</u>	<u>50,254,143</u>	<u>8,214,060</u>
Excess (deficiency) of revenues over expenditures	<u>(5,934,790)</u>	<u>(6,999,317)</u>	<u>975,611</u>	<u>7,974,928</u>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	--	--	150	150
Transfers in	3,488,403	3,552,986	(40,000)	(3,592,986)
Transfers out	(2,954,321)	(3,266,294)	(42,548)	3,223,746
Total other financing sources (uses)	<u>534,082</u>	<u>286,692</u>	<u>(82,398)</u>	<u>(369,090)</u>
Net change in fund balances	(5,400,708)	(6,712,625)	893,213	7,605,838
Fund balances, beginning of year	<u>25,448,887</u>	<u>25,448,887</u>	<u>25,448,887</u>	<u>--</u>
Fund balances, end of year	<u>\$ 20,048,179</u>	<u>\$ 18,736,262</u>	<u>\$ 26,342,100</u>	<u>\$ 7,605,838</u>

continued

**COUNTY OF INYO**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
General Fund (continued)  
For the Year Ended June 30, 2015

Explanation of differences between statement of revenues, expenditures and changes in fund balance:

Revenues:

Actual amounts from the budgetary comparison schedule	\$ 51,229,754
Revenues for funds no longer meeting the special revenue fund definition which are presented with the General Fund for financial reporting purposes	<u>1,336,390</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 21)	<u><u>\$ 52,566,144</u></u>

Expenditures:

Actual amounts from the budgetary comparison schedule	\$ 50,254,143
Expenditures by funds no longer meeting the special revenue fund definition which are presented with the General Fund for financial reporting purposes	<u>202,114</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 21)	<u><u>\$ 50,456,257</u></u>

Other Financing Sources (Uses):

Actual amounts from the budgetary comparison schedule	\$ (82,398)
Other financing sources (uses) for funds no longer meeting the special revenue fund definition which are presented with the General Fund for financial reporting purposes	<u>(344,560)</u>
Total other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 21)	<u><u>\$ (426,958)</u></u>

**COUNTY OF INYO**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Road Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 17,494	\$ 2,494
Use of money and property	5,000	5,000	11,290	6,290
Intergovernmental	13,499,123	11,249,663	6,149,070	(5,100,593)
Charges for services	47,535	49,270	216,008	166,738
Other revenues	15,000	20,527	33,887	13,360
Total Revenues	<u>13,581,658</u>	<u>11,339,460</u>	<u>6,427,749</u>	<u>(4,911,711)</u>
<b>Expenditures:</b>				
Current:				
Public ways and facilities	5,632,075	5,562,287	4,504,321	1,057,966
Capital outlay	7,872,264	6,157,766	684,373	5,473,393
Total Expenditures	<u>13,504,339</u>	<u>11,720,053</u>	<u>5,188,694</u>	<u>6,531,359</u>
Net change in fund balances	<u>77,319</u>	<u>(380,593)</u>	<u>1,239,055</u>	<u>1,619,648</u>
Fund balances, beginning of year	<u>4,450,415</u>	<u>4,450,415</u>	<u>4,450,415</u>	<u>--</u>
Fund balances, end of year	<u>\$ 4,527,734</u>	<u>\$ 4,069,822</u>	<u>\$ 5,689,470</u>	<u>\$ 1,619,648</u>



**COUNTY OF INYO**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Grant Programs Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 40,531	\$ 40,531	\$ 40,531	\$ --
Use of money and property	5,364	5,565	4,643	(922)
Intergovernmental	3,052,758	3,266,783	2,822,613	(444,170)
Charges for services	48,500	48,500	41,308	(7,192)
Other Revenues	500	500	4,070	3,570
Total revenues	<u>3,147,653</u>	<u>3,361,879</u>	<u>2,913,165</u>	<u>(448,714)</u>
<b>Expenditures:</b>				
Current:				
General government	499,359	499,359	7,073	492,286
Public protection	989,481	1,239,365	690,452	548,913
Health and sanitation	841,326	849,791	581,004	268,787
Public assistance	1,000,553	1,114,761	930,940	183,821
Recreation and culture	81,162	70,000	39,039	30,961
Capital outlay	65,092	308,104	8,540	299,564
Total expenditures	<u>3,476,973</u>	<u>4,081,380</u>	<u>2,257,048</u>	<u>1,824,332</u>
Excess (deficiency) of revenues over expenditures	<u>(329,320)</u>	<u>(719,501)</u>	<u>656,117</u>	<u>1,375,618</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	55,500	79,630	71,844	(7,786)
Transfers out	--	(7,786)	--	7,786
Total other financing sources (uses)	<u>55,500</u>	<u>71,844</u>	<u>71,844</u>	<u>--</u>
Net change in fund balances	(273,820)	(647,657)	727,961	1,375,618
Fund balances, beginning of year	<u>2,203,467</u>	<u>2,203,467</u>	<u>2,203,467</u>	<u>--</u>
Fund balances, end of year	<u>\$ 1,929,647</u>	<u>\$ 1,555,810</u>	<u>\$ 2,931,428</u>	<u>\$ 1,375,618</u>

## COUNTY OF INYO

### Note to Required Supplementary Information For the Fiscal Year Ended June 30, 2014

#### **BUDGETARY BASIS OF ACCOUNTING**

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares a budget for each fiscal year on or before August 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors.

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may legally not exceed appropriations. The Auditor-Controller approves any budget amendments transferring appropriation within object categories such as salaries and benefits or services and supplies. The County Administrator approves budget amendments transferring appropriation between object categories. The Board of Supervisors approves budget amendments transferring appropriation between budget units, departments, or funds. The Board of Supervisors also approves appropriations from unappropriated reserves and unanticipated revenues received during the year. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year.

The County uses an encumbrance system as an extension of normal budgetary accounting for the general, special revenue, and other debt service funds and to assist in controlling expenditures of the capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

The budget approved by the Board of Supervisors for the general fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other Governmental Funds. Actual reimbursements for these items have been eliminated in the accompanying budgetary financial schedules. Accordingly, the related budgets for these items have also been eliminated in order to provide a meaningful comparison of actual and budgeted results of operations.

Accounting principles applied for purposes of developing data on a budgetary basis are materially the same as those used to present financial statements in conformity with GAAP, except that transfers in are regarded as inflows of resources for budgetary purposes and not revenues for GAAP financial statement presentation and transfers out are considered outflows of resources for budgetary purposes but not expenditures for GAAP financial statement presentation.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **Nonmajor Governmental Funds**

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Capital project funds are used to account for all financial resources that are restricted, committed or assigned to expenditure for capital outlays

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes

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**COUNTY OF INYO**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

	<u>Capital Projects</u>	<u>Special Revenue</u>	
	<u>Accumulative Capital Outlay</u>	<u>Recorder's Micro- graphics</u>	<u>Alcohol</u>
<b>Assets</b>			
Cash and investments	\$ 2,663,874	\$ 141,862	\$ 316,618
Imprest cash	--	--	--
Accounts receivable	1,465	497	--
Due from other governments	--	--	1,233
Interest receivable	1,880	123	25
Prepaid expense	--	--	670
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 2,667,219</u>	<u>\$ 142,482</u>	<u>\$ 318,546</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 9,900	\$ 67	\$ 5,129
Accrued salaries and benefits	--	--	11,591
Due to other funds	--	--	100,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>9,900</u>	<u>67</u>	<u>116,720</u>
Fund Balances:			
Restricted	--	142,415	201,826
Assigned	2,657,319	--	--
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>2,657,319</u>	<u>142,415</u>	<u>201,826</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,667,219</u>	<u>\$ 142,482</u>	<u>\$ 318,546</u>

continued

**COUNTY OF INYO**

Combining Balance Sheet (continued)  
 Nonmajor Governmental Funds  
 June 30, 2015

	Special Revenue		
	Child Support Services	Special Districts Under the Board	Total
<b>Assets</b>			
Cash and investments	\$ 115,553	\$ 772,832	\$ 4,010,739
Imprest cash	40	--	40
Accounts receivable	--	--	1,962
Due from other governments	--	--	1,233
Interest receivable	185	669	2,882
Prepaid expense	--	--	670
	<u>\$ 115,778</u>	<u>\$ 773,501</u>	<u>\$ 4,017,526</u>
Total assets			
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,686	\$ 300	\$ 17,082
Accrued salaries and benefits	24,834	111	36,536
Due to other funds	--	0	100,000
	<u>26,520</u>	<u>411</u>	<u>153,618</u>
Total liabilities			
Fund Balances:			
Restricted	89,258	773,090	1,206,589
Assigned	--	--	2,657,319
	<u>89,258</u>	<u>773,090</u>	<u>3,863,908</u>
Total fund balances			
	<u>\$ 115,778</u>	<u>\$ 773,501</u>	<u>\$ 4,017,526</u>
<b>Total Liabilities and Fund Balances</b>			



**COUNTY OF INYO**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

	<u>Capital Projects</u>	<u>Special Revenue</u>	
	Accumulative Capital Outlay	Recorder's Micro- graphics	Alcohol
<b>Revenues:</b>			
Taxes	\$ --	\$ --	\$ --
Intergovernmental	1,384,842	--	462,462
Use of money and property	3,595	318	72
Charges for services	51,351	30,469	63,195
Other revenues	1,464	12	--
	<u>1,441,252</u>	<u>30,799</u>	<u>525,729</u>
<b>Expenditures:</b>			
General government	51,887	--	--
Public protection	--	28,628	--
Public ways and facilities	--	--	--
Health and sanitation	--	--	529,079
	<u>51,887</u>	<u>28,628</u>	<u>529,079</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,389,365</u>	<u>2,171</u>	<u>(3,350)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	114,206	--	--
Transfers out	(45,000)	--	--
Total other financing sources (uses)	<u>69,206</u>	<u>--</u>	<u>--</u>
Net change in fund balances	1,458,571	2,171	(3,350)
Fund balances, Beginning of Year	<u>1,198,748</u>	<u>140,244</u>	<u>205,176</u>
Fund balances, End of Year	<u>\$ 2,657,319</u>	<u>\$ 142,415</u>	<u>\$ 201,826</u>

continued

**COUNTY OF INYO**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

	Special Revenue		
	Child Support Services	Special Districts Under the Board	Total
<b>Revenues:</b>			
Taxes	\$ --	\$ 61,997	\$ 61,997
Intergovernmental	993,362	409	2,841,075
Use of money and property	430	2,303	6,718
Charges for services	--	--	145,015
Other revenues	352	--	1,828
	<u>994,144</u>	<u>64,709</u>	<u>3,056,633</u>
<b>Expenditures:</b>			
General government	--	--	51,887
Public protection	999,227	--	1,027,855
Public ways and facilities	--	33,871	33,871
Health and sanitation	--	--	529,079
	<u>999,227</u>	<u>33,871</u>	<u>1,642,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,083)</u>	<u>30,838</u>	<u>1,413,941</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	--	--	114,206
Transfers out	--	--	(45,000)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>69,206</u>
Net change in fund balances	(5,083)	30,838	1,483,147
Fund balances, Beginning of Year	<u>94,341</u>	<u>742,252</u>	<u>2,380,761</u>
Fund balances, End of Year	<u>\$ 89,258</u>	<u>\$ 773,090</u>	<u>\$ 3,863,908</u>

**COUNTY OF INYO**

Combining Balance Sheet  
Special Districts Under the Board  
June 30, 2015

	<u>Big Pine Lighting</u>	<u>Independence Lighting</u>	<u>Lone Pine Lighting</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 282,492	\$ 304,695	\$ 185,645	\$ 772,832
Interest receivable	244	262	163	669
Total assets	<u>\$ 282,736</u>	<u>\$ 304,957</u>	<u>\$ 185,808</u>	<u>\$ 773,501</u>
<b>Liabilities</b>				
Accounts payable	\$ --	\$ 300	\$ --	\$ 300
Accrued salaries and benefits	37	37	37	111
Total liabilities	<u>37</u>	<u>337</u>	<u>37</u>	<u>411</u>
<b>Fund Balances</b>				
Fund Balances				
Restricted	<u>282,699</u>	<u>304,620</u>	<u>185,771</u>	<u>773,090</u>
Total fund balances	<u>282,699</u>	<u>304,620</u>	<u>185,771</u>	<u>773,090</u>
Total liabilities and fund balances	<u>\$ 282,736</u>	<u>\$ 304,957</u>	<u>\$ 185,808</u>	<u>\$ 773,501</u>

**COUNTY OF INYO**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Special Districts Under the Board  
For the Year Ended June 30, 2015

	<u>Big Pine Lighting</u>	<u>Independence Lighting</u>	<u>Lone Pine Lighting</u>	<u>Totals</u>
<b>Revenues:</b>				
Taxes	\$ 20,530	\$ 21,609	\$ 19,858	\$ 61,997
Intergovernmental	136	143	130	409
Use of money and property	<u>623</u>	<u>1,262</u>	<u>418</u>	<u>2,303</u>
Total revenues	<u>21,289</u>	<u>23,014</u>	<u>20,406</u>	<u>64,709</u>
<b>Expenditures:</b>				
Public ways and facilities	<u>8,827</u>	<u>7,363</u>	<u>17,681</u>	<u>33,871</u>
Total expenditures	<u>8,827</u>	<u>7,363</u>	<u>17,681</u>	<u>33,871</u>
Excess (deficiency) of revenues over (under) expenditures	12,462	15,651	2,725	30,838
Fund balances, beginning of year	<u>270,237</u>	<u>288,969</u>	<u>183,046</u>	<u>742,252</u>
Fund balances, end of year	<u><u>\$ 282,699</u></u>	<u><u>\$ 304,620</u></u>	<u><u>\$ 185,771</u></u>	<u><u>\$ 773,090</u></u>

## **Enterprise Funds**

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Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the County has decided that periodic determination of net income is appropriate for accountability purposes.

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**COUNTY OF INYO**

Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2015

	<u>CSA #2</u>	<u>Mosquito Abatement</u>	<u>Water System</u>	<u>Total</u>
<b>Assets</b>				
Current Assets:				
Cash and investments	\$ 51,324	\$ 83,483	\$ 288,977	\$ 423,784
Accounts receivable	242,179	81,096	1,373	324,648
Interest receivable	35	66	253	354
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	293,538	164,645	290,603	748,786
	<hr/>	<hr/>	<hr/>	<hr/>
Noncurrent Assets:				
Capital Assets:				
Depreciable, net	312,465	30,955	1,710,934	2,054,354
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	606,003	195,600	2,001,537	2,803,140
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Deferred Outflows</b>				
Deferred outflows - pension	420	--	21,904	22,324
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	1,074	918	17,402	19,394
Accrued salaries and benefits	116	10,148	3,898	14,162
Due to other funds	--	30,000	--	30,000
Compensated absences	--	13,315	11,283	24,598
Noncurrent Liabilities:				
Net pension liability	2,553	--	133,170	135,723
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	3,743	54,381	165,753	223,877
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Deferred Inflows</b>				
Deferred inflows - pension	645	--	33,650	34,295
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Position</b>				
Net investment in capital assets	312,465	30,955	1,710,934	2,054,354
Unrestricted	289,570	110,264	113,104	512,938
	<hr/>	<hr/>	<hr/>	<hr/>
Total net position	<u>\$ 602,035</u>	<u>\$ 141,219</u>	<u>\$ 1,824,038</u>	<u>\$ 2,567,292</u>

**COUNTY OF INYO**

Combining Statement of Revenues, Expenses and  
Changes in Net Position  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2015

	<u>CSA #2</u>	<u>Mosquito Abatement</u>	<u>Water System</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 83,120	\$ 461,722	\$ 300,362	\$ 845,204
Other revenues	<u>2,645</u>	<u>--</u>	<u>--</u>	<u>2,645</u>
Total operating revenues	<u>85,765</u>	<u>461,722</u>	<u>300,362</u>	<u>847,849</u>
<b>Operating Expenses:</b>				
Salaries and benefits	2,374	305,434	131,595	439,403
Services and supplies	50,669	235,727	239,299	525,695
Depreciation	<u>6,377</u>	<u>11,223</u>	<u>55,026</u>	<u>72,626</u>
Total operating expenses	<u>59,420</u>	<u>552,384</u>	<u>425,920</u>	<u>1,037,724</u>
 Operating income (loss)	 <u>26,345</u>	 <u>(90,662)</u>	 <u>(125,558)</u>	 <u>(189,875)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental revenues	242,179	84,360	--	326,539
Interest revenue	<u>181</u>	<u>52</u>	<u>686</u>	<u>919</u>
Total nonoperating revenues (expenses)	<u>242,360</u>	<u>84,412</u>	<u>686</u>	<u>327,458</u>
<b>Change in net position</b>	268,705	(6,250)	(124,872)	137,583
Net position - beginning of year	336,306	147,469	2,104,156	2,587,931
Prior period adjustment	<u>(2,976)</u>	<u>--</u>	<u>(155,246)</u>	<u>(158,222)</u>
Net position - beginning of year restated	<u>333,330</u>	<u>147,469</u>	<u>1,948,910</u>	<u>2,429,709</u>
 Net position - end of year	 <u>\$ 602,035</u>	 <u>\$ 141,219</u>	 <u>\$ 1,824,038</u>	 <u>\$ 2,567,292</u>



## COUNTY OF INYO

### Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended June 30, 2015

	CSA #2	Mosquito Abatement	Water System	Total
<b>Cash Flows from Operating Activities</b>				
Cash receipts from customers	\$ (155,557)	\$ 446,598	\$ 366,245	\$ 657,286
Cash paid to suppliers for goods and services	(58,183)	(235,455)	(249,006)	(542,644)
Cash paid to employees for salaries and benefits	(2,581)	(303,741)	(127,382)	(433,704)
Net cash provided (used) by operating activities	<u>(216,321)</u>	<u>(92,598)</u>	<u>(10,143)</u>	<u>(319,062)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Receipt of interfund loan	--	--	(110)	(110)
Payment of interfund loan	--	30,000	--	30,000
Intergovernmental revenues	242,360	84,360	--	326,720
Transfers in	--	--	--	--
Net cash provided (used) by noncapital financing activities	<u>242,360</u>	<u>114,360</u>	<u>(110)</u>	<u>356,610</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital contributions	--	--	--	--
Payments related to the acquisition of capital assets	(318,842)	--	--	(318,842)
Net cash provided (used) by capital and related financing activities	<u>(318,842)</u>	<u>--</u>	<u>--</u>	<u>(318,842)</u>
<b>Cash Flows from Investing Activities</b>				
Interest received	221	8	651	880
Net cash provided (used) by investing activities	<u>221</u>	<u>8</u>	<u>651</u>	<u>880</u>
Net increase (decrease) in cash and cash equivalents	(292,582)	21,770	(9,602)	(280,414)
Cash and cash equivalents, beginning of year	343,906	61,713	298,579	704,198
Cash and cash equivalents, end of year	<u>\$ 51,324</u>	<u>\$ 83,483</u>	<u>\$ 288,977</u>	<u>\$ 423,784</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 26,345	\$ (90,662)	\$ (125,558)	\$ (189,875)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation	6,377	11,223	55,026	72,626
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(241,322)	(15,124)	65,883	(190,563)
Increase (decrease) in:				
Accounts payable	(7,514)	272	(9,707)	(16,949)
Accrued salaries	(9)	739	3,260	3,990
Liability for compensated absences	--	--	11,283	11,283
Net pension liability	(198)	954	(10,330)	(9,574)
Net cash provided (used) by operating activities	<u>\$ (216,321)</u>	<u>\$ (92,598)</u>	<u>\$ (10,143)</u>	<u>\$ (319,062)</u>

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## Internal Service Funds

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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.

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**Motor Pool Fund** – This fund is used to account for the rental of motor vehicles to other departments and related costs.

**Purchasing Revolving Fund** – This fund is used to account for the accumulation and allocation of costs associated with office supplies.

**Insurance Funds** – These funds are used to account for workers' compensation, liability and medical malpractice insurance expense.

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**COUNTY OF INYO**

Combining Statement of Net Position  
Internal Service Funds  
June 30, 2015

	<u>Purchasing Revolving</u>	<u>Motor Pool</u>	<u>Workers' Compensation</u>
<b>Assets</b>			
Current assets:			
Pooled cash and investments	\$ 124,509	\$ 1,875,611	\$ 253,241
Interest receivable	--	1,445	--
Inventory	<u>4,517</u>	<u>--</u>	<u>--</u>
Total current assets	129,026	1,877,185	253,241
Noncurrent assets:			
Nondepreciable	--	6,979	--
Depreciable, net	<u>--</u>	<u>758,711</u>	<u>--</u>
Total assets	<u>129,026</u>	<u>2,642,875</u>	<u>253,241</u>
<b>Deferred Outflows</b>			
Deferred outflows - pension	--	18,815	--
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	4,072	73,068	420
Accrued salaries and benefits	--	3,631	--
Due to other funds	--	--	200,000
Liability for compensated absences	--	15,275	--
Liability for self-insurance funds	<u>--</u>	<u>--</u>	<u>--</u>
Total current liabilities	4,072	91,974	200,420
Noncurrent liabilities:			
Liability for self-insurance funds			
Advances from other funds	125,000	--	--
Net pension liability	<u>--</u>	<u>114,390</u>	<u>--</u>
Total noncurrent liabilities	125,000	114,390	--
Total liabilities	<u>129,072</u>	<u>206,364</u>	<u>200,420</u>
<b>Deferred Outflows</b>			
Deferred outflows - pension	--	28,905	--
<b>Net Position</b>			
Net investment in capital assets	--	765,690	--
Unrestricted	(46)	1,660,731	52,821
Total net position	<u>\$ (46)</u>	<u>\$ 2,426,421</u>	<u>\$ 52,821</u>

continued

**COUNTY OF INYO**

Combining Statement of Net Position (continued)  
Internal Service Funds  
June 30, 2015

	<u>County Liability</u>	<u>Medical Malpractice</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Pooled cash and investments	\$ 210,730	\$ 22,092	\$ 2,486,183
Interest receivable	165	17	1,627
Inventory	--	--	4,517
	<hr/>	<hr/>	<hr/>
Total current assets	210,895	22,109	2,492,456
Noncurrent assets:			
Nondepreciable	--	--	6,979
Depreciable, net	--	--	758,711
	<hr/>	<hr/>	<hr/>
Total assets	<u>210,895</u>	<u>22,109</u>	<u>3,258,146</u>
<b>Deferred Outflows</b>			
Deferred outflows - pension	--	--	18,815
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	23,791	--	101,351
Accrued salaries and benefits	--	--	3,631
Due to other funds	--	--	200,000
Liability for compensated absences	--	--	15,275
Liability for self-insurance funds	100,000	--	100,000
	<hr/>	<hr/>	<hr/>
Total current liabilities	123,791	--	420,257
Noncurrent liabilities:			
Liability for self-insurance funds	248,000	--	248,000
Advances from other funds	--	--	125,000
Net pension liability	--	--	114,390
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	248,000	--	487,390
Total liabilities	<u>371,791</u>	<u>--</u>	<u>907,647</u>
<b>Deferred Outflows</b>			
Deferred outflows - pension	--	--	28,905
<b>Net Position</b>			
Net investment in capital assets	--	--	765,690
Unrestricted	(160,896)	22,109	1,574,719
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$ (160,896)</u>	<u>\$ 22,109</u>	<u>\$ 2,340,409</u>

**COUNTY OF INYO**

Combining Statement of Revenues, Expenses and  
Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2015

	<u>Purchasing Revolving</u>	<u>Motor Pool</u>	<u>Workers' Compensation</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 140,004	\$ 1,501,816	\$ 964,907
Other revenue	--	129	--
	<u>140,004</u>	<u>1,501,945</u>	<u>964,907</u>
<b>Operating Expenses:</b>			
Salaries and benefits	--	147,903	--
Services and supplies	142,294	792,902	933,815
Depreciation	--	420,817	--
	<u>142,294</u>	<u>1,361,622</u>	<u>933,815</u>
Total operating expenses	<u>142,294</u>	<u>1,361,622</u>	<u>933,815</u>
Operating income (loss)	<u>(2,290)</u>	<u>140,323</u>	<u>31,092</u>
<b>Non-Operating Revenue:</b>			
Interest revenue	--	3,482	--
Reimbursements and miscellaneous revenues	527	5,038	--
Loss on sale of assets	--	(32,239)	--
Total nonoperating revenue	<u>527</u>	<u>(23,719)</u>	<u>--</u>
Change in net position	(1,763)	116,604	31,092
Net position, beginning of year	1,717	2,443,170	21,729
Prior period adjustment	--	(133,353)	--
Net position, beginning of year restated	<u>1,717</u>	<u>2,309,817</u>	<u>21,729</u>
Net position, end of year	<u>\$ (46)</u>	<u>\$ 2,426,421</u>	<u>\$ 52,821</u>

continued

**COUNTY OF INYO**

Combining Statement of Revenues, Expenses and  
Changes in Net Position (continued)  
Internal Service Funds  
For the Year Ended June 30, 2015

	<u>County Liability</u>	<u>Medical Malpractice</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 536,451	\$ 55,655	\$ 3,198,833
Other revenue	--	--	129
	<hr/>	<hr/>	<hr/>
Total operating revenues	536,451	55,655	3,198,962
	<hr/>	<hr/>	<hr/>
<b>Operating Expenses:</b>			
Salaries and benefits	--	--	147,903
Services and supplies	706,741	50,920	2,626,672
Depreciation	--	--	420,817
	<hr/>	<hr/>	<hr/>
Total operating expenses	706,741	50,920	3,195,392
	<hr/>	<hr/>	<hr/>
Operating income (loss)	<u>(170,290)</u>	<u>4,735</u>	<u>3,570</u>
	<hr/>	<hr/>	<hr/>
<b>Non-Operating Revenue:</b>			
Interest revenue	470	30	3,982
Reimbursements and miscellaneous revenues	--	--	5,565
Loss on sale of assets	--	--	(32,239)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenue	470	30	(22,692)
	<hr/>	<hr/>	<hr/>
Change in net position	(169,820)	4,765	(19,122)
	<hr/>	<hr/>	<hr/>
Net position, beginning of year	8,924	17,344	2,492,884
Prior period adjustment	--	--	(133,353)
	<hr/>	<hr/>	<hr/>
Net position, beginning of year restated	8,924	17,344	2,359,531
	<hr/>	<hr/>	<hr/>
Net position, end of year	<u>\$ (160,896)</u>	<u>\$ 22,109</u>	<u>\$ 2,340,409</u>



**COUNTY OF INYO**

Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2015

	Purchasing Revolving	Motor Pool	Workers' Compensation
<b>Cash Flows from Operating Activities</b>			
Cash receipts from internal services provided	\$ 140,004	\$ 1,501,816	\$ 964,907
Cash paid to suppliers for goods and services	(139,804)	(775,896)	(933,395)
Cash paid to employees for salaries and benefits	--	(155,416)	--
	<u>200</u>	<u>570,504</u>	<u>31,512</u>
<b>Net cash provided (used) by operating activities</b>			
<b>Cash Flows from Non Capital Financing Activities</b>			
Miscellaneous revenue	527	5,038	--
Interfund loans from other funds	--	--	115,000
	<u>527</u>	<u>5,038</u>	<u>115,000</u>
<b>Net cash provided (used) by non capital financing activities</b>			
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments related to the acquisition of capital assets	--	(153,785)	--
	<u>--</u>	<u>(153,785)</u>	<u>--</u>
<b>Net cash provided (used) by capital and related financing activities</b>			
<b>Cash Flows from Investing Activities</b>			
Interest received	--	2,961	--
	<u>--</u>	<u>2,961</u>	<u>--</u>
<b>Net cash provided (used) by investing activities</b>			
Net increase (decrease) in cash and cash equivalents	727	424,718	146,512
Cash and cash equivalents, beginning of year	123,782	1,450,893	106,729
Cash and cash equivalents, end of year	<u>\$ 124,509</u>	<u>\$ 1,875,611</u>	<u>\$ 253,241</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (2,290)	\$ 140,323	\$ 31,092
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	--	420,817	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	--	(129)	--
Inventory	(559)	--	--
Increase (decrease) in:			
Accounts payable	3,049	17,006	420
Accrued salaries	--	(168)	--
Liability for compensated absences	--	1,528	--
Liability for self insurance	--	--	--
Net pension liability	--	(8,873)	--
	<u>\$ 200</u>	<u>\$ 570,504</u>	<u>\$ 31,512</u>
<b>Net cash provided (used) by operating activities</b>			

continued

**COUNTY OF INYO**

Statement of Cash Flows  
Internal Service Funds (continued)  
For the Year Ended June 30, 2015

	County Liability	Medical Malpractice	Total
<b>Cash Flows from Operating Activities</b>			
Cash receipts from internal services provided	\$ 536,451	\$ 55,655	\$ 3,198,833
Cash paid to suppliers for goods and services	(773,438)	(50,920)	(2,673,453)
Cash paid to employees for salaries and benefits	--	--	(155,416)
	<u>(236,987)</u>	<u>4,735</u>	<u>369,964</u>
<b>Net cash provided (used) by operating activities</b>			
<b>Cash Flows from Non Capital Financing Activities</b>			
Miscellaneous revenue	--	--	5,565
Interfund loans from other funds	--	--	115,000
	<u>--</u>	<u>--</u>	<u>120,565</u>
<b>Net cash provided (used) by non capital financing activities</b>			
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments related to the acquisition of capital assets	--	--	(153,785)
	<u>--</u>	<u>--</u>	<u>(153,785)</u>
<b>Net cash provided (used) by capital and related financing activities</b>			
<b>Cash Flows from Investing Activities</b>			
Interest received	604	23	3,588
	<u>604</u>	<u>23</u>	<u>3,588</u>
<b>Net cash provided (used) by investing activities</b>			
<b>Net increase (decrease) in cash and cash equivalents</b>	(236,383)	4,758	340,332
<b>Cash and cash equivalents, beginning of year</b>	447,113	17,334	2,145,851
<b>Cash and cash equivalents, end of year</b>	<u>\$ 210,730</u>	<u>\$ 22,092</u>	<u>\$ 2,486,183</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (170,290)	\$ 4,735	\$ 3,570
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	--	--	420,817
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	--	--	(129)
Inventory	--	--	(559)
Increase (decrease) in:			
Accounts payable	303	--	20,778
Accrued salaries	--	--	(168)
Liability for compensated absences	--	--	1,528
Liability for self insurance	(67,000)	--	(67,000)
Net pension liability	--	--	(8,873)
	<u>--</u>	<u>--</u>	<u>(8,873)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (236,987)</u>	<u>\$ 4,735</u>	<u>\$ 369,964</u>

## **Fiduciary Funds**

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Investment trust funds are used to account for the assets of legally separate entities that deposit cash with the County Treasurer in an investment pool. These include school districts and other special districts governed by local boards.

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**COUNTY OF INYO**

Combining Statement of Fiduciary Net Position  
Investment Trust Funds  
June 30, 2015

	Special Districts Governed by Local Boards	School Districts	Total
<b>Assets</b>			
Cash and investments	\$ 18,584,058	\$ 29,033,907	\$ 47,617,965
Imprest cash	3,444	--	3,444
Cash with fiscal agent	63,285	--	63,285
Interest receivable	17,016	24,681	41,697
Total assets	<u>\$ 18,667,803</u>	<u>\$ 29,058,588</u>	<u>\$ 47,726,391</u>
<b>Liabilities</b>			
Due to other funds	20,000	--	20,000
Total liabilities	<u>20,000</u>	<u>--</u>	<u>20,000</u>
<b>Net Position</b>			
Net position held in trust for investment pool participants	18,647,803	29,058,588	\$ 47,706,391
Total net position	<u>\$ 18,647,803</u>	<u>\$ 29,058,588</u>	<u>\$ 47,706,391</u>

