

**COUNTY OF INYO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**



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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, 2016, 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

Basis for Qualified Opinion on Discretely Presented Component Unit

First 5 Inyo County has not implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and therefore, has not recorded a pension liability. The amount of the pension liability could not be determined.

Qualified Opinion

In our opinion except for the effects of the matter described in the “Basis for Qualified Opinion on Discretely Presented Component Unit” paragraph, the financial statements of the discretely presented component unit present fairly, in all material respects, the financial position of the activities of First 5 Inyo County as of June 30, 2016 and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Honorable Board of Supervisors and the Grand Jury
County of Inyo

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2017 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.



Roseville, California
March 21, 2017

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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, 2016

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, 2016. 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 \$48,074,955 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 \$31,895,308 (*net position*). The majority of this amount, \$57,040,458 is the net investment in capital assets, while \$10,782,434 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 \$(35,927,584).

Fund financial analysis

Total fund balances for the County's governmental funds amounted to \$40,162,545 as of June 30, 2016, an increase of \$545,923 from the prior fiscal year.

Spendable fund balance in the General Fund, at year end was \$28.7 million, or 55.9% of its total expenditures for the year.

Capital asset and long-term liabilities

The County's investment in capital assets has increased by \$4,225,507 from \$55,516,214 to \$59,741,721. These balances consisted of \$48,271,940 for the governmental activities and \$11,469,781 for the business-type activities.

The County's outstanding long term liabilities have increased by \$11,934,018. The significant increase in the County's long term liabilities is primarily due to an increase in the County's net pension liability of \$8.5 million. Additional increases are due to an increase of \$2.7 million in other post-employee benefit (OPEB) liability and new capital leases in the amount of \$986,001.

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, 2016

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 14-16 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 considered to be major funds. Data from other governmental funds are combined into a single, aggregate

COUNTY OF INYO

Management's Discussion and Analysis (MD & A) June 30, 2016

presentation under the Other Governmental heading. Individual data for the other governmental funds can be found in Other Supplementary Information on pages 66-72.

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 17-20 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 21-24 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 25-26 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 27-28 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 59-65 of this report.

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Management's Discussion and Analysis (MD & A)
June 30, 2016

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 \$31,895,308 at June 30, 2016.

| Condensed Statement of Net Position | | | | | | | |
|-------------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total | | Total % Change |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| Assets: | | | | | | | |
| Current and other assets | \$ 56,588,035 | \$ 54,089,609 | \$ 5,307,363 | \$ 4,255,571 | \$ 61,895,398 | \$ 58,345,180 | 6.08% |
| Capital assets | 48,271,940 | 46,883,384 | 11,469,781 | 8,632,830 | 59,741,721 | 55,516,214 | 7.61% |
| Total assets | 104,859,975 | 100,972,993 | 16,777,144 | 12,888,401 | 121,637,119 | 113,861,394 | 6.83% |
| Deferred outflows: | 6,843,530 | 6,091,975 | 287,262 | 200,634 | 7,130,792 | 6,292,609 | 100% |
| Liabilities: | | | | | | | |
| Current and other liabilities | 12,282,676 | 11,737,242 | 1,242,094 | 387,458 | 13,524,770 | 12,124,700 | 11.55% |
| Long-term liabilities | 70,811,944 | 59,612,928 | 8,252,761 | 7,517,759 | 79,064,705 | 67,130,687 | 17.78% |
| Total liabilities | 83,094,620 | 71,350,170 | 9,494,855 | 7,905,217 | 92,589,475 | 79,255,387 | 16.82% |
| Deferred inflows: | 4,110,583 | 10,082,271 | 172,545 | 308,229 | 4,283,128 | 10,390,500 | 100% |
| Net Position: | | | | | | | |
| Net investment in capital assets | 46,246,221 | 45,607,610 | 10,794,237 | 7,810,065 | 57,040,458 | 53,417,675 | 6.78% |
| Restricted | 10,782,434 | 11,452,064 | -- | -- | 10,782,434 | 11,452,064 | -5.85% |
| Unrestricted | (32,530,353) | (31,427,147) | (3,397,231) | (2,934,476) | (35,927,584) | (34,361,623) | 4.56% |
| Total net position | \$ 24,498,302 | \$ 25,632,527 | \$ 7,397,006 | \$ 4,875,589 | \$ 31,895,308 | \$ 30,508,116 | 4.55% |

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.

The most significant portion of the County's net position, \$57,040,458, or 179%, 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.

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Management's Discussion and Analysis (MD & A)
June 30, 2016

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.

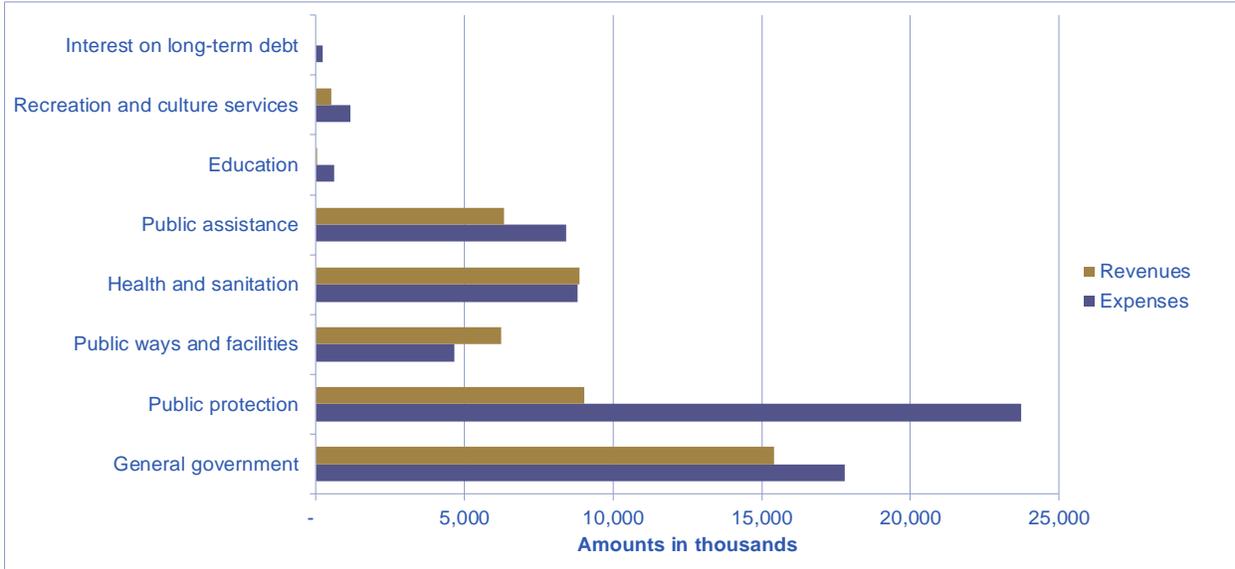
| Condensed Statement of Changes in Net Position | | | | | | | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total | | Total % Change |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 10,080,493 | \$ 9,107,791 | \$ 3,311,907 | \$ 3,270,652 | \$ 13,392,400 | \$ 12,378,443 | 8.19% |
| Operating grants and contributions | 34,177,071 | 37,482,636 | 193,985 | 518,208 | 34,371,056 | 38,000,844 | -9.55% |
| Capital grants and contributions | 2,141,834 | 300,004 | 3,501,940 | 1,204,094 | 5,643,774 | 1,504,098 | 275.23% |
| General revenues: | | | | | | | |
| Property taxes | 7,098,028 | 12,070,842 | -- | -- | 7,098,028 | 12,070,842 | -41.20% |
| Sales and use taxes | 2,712,238 | 1,157,585 | 1,308,042 | 1,506,129 | 4,020,280 | 2,663,714 | 50.93% |
| Other taxes | 8,082,594 | 3,667,596 | -- | -- | 8,082,594 | 3,667,596 | 120.38% |
| Interest and investment earnings | 429,055 | 563,811 | 8,056 | 4,824 | 437,111 | 568,635 | -23.13% |
| Other revenue | 55,869 | 5,565 | 17,419 | 399,350 | 73,288 | 404,915 | -81.90% |
| Total revenues | 64,777,182 | 64,355,830 | 8,341,349 | 6,903,257 | 73,118,531 | 71,259,087 | 2.61% |
| Expenses: | | | | | | | |
| General government | 16,092,848 | 12,290,486 | -- | -- | 16,092,848 | 12,290,486 | 30.94% |
| Public protection | 23,739,560 | 23,946,594 | -- | -- | 23,739,560 | 23,946,594 | -0.86% |
| Public ways and facilities | 6,348,451 | 6,652,889 | -- | -- | 6,348,451 | 6,652,889 | -4.58% |
| Health and sanitation | 8,799,364 | 7,581,253 | -- | -- | 8,799,364 | 7,581,253 | 16.07% |
| Public assistance | 8,405,669 | 7,346,718 | -- | -- | 8,405,669 | 7,346,718 | 14.41% |
| Education | 624,551 | 609,993 | -- | -- | 624,551 | 609,993 | 2.39% |
| Recreation and culture services | 1,162,924 | 1,095,710 | -- | -- | 1,162,924 | 1,095,710 | 6.13% |
| Interest on long-term debt | 224,221 | 188,677 | -- | -- | 224,221 | 188,677 | 18.84% |
| Airport | -- | -- | 1,941,458 | 1,924,241 | 1,941,458 | 1,924,241 | 0.89% |
| Solid Waste | -- | -- | 3,053,115 | 2,354,566 | 3,053,115 | 2,354,566 | 29.67% |
| Water System | -- | -- | 518,590 | 425,920 | 518,590 | 425,920 | 21.76% |
| CSA #2 | -- | -- | 38,062 | 59,420 | 38,062 | 59,420 | -35.94% |
| Mosquito Abatement | -- | -- | 782,526 | 552,384 | 782,526 | 552,384 | 41.66% |
| Total Expenses | 65,397,588 | 59,712,320 | 6,333,751 | 5,316,531 | 71,731,339 | 65,028,851 | 10.31% |
| Change in net position before transfers | (620,406) | 4,643,510 | 2,007,598 | 1,586,726 | 1,387,192 | 6,230,236 | -77.73% |
| Transfers | (513,819) | (286,058) | 513,819 | 286,058 | -- | -- | |
| Change in net position | (1,134,225) | 4,357,452 | 2,521,417 | 1,872,784 | 1,387,192 | 6,230,236 | -77.73% |
| Net positing, beginning | 25,632,527 | 69,883,880 | 4,875,589 | 4,424,828 | 30,508,116 | 74,308,708 | -58.94% |
| Prior period adjustment | -- | (48,608,805) | -- | (1,422,023) | -- | (50,030,828) | 100.00% |
| Net positing, beginning restated | 25,632,527 | 21,275,075 | 4,875,589 | 3,002,805 | 30,508,116 | 24,277,880 | 25.66% |
| Net position, ending | \$ 24,498,302 | \$ 25,632,527 | \$ 7,397,006 | \$ 4,875,589 | \$ 31,895,308 | \$ 30,508,116 | 4.55% |

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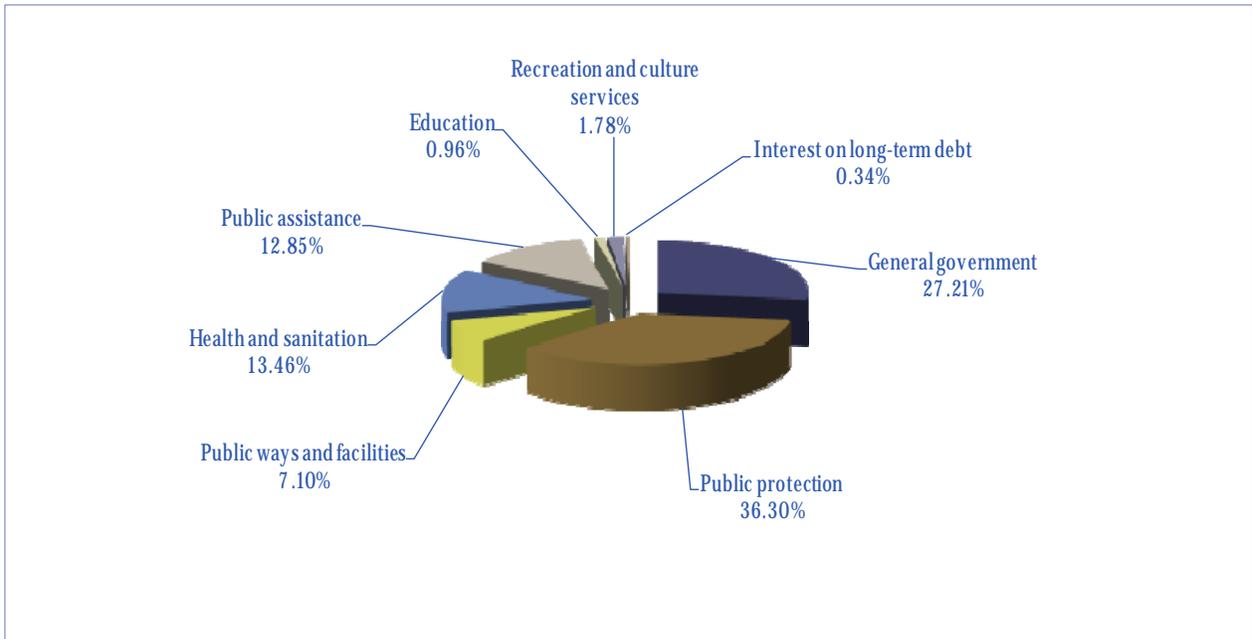
Management's Discussion and Analysis (MD & A)
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Governmental activities experienced a decrease in change in net position of \$1.1 million due to relatively stable revenues and an increase in expenses of \$5.7 million over the prior year.

**Governmental Activities
Revenue and Expenses by Function**



**Governmental Activities
Percent of Revenue by Function**



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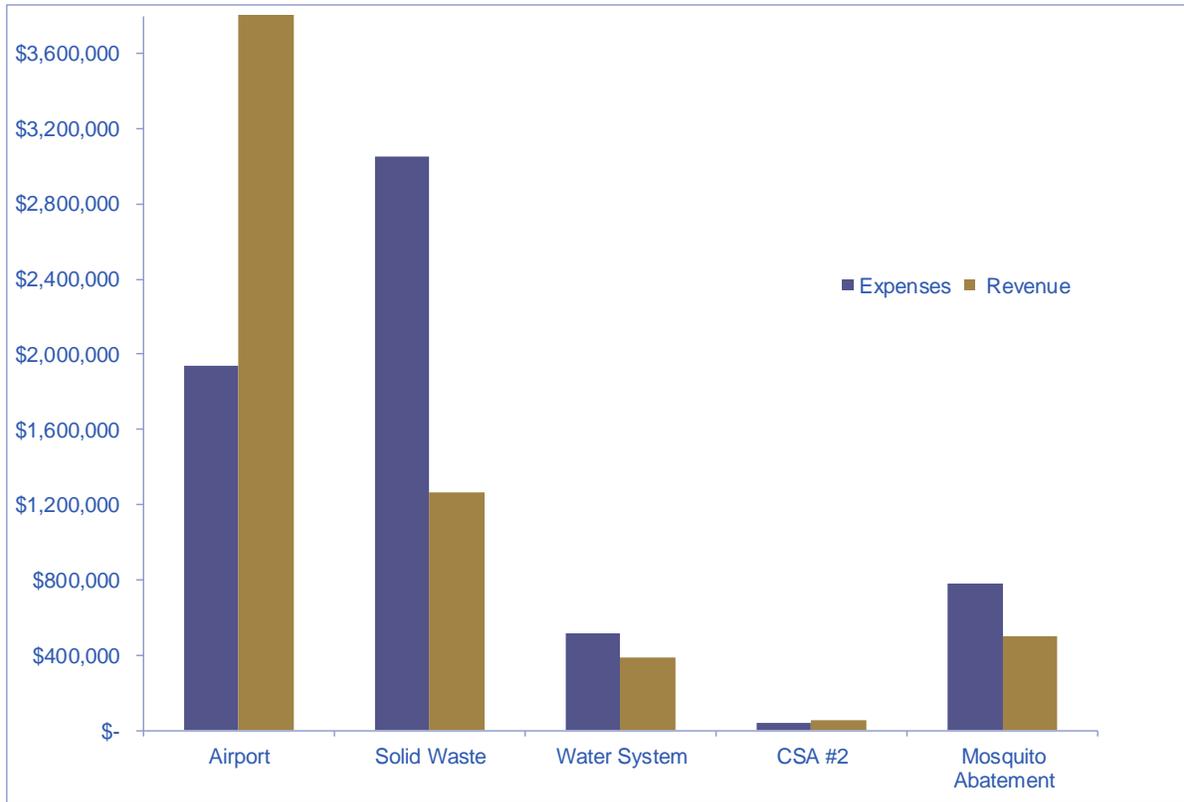
Management's Discussion and Analysis (MD & A)
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Some of the more relevant sections of the chart are highlighted below.

- 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 \$65,397,588, with public protection expenses of \$23,739,560 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**

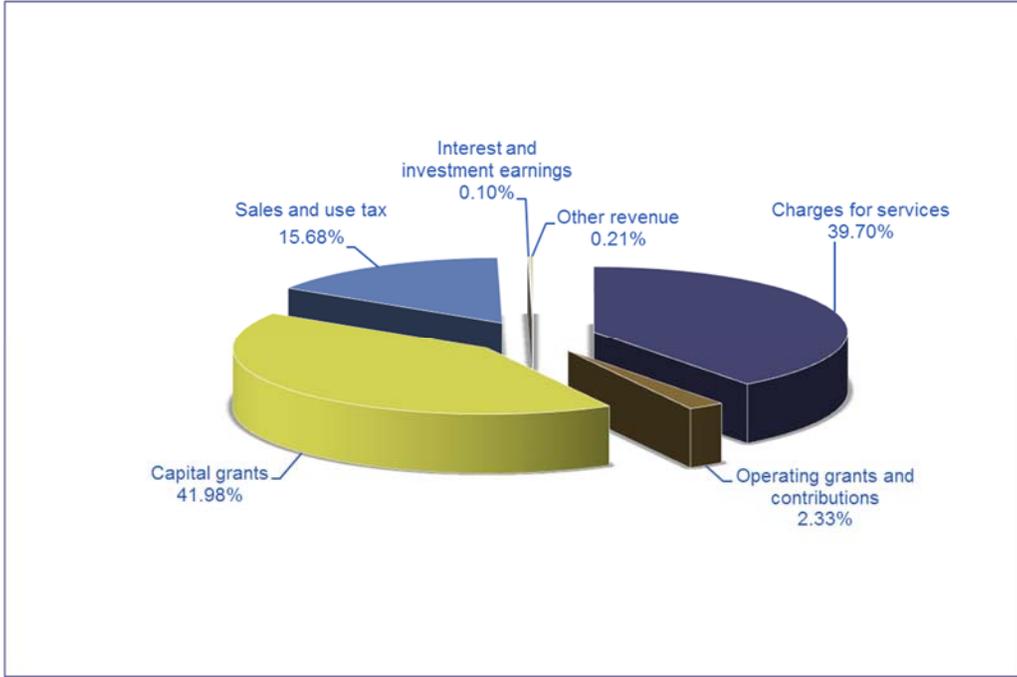


Total program revenue for business-type activities was \$7,007,832 and charges for services accounted for \$3,311,907 of the total.

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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 19 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, 2016, the County's governmental funds reported combined ending fund balances of \$40,162,545. 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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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, 2016. The Statement of Revenues, Expenses and Changes in Fund Net Position for Proprietary Funds can be found on page 22 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, 2016, amount to \$59,741,721 (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 42-43 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 44-47 and Note 10-12 on pages 48-57.

| Long term Liabilities | | | | | | |
|--------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Capital leases payable | \$ 862,498 | \$ -- | \$ 675,544 | \$ 822,765 | \$ 1,538,042 | \$ 822,765 |
| Compensated absences | 1,509,116 | 1,438,378 | 59,214 | 67,055 | 1,568,330 | 1,505,433 |
| Claims liability | 348,000 | 348,000 | -- | -- | 348,000 | 348,000 |
| Closure-post closure liability | -- | -- | 5,566,694 | 5,408,131 | 5,566,694 | 5,408,131 |
| Loans payable | 5,007,221 | 5,222,774 | -- | -- | 5,007,221 | 5,222,774 |
| Other post employment benefits | 16,961,463 | 14,286,660 | -- | -- | 16,961,463 | 14,286,660 |
| Net pension liability | 46,123,646 | 38,317,116 | 1,951,309 | 1,219,808 | 48,074,955 | 39,536,924 |
| Total | \$ 70,811,944 | \$ 59,612,928 | \$ 8,252,761 | \$ 7,517,759 | \$ 79,064,705 | \$ 67,130,687 |

COUNTY OF INYO

Management's Discussion and Analysis (MD & A)
June 30, 2016

Economic Factors and Next Year's Budget

- ❑ The County continues to see relatively minimal growth in revenues. The County's 2016-2017 budget benefited an estimated increased in revenue of \$1.4 million. Of the \$1.4 million, \$900,000 is coming from general revenues and expenditures, which is generated from sales tax, transient occupancy tax, and property tax.
- ❑ Although the 2016-2017 County budget seems to be looking up with increased revenue, and expenditures growing at a similar pace, there is still concern about growing personnel costs that may out-track revenue growth in the next five years. The County has been notified by CalPERS of changes to pension cost starting in 2017-2018, which will increase costs to the County.
- ❑ 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, 2016

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|----------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Totals | First 5 Inyo |
| Assets | | | | |
| Cash and investments | \$ 49,087,759 | \$ 4,103,982 | \$ 53,191,741 | \$ 848,375 |
| Imprest cash | 2,895 | 1,065 | 3,960 | -- |
| Cash with fiscal agent | 66,605 | -- | 66,605 | -- |
| Internal balances | 641,000 | (641,000) | -- | -- |
| Due from external parties | 1,906,154 | -- | 1,906,154 | -- |
| Accounts receivable | 2,507,296 | 797,242 | 3,304,538 | -- |
| Interest receivable | 127,821 | 7,249 | 135,070 | 1,790 |
| Prepaid expenses | 36,073 | -- | 36,073 | 334 |
| Deposits with others | 41,700 | -- | 41,700 | -- |
| Notes receivable | 780,000 | -- | 780,000 | -- |
| Inventories | 281,140 | 35,286 | 316,426 | -- |
| Due from other governmental agencies | 1,109,592 | 1,003,539 | 2,113,131 | 73,962 |
| Capital assets: | | | | |
| Nondepreciable | 10,027,455 | 2,878,109 | 12,905,564 | -- |
| Depreciable, net | 38,244,485 | 8,591,672 | 46,836,157 | -- |
| Total assets | <u>104,859,975</u> | <u>16,777,144</u> | <u>121,637,119</u> | <u>924,461</u> |
| Deferred outflows of resources | | | | |
| Deferred pensions | 6,843,530 | 287,262 | 7,130,792 | -- |
| Liabilities | | | | |
| Accounts payable | 1,518,683 | 1,164,583 | 2,683,266 | 11,037 |
| Accrued salaries and benefits | 1,915,839 | 61,232 | 1,977,071 | 4,975 |
| Unearned revenue | 8,840,100 | 15,000 | 8,855,100 | -- |
| Interest payable | 8,054 | 1,279 | 9,333 | -- |
| Long-term liabilities: | | | | |
| Portion due or payable within one year: | | | | |
| Compensated absences | 1,509,116 | 59,214 | 1,568,330 | 4,487 |
| Claims liability | 100,000 | -- | 100,000 | -- |
| Loan payable | 229,729 | -- | 229,729 | -- |
| Capital leases | 191,844 | 129,884 | 321,728 | -- |
| Portion due or payable after one year: | | | | |
| Compensated absences | -- | -- | -- | 4,487 |
| Claims liability | 248,000 | -- | 248,000 | -- |
| Loan payable | 4,777,492 | -- | 4,777,492 | -- |
| Capital leases | 670,654 | 545,660 | 1,216,314 | -- |
| Closure/post closure liability | -- | 5,566,694 | 5,566,694 | -- |
| Other post-employment benefit liability | 16,961,463 | -- | 16,961,463 | -- |
| Net pension liability | 46,123,646 | 1,951,309 | 48,074,955 | -- |
| Total liabilities | <u>83,094,620</u> | <u>9,494,855</u> | <u>92,589,475</u> | <u>24,986</u> |
| Deferred inflows of resources | | | | |
| Deferred pensions | 4,110,583 | 172,545 | 4,283,128 | -- |
| Net Position | | | | |
| Net investment in capital assets | 46,246,221 | 10,794,237 | 57,040,458 | -- |
| Restricted for public ways programs | 6,487,460 | -- | 6,487,460 | -- |
| Restricted for other purposes | 4,294,974 | -- | 4,294,974 | 899,475 |
| Unrestricted | (32,530,353) | (3,397,231) | (35,927,584) | -- |
| Total net position | <u>\$ 24,498,302</u> | <u>\$ 7,397,006</u> | <u>\$ 31,895,308</u> | <u>\$ 899,475</u> |

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

COUNTY OF INYO

For the Year Ended June 30, 2016
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 | \$ 16,092,848 | \$ 6,119,628 | \$ 9,285,286 | \$ -- |
| Public protection | 23,739,560 | 1,592,589 | 7,356,698 | 64,004 |
| Public ways and facilities | 6,348,451 | 249,534 | 3,909,011 | 2,077,830 |
| Health and sanitation | 8,799,364 | 1,602,845 | 7,250,431 | -- |
| Public assistance | 8,405,669 | 162,927 | 6,169,430 | -- |
| Education | 624,551 | 10,145 | 39,784 | -- |
| Recreation and culture | 1,162,924 | 342,825 | 166,431 | -- |
| Interest on long-term debt | 224,221 | -- | -- | -- |
| Total governmental activities | <u>65,397,588</u> | <u>10,080,493</u> | <u>34,177,071</u> | <u>2,141,834</u> |
| Business-type Activities: | | | | |
| Airport | 1,941,458 | 1,263,767 | 40,000 | 3,501,940 |
| Solid Waste | 3,053,115 | 1,148,241 | 115,177 | -- |
| Water System | 518,590 | 386,115 | -- | -- |
| CSA #2 | 38,062 | 52,138 | -- | -- |
| Mosquito Abatement | 782,526 | 461,646 | 38,808 | -- |
| Total business-type activities | <u>6,333,751</u> | <u>3,311,907</u> | <u>193,985</u> | <u>3,501,940</u> |
| Total primary government | <u>\$ 71,731,339</u> | <u>\$ 13,392,400</u> | <u>\$ 34,371,056</u> | <u>\$ 5,643,774</u> |
| Component Unit | | | | |
| First Five Inyo | <u>\$ 248,272</u> | <u>\$ --</u> | <u>\$ 375,000</u> | <u>\$ --</u> |

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

 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 |
| \$ (687,934) | \$ -- | \$ (687,934) | \$ -- |
| (14,726,269) | -- | (14,726,269) | -- |
| (112,076) | -- | (112,076) | -- |
| 53,912 | -- | 53,912 | -- |
| (2,073,312) | -- | (2,073,312) | -- |
| (574,622) | -- | (574,622) | -- |
| (653,668) | -- | (653,668) | -- |
| (224,221) | -- | (224,221) | -- |
| <u>(18,998,190)</u> | <u>--</u> | <u>(18,998,190)</u> | <u>--</u> |
| -- | 2,864,249 | 2,864,249 | -- |
| -- | (1,789,697) | (1,789,697) | -- |
| -- | (132,475) | (132,475) | -- |
| -- | 14,076 | 14,076 | -- |
| -- | (282,072) | (282,072) | -- |
| <u>--</u> | <u>674,081</u> | <u>674,081</u> | <u>--</u> |
| <u>\$ (18,998,190)</u> | <u>\$ 674,081</u> | <u>\$ (18,324,109)</u> | <u>\$ --</u> |
| | | | \$ 126,728 |
| \$ 7,098,028 | \$ -- | \$ 7,098,028 | -- |
| 2,712,238 | 1,308,042 | 4,020,280 | -- |
| 8,082,594 | -- | 8,082,594 | -- |
| 55,869 | 8,056 | 63,925 | -- |
| 429,055 | 17,419 | 446,474 | 4,414 |
| (513,819) | 513,819 | -- | -- |
| <u>17,863,965</u> | <u>1,847,336</u> | <u>19,711,301</u> | <u>4,414</u> |
| (1,134,225) | 2,521,417 | 1,387,192 | 131,142 |
| <u>25,632,527</u> | <u>4,875,589</u> | <u>30,508,116</u> | <u>768,333</u> |
| <u>\$ 24,498,302</u> | <u>\$ 7,397,006</u> | <u>\$ 31,895,308</u> | <u>\$ 899,475</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, 2016

| | <u>General</u> | <u>Road</u> | <u>Grant Programs</u> | <u>Other Governmental</u> | <u>Total</u> |
|---|---------------------|--------------------|---------------------------|-------------------------------|---------------------|
| Assets | | | | | |
| Cash and investments | \$35,629,765 | \$4,787,066 | \$1,785,351 | \$ 4,051,056 | \$46,253,238 |
| Restricted Assets: | | | | | |
| Cash with fiscal agent | 66,605 | -- | -- | -- | 66,605 |
| Imprest cash | 2,555 | -- | 300 | 40 | 2,895 |
| Interest receivable | 103,065 | 9,755 | 2,620 | 7,895 | 123,335 |
| Accounts receivable | 1,359,817 | 822,071 | 311,971 | 12,998 | 2,506,857 |
| Due from other funds | 3,168,477 | -- | -- | -- | 3,168,477 |
| Due from other governments | 664,833 | -- | 146,000 | 298,759 | 1,109,592 |
| Loans receivable | -- | -- | 780,000 | -- | 780,000 |
| Inventory | -- | 277,387 | -- | -- | 277,387 |
| Deposits with others | 41,700 | -- | -- | -- | 41,700 |
| Advances to other funds | 137,000 | -- | -- | -- | 137,000 |
| Prepaid expenses | 32,572 | -- | 3,334 | 167 | 36,073 |
| Total Assets | <u>\$41,206,389</u> | <u>\$5,896,279</u> | <u>\$3,029,576</u> | <u>\$ 4,370,915</u> | <u>\$54,503,159</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 1,313,855 | \$ 99,415 | \$ 47,963 | \$ 10,259 | \$ 1,471,492 |
| Accrued salaries and benefits | 1,716,601 | 98,296 | 46,273 | 48,843 | 1,910,013 |
| Due to other funds | -- | -- | 420,710 | 92,613 | 513,323 |
| Unearned revenue | 9,118,995 | -- | -- | -- | 9,118,995 |
| Total liabilities | <u>12,149,451</u> | <u>197,711</u> | <u>514,946</u> | <u>151,715</u> | <u>13,013,823</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenue | 207,442 | 818,936 | 300,413 | -- | 1,326,791 |
| Fund balances: | | | | | |
| Nonspendable | 169,572 | 277,387 | 3,334 | 167 | 450,460 |
| Restricted | 1,150,816 | 4,602,245 | 2,210,883 | 1,209,470 | 9,173,414 |
| Assigned | 4,547,270 | -- | -- | 3,009,563 | 7,556,833 |
| Unassigned | 22,981,838 | -- | -- | -- | 22,981,838 |
| Total fund balances | <u>28,849,496</u> | <u>4,879,632</u> | <u>2,214,217</u> | <u>4,219,200</u> | <u>40,162,545</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$41,206,389</u> | <u>\$5,896,279</u> | <u>\$3,029,576</u> | <u>\$ 4,370,915</u> | <u>\$54,503,159</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, 2016

| | |
|---|----------------------|
| Fund Balance - total governmental funds | \$ 40,162,545 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 46,831,507 |
| Deferred outflows of resources reported in the Statement of Net Position | 6,817,773 |
| 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: | 2,595,581 |
| Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds. | 1,605,686 |
| Deferred inflows of resources reported in the Statement of Net Position | (4,095,112) |
| 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 | (5,007,221) |
| Other post employment benefits liability | (16,961,463) |
| Compensated absences | (1,492,946) |
| Net pension liability | <u>(45,949,994)</u> |
| Net position of governmental activities | <u>\$ 24,498,302</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, 2016

| | <u>General</u> | <u>Road</u> | <u>Grant Programs</u> | <u>Other Governmental</u> | <u>Total</u> |
|--|----------------------|---------------------|---------------------------|-------------------------------|----------------------|
| Revenues | | | | | |
| Taxes | \$ 17,790,753 | \$ -- | \$ 37,927 | \$ 64,180 | \$ 17,892,860 |
| Licenses and permits | 672,172 | 17,950 | -- | -- | 690,122 |
| Fines, forfeitures and penalties | 1,439,248 | -- | -- | -- | 1,439,248 |
| Use of money and property | 364,404 | 25,341 | 9,372 | 19,971 | 419,088 |
| Intergovernmental | 25,884,012 | 5,986,415 | 1,791,036 | 1,626,201 | 35,287,664 |
| Charges for services | 7,097,154 | 193,624 | 26,548 | 162,816 | 7,480,142 |
| Other revenues | 434,928 | 37,810 | 1,074 | 3,278 | 477,090 |
| Total revenues | <u>53,682,671</u> | <u>6,261,140</u> | <u>1,865,957</u> | <u>1,876,446</u> | <u>63,686,214</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 12,254,698 | -- | 209,533 | -- | 12,464,231 |
| Public protection | 22,019,737 | -- | 610,217 | 1,164,594 | 23,794,548 |
| Public ways and facilities | 49,440 | 4,223,155 | -- | 25,781 | 4,298,376 |
| Health and sanitation | 7,206,712 | -- | 589,966 | 541,351 | 8,338,029 |
| Public assistance | 7,245,318 | -- | 932,499 | -- | 8,177,817 |
| Education | 600,602 | -- | -- | -- | 600,602 |
| Recreation and culture | 1,017,671 | -- | 15,949 | -- | 1,033,620 |
| Capital outlay | 493,682 | 2,847,823 | 185,711 | -- | 3,527,216 |
| Debt Service: | | | | | |
| Principal | 167,902 | -- | -- | -- | 167,902 |
| Interest | 224,221 | -- | -- | -- | 224,221 |
| Total expenditures | <u>51,279,983</u> | <u>7,070,978</u> | <u>2,543,875</u> | <u>1,731,726</u> | <u>62,626,562</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>2,402,688</u> | <u>(809,838)</u> | <u>(677,918)</u> | <u>144,720</u> | <u>1,059,652</u> |
| Other Financing Sources (Uses) | | | | | |
| Sale of fixed assets | 90 | -- | -- | -- | 90 |
| Transfers in | 12,660 | -- | 111,974 | 324,708 | 449,342 |
| Transfers out | <u>(697,758)</u> | -- | <u>(151,267)</u> | <u>(114,136)</u> | <u>(963,161)</u> |
| Total other financing sources (uses) | <u>(685,008)</u> | -- | <u>(39,293)</u> | <u>210,572</u> | <u>(513,729)</u> |
| Net change in fund balances | 1,717,680 | (809,838) | (717,211) | 355,292 | 545,923 |
| Fund balances, beginning 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> |
| Fund balances, end of year | <u>\$ 28,849,496</u> | <u>\$ 4,879,632</u> | <u>\$ 2,214,217</u> | <u>\$ 4,219,200</u> | <u>\$ 40,162,545</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, 2016

Net change to fund balance - total governmental funds \$ 545,923

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 | 3,590,216 | |
| Less: current year depreciation | <u>(2,876,403)</u> | |
| | | 713,813 |

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues
in governmental funds. 924,361

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 167,902

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 | (2,674,803) | |
| Change in compensated absences | (22,192) | |
| Change in net pension liability | <u>(1,044,401)</u> | |
| | | (3,741,396) |

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. 255,172

Change in net position of governmental activities (page 16) \$ (1,134,225)

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

COUNTY OF INYO

Statement of Net Position
Proprietary Funds
June 30, 2016

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|--|---|-----------------------|---------------------------|---------------------|------------------------|
| | Airport | Solid Waste | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 576,666 | \$ 1,163,627 | \$ 699,376 | \$ 2,439,669 | \$ 2,834,521 |
| Imprest cash | 265 | 800 | -- | 1,065 | -- |
| Accounts receivable | 590,786 | 123,582 | 82,874 | 797,242 | 439 |
| Due from other governments | 1,003,539 | -- | -- | 1,003,539 | -- |
| Interest receivable | 214 | 5,584 | 1,451 | 7,249 | 4,486 |
| Inventory | 35,286 | -- | -- | 35,286 | 3,753 |
| Noncurrent assets: | | | | | |
| Restricted cash | -- | 1,664,313 | -- | 1,664,313 | -- |
| Capital assets: | | | | | |
| Nondepreciable | 2,878,109 | -- | -- | 2,878,109 | 6,979 |
| Depreciable, net | 5,163,348 | 1,446,202 | 1,982,122 | 8,591,672 | 1,433,454 |
| Total assets | <u>10,248,213</u> | <u>4,404,108</u> | <u>2,765,823</u> | <u>17,418,144</u> | <u>4,283,632</u> |
| Deferred Outflows | | | | | |
| Deferred outflows - pension | <u>44,721</u> | <u>161,289</u> | <u>81,252</u> | <u>287,262</u> | <u>25,757</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 923,990 | 200,903 | 37,490 | 1,162,383 | 47,191 |
| Accrued salaries and benefits | 11,109 | 29,637 | 20,486 | 61,232 | 5,826 |
| Due to other funds | 636,000 | -- | 5,000 | 641,000 | 120,000 |
| Compensated absences | 10,711 | 30,916 | 17,587 | 59,214 | 16,170 |
| Interest payable | -- | 1,279 | -- | 1,279 | -- |
| Unearned revenue | -- | 15,000 | -- | 15,000 | -- |
| Due to other governments | 2,200 | -- | -- | 2,200 | -- |
| Liability for self-insurance | -- | -- | -- | -- | 100,000 |
| Capital leases payable | -- | 129,884 | -- | 129,884 | 191,844 |
| Noncurrent liabilities: | | | | | |
| Advances from other funds | -- | -- | -- | -- | 125,000 |
| Liability for self-insurance | -- | -- | -- | -- | 248,000 |
| Capital leases payable | -- | 545,660 | -- | 545,660 | 670,654 |
| Estimated liability for landfill closure/ postclosure costs | -- | 5,566,694 | -- | 5,566,694 | -- |
| Net pension liability | 316,123 | 1,087,394 | 547,792 | 1,951,309 | 173,652 |
| Total liabilities | <u>1,900,133</u> | <u>7,607,367</u> | <u>628,355</u> | <u>10,135,855</u> | <u>1,698,337</u> |
| Deferred Inflows | | | | | |
| Deferred inflows - pension | <u>26,862</u> | <u>96,879</u> | <u>48,804</u> | <u>172,545</u> | <u>15,471</u> |
| Net Position | | | | | |
| Net investment in capital assets | 8,041,457 | 770,658 | 1,982,122 | 10,794,237 | 577,935 |
| Unrestricted | 324,482 | (3,909,507) | 187,794 | (3,397,231) | 2,017,646 |
| Total net position | <u>\$ 8,365,939</u> | <u>\$ (3,138,849)</u> | <u>\$ 2,169,916</u> | <u>\$ 7,397,006</u> | <u>\$ 2,595,581</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, 2016

| | Business-type Activities - Enterprise Funds | | | Governmental |
|--|---|-----------------------|---------------------------|------------------------|
| | Airport | Solid Waste | Nonmajor Enterprise Funds | Internal Service Funds |
| Operating Revenues: | | | | |
| Charges for services | \$ 1,263,767 | \$ 820,320 | \$ 899,899 | \$ 3,354,706 |
| Other revenues | 4,788 | 331,189 | -- | 3,870 |
| Total operating revenues | <u>1,268,555</u> | <u>1,151,509</u> | <u>899,899</u> | <u>3,358,576</u> |
| Operating Expenses: | | | | |
| Salaries and benefits | 309,369 | 1,059,064 | 791,102 | 205,742 |
| Services and supplies | 1,519,369 | 1,596,825 | 469,892 | 2,504,747 |
| Depreciation | 112,720 | 371,756 | 78,184 | 427,915 |
| Total operating expenses | <u>1,941,458</u> | <u>3,027,645</u> | <u>1,339,178</u> | <u>3,138,404</u> |
| Operating income (loss) | <u>(672,903)</u> | <u>(1,876,136)</u> | <u>(439,279)</u> | <u>220,172</u> |
| Nonoperating Revenues (Expenses): | | | | |
| Tax revenue | -- | 1,308,042 | -- | -- |
| Intergovernmental revenues | 40,000 | 115,177 | 38,808 | -- |
| Interest revenue | (222) | 14,546 | 3,095 | 9,967 |
| Interest expense | -- | (25,470) | -- | -- |
| Gain (loss) on sale of assets | -- | -- | -- | 25,033 |
| Total nonoperating revenues (expenses) | <u>39,778</u> | <u>1,412,295</u> | <u>41,903</u> | <u>35,000</u> |
| Income (Loss) Before Capital Contributions and Transfers | (633,125) | (463,841) | (397,376) | 255,172 |
| Capital contributions | 3,501,940 | -- | -- | -- |
| Transfers in | 162,290 | 351,529 | -- | -- |
| Change in net position | 3,031,105 | (112,312) | (397,376) | 255,172 |
| Net position, beginning of year | 5,334,834 | (3,026,537) | 2,567,292 | 2,340,409 |
| Net position, end of year | <u>\$ 8,365,939</u> | <u>\$ (3,138,849)</u> | <u>\$ 2,169,916</u> | <u>\$ 2,595,581</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, 2016

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--|---|---------------------|---------------------------|------------------------|
| | Airport | Solid Waste | Nonmajor Enterprise Funds | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash receipts from customers | \$ 1,268,555 | \$ 1,203,040 | \$ 1,141,673 | \$ 3,358,266 |
| Cash paid to suppliers for goods and services | (1,521,184) | (1,493,632) | (451,796) | (2,558,143) |
| Cash paid to employees for salaries and benefits | (287,982) | (933,161) | (424,139) | (163,766) |
| Net cash provided (used) by operating activities | (540,611) | (1,223,753) | 265,738 | 636,357 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Receipt of interfund loan | -- | -- | 5,000 | -- |
| Payment of interfund loan | (533,000) | -- | (30,000) | -- |
| Intergovernmental revenues | 40,000 | 115,177 | 39,951 | -- |
| Transfers in | 162,290 | 351,529 | -- | (80,000) |
| Tax revenue | -- | 1,308,042 | -- | -- |
| Net cash provided (used) by noncapital financing activities | (330,710) | 1,774,748 | 14,951 | (80,000) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Capital contributions | 2,980,722 | -- | -- | -- |
| Interest repayments related to capital purposes | -- | (24,480) | -- | -- |
| Payments related to the acquisition of capital assets | (2,060,757) | (602,108) | (5,952) | (215,127) |
| Net cash provided (used) by capital and related financing activities | 919,965 | (626,588) | (5,952) | (215,127) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received (paid) | (385) | 11,282 | 855 | 7,108 |
| Net cash provided (used) by investing activities | (385) | 11,282 | 855 | 7,108 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 48,259 | (64,311) | 275,592 | 348,338 |
| Cash and cash equivalents, beginning of year | 528,672 | 2,893,051 | 423,784 | 2,486,183 |
| Cash and cash equivalents, end of year | <u>\$ 576,931</u> | <u>\$ 2,828,740</u> | <u>\$ 699,376</u> | <u>\$ 2,834,521</u> |
| Reconciliation of cash and cash equivalents to the statement of net position | | | | |
| Cash and investments | 576,666 | 1,163,627 | 699,376 | 2,834,521 |
| Imprest cash | 265 | 800 | -- | -- |
| Restricted cash | -- | 1,664,313 | -- | -- |
| | <u>\$ 576,931</u> | <u>\$ 2,828,740</u> | <u>\$ 699,376</u> | <u>\$ 2,834,521</u> |

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, 2016

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|--|---|-----------------------|---------------------------|-----------------------|------------------------|
| | Airport | Solid Waste | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ (672,903) | \$ (1,876,136) | \$ (439,279) | \$ (2,988,318) | \$ 220,172 |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | | | |
| Depreciation | 112,720 | 371,756 | 78,184 | 562,660 | 427,915 |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable | -- | 51,531 | 241,774 | 293,305 | (310) |
| Due from other governments | -- | -- | -- | -- | -- |
| Inventory | (1,815) | -- | -- | (1,815) | 764 |
| Increase (decrease) in: | | | | | |
| Accounts payable | -- | (55,370) | 18,096 | (37,274) | (54,160) |
| Accrued salaries | 1,099 | 5,482 | 6,324 | 12,905 | 2,195 |
| Liability for compensated absences | (191) | (639) | (7,011) | (7,841) | 895 |
| Closure/postclosure liability | -- | 158,563 | -- | 158,563 | -- |
| Net pension liability | 20,479 | 121,060 | 367,650 | 509,189 | 38,886 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (540,611)</u> | <u>\$ (1,223,753)</u> | <u>\$ 265,738</u> | <u>\$ (1,498,626)</u> | <u>\$ 636,357</u> |
| Schedule of non-cash capital and related financing activities: | | | | | |
| Capital lease and related capital assets | \$ -- | \$ -- | \$ -- | -- | \$ 986,001 |

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

COUNTY OF INYO

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

| | Investment Trust | Agency Funds |
|--|----------------------|-------------------|
| Assets | | |
| Cash and investments | \$ 46,366,994 | \$ 17,995,672 |
| Imprest cash | 3,444 | 60 |
| Cash with fiscal agent | 142,780 | -- |
| Accounts receivable | -- | 285,794 |
| Interest receivable | 98,278 | 10,900 |
| Due from other governments | -- | 1,328,286 |
| Taxes receivable | -- | 1,877,714 |
| | <u>46,611,496</u> | <u>21,498,426</u> |
| Liabilities | | |
| Due to other funds | 20,000 | 1,874,154 |
| Advances from other funds | -- | 12,000 |
| Accounts payable | -- | 1,026,583 |
| Agency obligations | -- | 18,585,689 |
| | <u>20,000</u> | <u>21,498,426</u> |
| Net Position | | |
| Net position held in trust for investment pool participants | <u>46,591,496</u> | <u>--</u> |
| Total net position | <u>\$ 46,591,496</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, 2016

| | Investment Trust |
|------------------------------------|-----------------------------|
| Additions: | |
| Contributions to investment pool | \$ 34,836,261 |
| Interest and investment income | 252,867 |
| Total Additions | <u>35,089,128</u> |
| Deductions: | |
| Distributions from investment pool | <u>(36,204,023)</u> |
| Total Deductions | <u>(36,204,023)</u> |
| Change in net position | (1,114,895) |
| Net position, beginning of year | <u>47,706,391</u> |
| Net position, end of year | <u><u>\$ 46,591,496</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, 2016

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 30th 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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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. 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, 2016 – 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, 2015.

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.

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

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 23 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 61 percent of the investment pool.

At June 30, 2016, total County cash and investments were as follows:

| | | |
|-------------------------------|----|--------------------|
| Cash on hand | \$ | 8,953 |
| Deposits | | 696,887 |
| Cash with Fiscal Agent | | 209,386 |
| Cash held with component unit | | 848,375 |
| Less: outstanding checks | | (1,953,761) |
| Investments | | 118,809,791 |
| Total Cash and Investments | \$ | <u>118,619,631</u> |

Total cash and investments at June 30, 2016 were presented on the County’s financial statements as follows:

| | | |
|-------------------------------------|----|--------------------|
| Primary government | \$ | 53,262,306 |
| Investment trust fund | | 46,513,218 |
| Agency funds | | 17,995,732 |
| Discretely presented component unit | | 848,375 |
| Total Cash and Investments | \$ | <u>118,619,631</u> |

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

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 \$4,684,772 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, 2016, the carrying amount of the Pool's deposits was \$696,887 and the corresponding bank balance was \$5,170,157. The difference of \$4,473,270 was principally due to unreceipted deposits 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, 2016, the County had the following investments:

| | Interest Rates | Maturities | Par Value | Fair Value | WAM (Years) |
|------------------------------------|-------------------|-----------------------|-----------------------|-----------------------|----------------|
| Pooled Investments | | | | | |
| Federal Agency Obligations | 0.44% - 1.72% | 9/8/2016 - 5/26/2021 | \$ 51,250,000 | \$ 51,216,840 | 2.24 |
| Commercial Paper | N/A | 11/9/2016 - 3/3/2017 | 10,500,000 | 10,426,296 | 0.59 |
| Local Agency Investment Fund | Variable | On Demand | 22,300,000 | 22,300,000 | -- |
| Negotiable Certificates of Deposit | .50% - 2.30% | 8/22/2016 - 6/24/2021 | 27,134,000 | 27,136,813 | 2.39 |
| Corporate Obligations | 1.65% - 2.60% | 1/22/2018 - 2/19/2021 | 4,600,000 | 4,652,202 | 0.47 |
| Local Agency Debt | 1.24% - 1.27% | 4/26/2019 - 4/17/2020 | 577,640 | 577,640 | 3.39 |
| AIM Money Market | Variable | On Demand | 2,500,000 | 2,500,000 | -- |
| Total Pooled Investments | | | \$ 118,861,640 | \$ 118,809,791 | 1.47 |
| Non-Pooled Investments | | | | | |
| Cash with fiscal agent | Variable | On Demand | | \$ 209,386 | |
| Total Investments | | | | \$ 119,019,177 | |

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

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, 2016, 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 | \$ 14,993,990 | 12.62% |
| Federal Home Loan Bank | Federal Agency Obligations | 19,249,000 | 16.20% |
| Federal National Mortgage Assn. | Federal Agency Obligations | 15,973,850 | 13.44% |
| Natixis Global Asset Management | Commercial Paper | 6,946,644 | 5.85% |

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, 2016.

| | <u>S&P</u> | <u>Moody's</u> | <u>% of Portfolio</u> |
|------------------------------|----------------|----------------|-----------------------|
| Federal Agency Obligations | AAA | AAA | 43.11% |
| Local Agency Investment Fund | Unrated | Unrated | 18.77% |
| Local Agency Debt | Unrated | Unrated | 0.49% |
| Commercial Paper | N/A | N/A | 8.78% |
| Negotiable CDs | N/A | N/A | 22.84% |
| Corporate Obligations | N/A | N/A | 3.92% |
| Money Market Funds | N/A | N/A | 2.09% |
| 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, 2016

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, 2016, the County’s investment position in the State of California Local Agency Investment Fund (LAIF) was \$22,300,000, 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 \$75.4 billion. Of that amount, 1.55% was invested in structured notes and asset-backed securities with the remaining 98.45% 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, 2016:

Statement of Net Position

Assets:

| | |
|----------------|-----------------------|
| Investments | \$ 118,809,791 |
| Other deposits | (1,247,920) |
| Total Assets | <u>\$ 117,561,871</u> |

Net Position:

| | |
|--------------------------------------|-----------------------|
| Equity of internal pool participants | \$ 71,048,653 |
| Equity of external pool participants | 46,513,218 |
| Total Net Position | <u>\$ 117,561,871</u> |

Statement of Changes in Net Position

| | |
|--|-----------------------|
| Net position at July 1, 2015 | \$ 116,069,438 |
| Net contributions from pool participants | 1,492,433 |
| Net position at June 30, 2016 | <u>\$ 117,561,871</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, 2016

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

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The investments in an external investment pool are not subject to reporting within the level hierarchy. The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

NOTE 2: CASH IN TREASURY (CONTINUED)

The County's pooled investments by fair value level as of June 30, 2016, include the following:

| Investments by fair value level | | Fair Value Measurements Using | | |
|---|-----------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Debt Securities: | | | | |
| Federal Agency Obligations | \$ 51,216,840 | \$ 51,216,840 | | |
| Negotiable Certificates of Deposit | 27,136,813 | 27,136,813 | | |
| Commercial Paper | 10,426,295 | 10,426,295 | | |
| Corporate Obligations | 4,652,203 | 4,652,203 | | |
| Total investments measured at fair value level | <u>93,432,151</u> | <u>\$ 93,432,151</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments measured at the net asset value (NAV): | | | | |
| Local Agency Investment Fund | 22,300,000 | | | |
| Local Agency Debt | 577,640 | | | |
| AIM Money Market | 2,500,000 | | | |
| Total pooled and directed investments | <u>\$ 118,809,791</u> | | | |

NOTE 3: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2016 is as follows:

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount | Purpose |
|-----------------|-----------------------------|---------------------|--|
| General fund | Grant Programs | \$ 420,710 | Cash flow reimbursement grants |
| | Airport | 636,000 | Provide short term cash flow for large grant |
| | Nonmajor Enterprise Funds | 5,000 | Provide short term cash flow |
| | Nonmajor Governmental Funds | 92,613 | Provide short term cash flow |
| | Internal Service Funds | 120,000 | Provide short term cash flow |
| | Investment Trust | 20,000 | Short term loan to district |
| | Agency Fund | 1,874,154 | Fund Teeter distributions and tax refunds |
| | | <u>\$ 3,168,477</u> | |

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

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

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 | \$ 212,922 | To augment ongoing operations |
| | Airport | 48,154 | To augment ongoing operations |
| | | <u>261,076</u> | |
| Nonmajor Governmental Funds | Airport | <u>114,136</u> | To augment ongoing operations |
| | | <u>\$ 375,212</u> | |

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

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 | \$ 111,974 | To augment ongoing operations One time revenue sources for capital projects |
| | Nonmajor Governmental Funds | 324,708 | |
| | | <u>436,682</u> | |
| Grant Funds | General Fund | 12,660 | |
| | Solid Waste | 138,607 | |
| | | <u>151,267</u> | |
| | | <u>\$ 587,949</u> | |

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

| | <u>Balance July 1, 2015</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers & Adjustments</u> | <u>Balance June 30, 2016</u> |
|--|---------------------------------|---------------------|---------------------|--|----------------------------------|
| Governmental Activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 8,899,171 | \$ -- | \$ -- | \$ -- | \$ 8,899,171 |
| Construction in progress | 5,855,326 | 264,750 | (138,615) | (4,853,177) | 1,128,284 |
| Total capital assets, not being depreciated | <u>14,754,497</u> | <u>264,750</u> | <u>(138,615)</u> | <u>(4,853,177)</u> | <u>10,027,455</u> |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 197,718,253 | 1,774,069 | -- | 3,043,110 | 202,535,432 |
| Land improvements | 4,708,199 | 231,652 | -- | 685,933 | 5,625,784 |
| Structures and improvements | 18,611,827 | 221,024 | -- | 1,093,666 | 19,926,517 |
| Equipment | 18,138,133 | 2,353,753 | (474,025) | 23,854 | 20,041,715 |
| Total capital assets, being depreciated | <u>239,176,412</u> | <u>4,580,498</u> | <u>(474,025)</u> | <u>4,846,563</u> | <u>248,129,448</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (183,270,828) | (1,753,422) | -- | -- | (185,024,250) |
| Land improvements | (1,782,656) | (115,461) | -- | (750) | (1,898,867) |
| Structures and improvements | (6,350,243) | (474,809) | -- | -- | (6,825,052) |
| Equipment | (15,643,798) | (960,626) | 466,968 | 662 | (16,136,794) |
| Total accumulated depreciation | <u>(207,047,525)</u> | <u>(3,304,318)</u> | <u>466,968</u> | <u>(88)</u> | <u>(209,884,963)</u> |
| Total capital assets, being depreciated, net | <u>32,128,887</u> | <u>1,276,180</u> | <u>(7,057)</u> | <u>4,846,475</u> | <u>38,244,485</u> |
| Governmental activities capital assets, net | <u>\$ 46,883,384</u> | <u>\$ 1,540,930</u> | <u>\$ (145,672)</u> | <u>\$ (6,702)</u> | <u>\$ 48,271,940</u> |

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

NOTE 4: CAPITAL ASSETS (CONTINUED)

| | <u>Balance July 1, 2015</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers & Adjustments</u> | <u>Balance June 30, 2016</u> |
|--|---------------------------------|---------------------|--------------------|--|----------------------------------|
| Business-type Activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,851,399 | \$ -- | \$ -- | \$ -- | \$ 1,851,399 |
| Construction in progress | 1,356,276 | 2,938,772 | -- | (3,268,338) | 1,026,710 |
| Total capital assets, not being depreciated | <u>3,207,675</u> | <u>2,938,772</u> | <u>--</u> | <u>(3,268,338)</u> | <u>2,878,109</u> |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 18,898,838 | -- | -- | -- | 18,898,838 |
| Land improvements | 2,708,346 | -- | -- | -- | 2,708,346 |
| Structures and improvements | 2,771,835 | -- | -- | 3,268,338 | 6,040,173 |
| Equipment | 3,621,799 | 461,501 | (103,366) | -- | 3,979,934 |
| Total capital assets, being depreciated | <u>28,000,818</u> | <u>461,501</u> | <u>(103,366)</u> | <u>3,268,338</u> | <u>31,627,291</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (16,435,466) | (65,122) | -- | -- | (16,500,588) |
| Land improvements | (2,109,423) | (42,804) | -- | -- | (2,152,227) |
| Structures and improvements | (1,718,556) | (223,991) | -- | -- | (1,942,547) |
| Equipment | (2,312,218) | (230,743) | 103,366 | (662) | (2,440,257) |
| Total accumulated depreciation | <u>(22,575,663)</u> | <u>(562,660)</u> | <u>103,366</u> | <u>(662)</u> | <u>(23,035,619)</u> |
| Total capital assets, being depreciated, net | <u>5,425,155</u> | <u>(101,159)</u> | <u>--</u> | <u>3,267,676</u> | <u>8,591,672</u> |
| Business-type activities capital assets, net | <u>\$ 8,632,830</u> | <u>\$ 2,837,613</u> | <u>\$ --</u> | <u>\$ (662)</u> | <u>\$ 11,469,781</u> |

Depreciation

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---------------------|
| General government | \$ 776,753 |
| Public protection | 366,180 |
| Public ways | 1,972,943 |
| Health and sanitation | 82,469 |
| Public assistance | 9,711 |
| Education | 222 |
| Culture and recreation | 96,040 |
| Total depreciation expenses - governmental activities | <u>\$ 3,304,318</u> |

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

| | |
|---|-------------------|
| Airport Fund | \$ 112,720 |
| Solid Waste Fund | 371,756 |
| Non-Major Enterprise Funds | 78,184 |
| Total depreciation expense - business-type activities | <u>\$ 562,660</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, 2016

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2016:

| | <u>Balance</u> <u>July 1, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2016</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|---------------------------------|---------------------------------------|---------------------|---------------------|--|--|
| Governmental Activities | | | | | |
| Compensated absences | \$ 1,438,378 | \$ 1,579,236 | \$ 1,508,498 | \$ 1,509,116 | \$ 1,509,116 |
| Claims liability | 348,000 | 6,841 | 6,841 | 348,000 | 100,000 |
| Capital Lease | -- | 986,001 | 123,503 | 862,498 | 191,844 |
| Loans payable | 5,222,774 | -- | 215,553 | 5,007,221 | 229,729 |
| Total Governmental Activities | <u>\$ 7,009,152</u> | <u>\$ 2,572,078</u> | <u>\$ 1,854,395</u> | <u>\$ 7,726,835</u> | <u>\$ 2,030,689</u> |
| Business-type Activities | | | | | |
| Capital lease obligations | \$ 822,765 | \$ -- | \$ 147,221 | \$ 675,544 | \$ 129,884 |
| Compensated absences | 67,055 | 63,200 | 71,041 | 59,214 | 59,214 |
| Closure/post closure liability | 5,408,131 | 158,563 | -- | 5,566,694 | -- |
| Total Business-type Activities | <u>\$ 6,297,951</u> | <u>\$ 221,763</u> | <u>\$ 218,262</u> | <u>\$ 6,301,452</u> | <u>\$ 189,098</u> |

Required payments as of June 30, 2016, are as follows:

| <u>Year Ending</u> <u>June 30:</u> | <u>Governmental Activities</u> | |
|---------------------------------------|--------------------------------|---------------------|
| | <u>Loans Payable</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2017 | \$ 229,729 | \$ 232,280 |
| 2018 | 251,818 | 222,423 |
| 2019 | 271,878 | 211,382 |
| 2020 | 292,885 | 199,287 |
| 2021 | 315,888 | 186,034 |
| 2022-2026 | 1,778,523 | 698,574 |
| 2027-2030 | 1,866,500 | 209,949 |
| | <u>\$ 5,007,221</u> | <u>\$ 1,959,929</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, 2016

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Long-term debt at June 30, 2016, consisted of the following:

| | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Interest Rates</u> | <u>Annual Principal Installments</u> | <u>Original Issue Amount</u> | <u>Outstanding at June 30, 2016</u> |
|--|----------------------|-------------------------|-----------------------|--------------------------------------|------------------------------|-------------------------------------|
| <u>Governmental activities</u> | | | | | | |
| 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 | 3,844,000 |
| CEC solar loan (to finance a photovoltaic solar project) | 10/13 | 12/14 - 12/28 | 1.00% | \$26,287 - \$36,865 | 992,054 | 868,630 |
| Loan payable (to finance new property tax management software) | 12/12 | 01/13 - 05/25 | 5.00% | \$45,992 - \$49,901 | 616,258 | 294,591 |

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 \$5,566,964 as of the fiscal year end, which is based on the estimated percentage usage (filled), ranging from 34.22% to 68.34%, of each landfill site. It is estimated that an additional \$7,536,242 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 \$13,102,936 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, 2016, a total of \$1,664,313 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, 2016

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, 2016:

| | Percent Filled | Total Closure/ Postclosure Cost Estimates | Liability 6/30/2016 |
|----------------|-------------------|---|------------------------|
| Bishop Sunland | 34.22% | \$ 7,885,101 | \$ 2,698,286 |
| Independence | 68.34% | 1,698,149 | 1,160,459 |
| Lone Pine | 41.41% | 2,407,532 | 996,981 |
| Shoshone | 64.00% | 542,382 | 347,112 |
| Tecopa | 63.86% | 569,772 | 363,856 |
| | | <u>\$ 13,102,936</u> | <u>\$ 5,566,694</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, 2016:

| | Stated Interest Rate | Present Value of Remaining Payments as of June 30, 2016 |
|-----------|----------------------------|--|
| Equipment | 1.28 - 4.30% | <u>\$ 1,538,042</u> |
| | | <u>\$ 1,538,042</u> |

The cost of equipment under capital leases is as follows:

| | |
|--------------------------------|---------------------|
| Equipment | \$ 2,046,564 |
| Less: accumulated amortization | <u>(311,302)</u> |
| | <u>\$ 1,735,262</u> |

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

NOTE 8: **LEASES** (CONTINUED)

As of June 30, 2016, future minimum lease payments under capital leases was as follows:

| <u>Year Ending June 30:</u> | | |
|---|----|-------------------------|
| 2017 | \$ | 356,674 |
| 2018 | | 352,552 |
| 2019 | | 352,552 |
| 2020 | | 352,552 |
| 2021 | | 222,855 |
| Thereafter | | <u>202</u> |
| Total Future Minimum Lease Payments | | 1,637,387 |
| Less: Interest | | <u>(99,345)</u> |
| Present Value of Minimum Lease Payments | \$ | <u><u>1,538,042</u></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> | | |
|---------------------------------|----|-----------------------|
| 2017 | \$ | 79,428 |
| 2018 | | 79,428 |
| 2019 | | <u>39,714</u> |
| | \$ | <u><u>198,570</u></u> |

Total rents and lease expenditures were \$92,227 for the year ended June 30, 2016.

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, 2016

NOTE 9: NET POSITION/FUND BALANCES (CONTINUED)

Fund balances for all major and nonmajor governmental funds as of June 30, 2016, were distributed as follows:

| | <u>General</u> | <u>Roads</u> | <u>Grants</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--------------------------|----------------------|---------------------|---------------------|---|----------------------|
| Nonspendable: | | | | | |
| Advances and prepaids | \$ 169,572 | \$ -- | \$ 3,334 | \$ 167 | \$ 173,073 |
| Inventories | -- | 277,387 | -- | -- | 277,387 |
| Subtotal | <u>169,572</u> | <u>277,387</u> | <u>3,334</u> | <u>167</u> | <u>450,460</u> |
| Restricted for: | | | | | |
| General government | 769,389 | -- | 129,141 | 139,727 | 1,038,257 |
| Public protection | 10,521 | -- | 1,697,042 | 53,300 | 1,760,863 |
| Public ways & facilities | 732 | 4,602,245 | 1,612 | 815,925 | 5,420,514 |
| Health & sanitation | 370,174 | -- | 216,946 | 200,518 | 787,638 |
| Public assistance | -- | -- | 122,235 | -- | 122,235 |
| Recreation | -- | -- | 43,907 | -- | 43,907 |
| Subtotal | <u>1,150,816</u> | <u>4,602,245</u> | <u>2,210,883</u> | <u>1,209,470</u> | <u>9,173,414</u> |
| Assigned to: | | | | | |
| General government | 2,094,709 | -- | -- | -- | 2,094,709 |
| Public protection | 49,923 | -- | -- | -- | 49,923 |
| Health & sanitation | 360,614 | -- | -- | -- | 360,614 |
| Public assistance | 889,806 | -- | -- | -- | 889,806 |
| Education | 561,792 | -- | -- | -- | 561,792 |
| Recreation | 478,073 | -- | -- | -- | 478,073 |
| Reserves | 112,353 | -- | -- | -- | 112,353 |
| Capital projects | -- | -- | -- | 3,009,563 | 3,009,563 |
| Subtotal | <u>4,547,270</u> | <u>--</u> | <u>--</u> | <u>3,009,563</u> | <u>7,556,833</u> |
| Unassigned | <u>22,981,838</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>22,981,838</u> |
| Total | <u>\$ 28,849,496</u> | <u>\$ 4,879,632</u> | <u>\$ 2,214,217</u> | <u>\$ 4,219,200</u> | <u>\$ 40,162,545</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, 2016

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, 2016

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

| | <u>Miscellaneous</u> | |
|---|--------------------------|-----------------------------|
| | 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 |

| | <u>Safety</u> | |
|---|--------------------------|-----------------------------|
| | 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, 2016, 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:

| | <u>Miscellaneous</u> |
|--|----------------------|
| Inactive employees or beneficiaries currently receiving benefits | 437 |
| Inactive employees entitled to but not yet receiving benefits | 260 |
| Active employees | 363 |
| | <u>1,060</u> |

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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, 2014 actuarial valuations were determined using the following actuarial assumptions:

| | Miscellaneous | Safety |
|---------------------------|--|----------------------|
| Valuation Date | June 30, 2014 | June 30, 2014 |
| Measurement Date | June 30, 2015 | June 30, 2015 |
| Actuarial Cost Method | Entry-Age Normal | |
| Actuarial Assumptions: | | |
| Discount Rate | 7.65% | 7.65% |
| 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% ⁽¹⁾ | 7.50% ⁽¹⁾ |
| 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, 2014 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, 2016

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.65% 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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.

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.

| <u>Asset Class</u> | <u>Strategic Allocation</u> | <u>Real Return Years 1-10 ⁽¹⁾</u> | <u>Real Return Years 11-60 ⁽²⁾</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) |

⁽¹⁾ An expected inflation rate of 2.5% used for this period

⁽²⁾ An expected inflation rate of 3.0% used for this period

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

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

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> |
|--|------------------------------------|--|--|
| Balance at June 30, 2014 | \$ 144,234,241 | \$ 113,347,710 | \$ 30,886,531 |
| Changes in the year: | | | |
| Service cost | 3,277,007 | | 3,277,007 |
| Interest on total pension liability | 11,062,655 | | 11,062,655 |
| Changes of assumptions | (2,581,231) | | (2,581,231) |
| Differences between expected and actual experience | 5,204,566 | 2,508,226 | 2,696,340 |
| Administrative expenses | | (130,610) | 130,610 |
| Plan to plan resource movement | | 40,862 | (40,862) |
| Contributions from the employer | | 3,167,006 | (3,167,006) |
| Contributions from employees | | 1,394,721 | (1,394,721) |
| Net Investment Income | | 2,612,955 | (2,612,955) |
| Benefit payments, including refunds of employee contributions | (7,772,393) | (7,772,393) | - |
| Net Changes | <u>9,190,604</u> | <u>1,820,767</u> | <u>7,369,837</u> |
| Balance at June 30, 2015 | <u>\$ 153,424,845</u> | <u>\$ 115,168,477</u> | <u>\$ 38,256,368</u> |

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:

| <u>Plan</u> | <u>Plan's Proportion to Total Pool @ June 30, 2014</u> | <u>Plan's Proportion to Total Pool @ June 30, 2015</u> | <u>Plan's Proportionate Share of Net Pension Liability</u> |
|-------------|--|--|--|
| Safety Plan | 0.13902% | 0.04703% | \$ 9,818,587 |

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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:

| | <u>Miscellaneous</u> | <u>Safety</u> | <u>Total</u> |
|-----------------------|----------------------|---------------|---------------|
| 1% Decrease | 6.65% | 6.65% | 6.65% |
| Net Pension Liability | \$ 56,499,573 | \$ 14,820,865 | \$ 71,320,438 |
| Current Discount Rate | 7.65% | 7.65% | 7.65% |
| Net Pension Liability | \$ 38,256,368 | \$ 9,818,587 | \$ 48,074,955 |
| 1% Increase | 8.65% | 8.65% | 8.65% |
| Net Pension Liability | \$ 21,565,081 | \$ 5,656,913 | \$ 27,221,994 |

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, 2016, the County recognized pension expense of \$1,987,846. 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.

At June 30, 2016, 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> |
|--|---|--|
| Change in assumptions | \$ - | \$ (2,277,880) |
| Differences between expected and actual experience | 1,341,910 | (121,117) |
| Change in proportion | - | (156,708) |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | - | (342,917) |
| Net difference between projected and actual earnings on plan investments | - | (1,384,510) |
| County contributions subsequent to the measurement date | 5,788,883 | - |
| Total | \$ 7,130,793 | \$ (4,283,132) |

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

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

\$5,788,883 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:

| Year Ending June 30, | Deferred Outflows/(Inflows) of Resources |
|-------------------------|--|
| 2017 | \$ (1,454,808) |
| 2018 | (1,454,806) |
| 2019 | (1,181,224) |
| 2020 | 1,149,616 |

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, 2016

NOTE 11: RISK MANAGEMENT (CONTINUED)

Changes in the County's claims liability for the fiscal years ended June 30, 2016 and 2015 were as follows:

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|-------------------|-------------------|
| Unpaid claims, beginning of year | \$ 348,000 | \$ 415,000 |
| Plus estimated claims incurred | 6,841 | 33,678 |
| Less claims payments | <u>(6,841)</u> | <u>(100,678)</u> |
| Unpaid claims, end of year | <u>\$ 348,000</u> | <u>\$ 348,000</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 2015-16, the County contributed a total of \$2,023,504, or 43.1%, 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.

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 | \$ 4,879,015 |
| Interest on net OPEB obligation | 857,200 |
| Adjustment to net OPEB obligation | <u>(1,037,910)</u> |
| Annual OPEB cost (expense) | <u>4,698,305</u> |
| Contributions made | <u>(2,023,504)</u> |
| Increase in net OPEB obligation | 2,674,801 |
| Net OPEB obligation - beginning of year | 14,286,662 |
| Net OPEB obligation - end of year | <u>\$ 16,961,463</u> |

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

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

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 2015-2016 is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|------------------------|--|---------------------------|
| 6/30/2014 | 3,555,756 | 40.6% | 12,455,000 |
| 6/30/2015 | 3,555,756 | 48.5% | 14,286,662 |
| 6/30/2016 | 4,698,305 | 43.1% | 16,961,463 |

Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of July 1, 2015, the plan's most recent actuarial valuation date, was as follows:

| | |
|---|------------------|
| Actuarial accrued liability (AAL) | \$ 46,544,462 |
| Actuarial value of plan assets | <u>5,356,519</u> |
| Unfunded actuarial accrued liability (UAAL) | \$ 41,187,943 |
| Funded ratio (actuarial value of plan assets/AAL) | 11.5% |
| Covered payroll (active plan members) | \$ 23,247,553 |
| UAAL as a percentage of covered payroll | 177.2% |

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.

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, 2016, was 27 years.

COUNTY OF INYO

Notes to Financial Statements
June 30, 2016

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

The following funds had deficit fund balances/net position at June 30, 2016, as follows:

| Fund | Deficit |
|--------------------|-----------|
| Enterprise Funds: | |
| Solid Waste | 3,138,849 |
| Mosquito Abatement | 140,339 |

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.

The deficit in the Mosquito Abatement Fund is anticipated to be recovered through future years' revenues.

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, 2016, 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, 2016, would not materially affect the financial statements of the County.

NOTE 15: **FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB recently released several new accounting and financial reporting standards. The following GASB

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. 77, *Tax Abatement Disclosures*, is effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 78, *Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans*, is effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, is effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 82, *Pension Issues – an amendment of Statements No. 67, No. 68, and No. 73*, is effective for reporting periods beginning after June 15, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF INYO

Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

Schedule of Changes in Net Pension Liability and Related Ratios

Miscellaneous Plan – Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Fiscal Years*

| | Reporting Fiscal Year (Measurement Year) | |
|--|---|----------------------|
| | 2016 (2015) | 2015 (2014) |
| Total Pension Liability | | |
| Service cost | \$ 3,277,007 | \$ 3,208,960 |
| Interest on total pension liability | 11,062,655 | 10,187,707 |
| Differences between expected and actual experience | 5,204,566 | - |
| Change in assumption | (2,581,231) | - |
| Benefit payments, including refunds of employee contributions | (7,772,393) | (6,788,054) |
| Net change in total pension liability | 9,190,604 | 6,608,613 |
| Total pension liability - beginning | 144,234,241 | 137,625,628 |
| Total pension liability - ending (a) | 153,424,845 | 144,234,241 |
| Plan Fiduciary Net Position | | |
| Plan to plan resource movement | 40,862 | - |
| Differences between expected and actual experience | 2,508,226 | - |
| Administrative expense | (130,610) | - |
| Contributions - employer | 3,167,006 | 3,085,417 |
| Contributions - employee | 1,394,721 | 1,477,303 |
| Net investment income | 2,612,955 | 17,039,603 |
| Benefit payments, including refunds of employee contributions | (7,772,393) | (6,788,054) |
| Net change in plan fiduciary net position | 1,820,767 | 14,814,269 |
| Plan fiduciary net position - beginning | 113,347,710 | 98,533,441 |
| Plan fiduciary net position - ending (b) | 115,168,477 | 113,347,710 |
| Net pension liability - ending (a) - (b) | \$ 38,256,368 | \$ 30,886,531 |
| Plan fiduciary net position as a percentage of total pension liability | 75.07% | 78.59% |
| County's covered-employee payroll | 23,169,925 | 20,277,786 |
| Net pension liability as a percentage of covered-employee payroll | 165.11% | 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

| | 2015 | 2014 |
|---|--------------|--------------|
| Actuarially determined contribution | \$ 3,167,006 | \$ 3,085,417 |
| Contributions in relation to the actuarially determined contributions | 3,167,006 | 3,085,417 |
| Contributions deficiency (excess) | - | - |
| Covered-employee payroll | 23,169,925 | 20,277,786 |
| Contributions as a percentage of covered-employee payroll | 13.67% | 15.22% |

COUNTY OF INYO

Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-2015 were from the June 30, 2012 valuations.

| | |
|----------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | For details, see June 30, 2012 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*

| | Reporting Fiscal Year (Measurement Year) | |
|---|---|----------------|
| | 2016 (2015) | 2015 (2014) |
| Safety Plan | | |
| County's proportion of the net pension liability (asset) | 0.04703% | 0.13902% |
| County's proportionate share of the net pension liability (asset) | \$ 9,818,587 | \$ 8,650,393 |
| County's covered-employee payroll | 3,305,621 | 3,279,232 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 297.03% | 263.79% |
| Plan's fiduciary net position | 40,740,429 | 40,869,507 |
| Plan fiduciary net position as a percentage of total pension liability | 80.58% | 82.53% |

Schedule of Pension Plan Contributions

Safety Plans - Multiple-Employer Defined Benefit Pension Plan

| | 2015 | 2014 |
|---|--------------|--------------------|
| Actuarially determined contribution | \$ 1,067,175 | \$ 1,142,366 |
| Contributions in relation to the actuarially determined contributions | 1,067,175 | 5,090,367 |
| Contributions deficiency (excess) | <u>-</u> | <u>(3,948,001)</u> |
| Covered-employee payroll | 3,305,621 | 3,279,232 |
| Contributions as a percentage of covered-employee payroll | 32.28% | 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, 2016

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> |
|---|---|--|---|-------------------------|---------------------------------------|---------------------------------------|
| 7/1/2011 | 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% |
| 7/1/2015 | 46,544,462 | 5,356,519 | 41,187,943 | 11.5% | 23,247,553 | 177.2% |

COUNTY OF INYO

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|----------------------|----------------------|----------------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| Revenues: | | | | |
| Taxes | \$ 15,470,909 | \$15,618,365 | \$ 17,790,753 | \$ 2,172,388 |
| Licenses and permits | 512,006 | 507,533 | 672,172 | 164,639 |
| Fines, forfeitures and penalties | 953,360 | 955,179 | 1,439,248 | 484,069 |
| Use of money and property | 172,092 | 196,623 | 364,404 | 167,781 |
| Intergovernmental | 28,028,724 | 28,911,010 | 25,884,012 | (3,026,998) |
| Charges for services | 7,000,855 | 7,067,446 | 7,097,154 | 29,708 |
| Other revenues | 159,435 | 141,732 | 434,928 | 293,196 |
| Total revenues | <u>52,297,381</u> | <u>53,397,888</u> | <u>53,682,671</u> | <u>284,783</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 14,507,314 | 14,932,431 | 12,254,698 | 2,677,733 |
| Public protection | 24,226,070 | 25,164,933 | 22,019,737 | 3,145,196 |
| Public ways and facilities | -- | -- | 49,440 | (49,440) |
| Health and sanitation | 8,686,895 | 8,638,795 | 7,206,712 | 1,432,083 |
| Public assistance | 8,205,699 | 8,625,129 | 7,245,318 | 1,379,811 |
| Education | 637,888 | 641,888 | 600,602 | 41,286 |
| Recreation and culture | 1,029,890 | 1,049,107 | 1,017,671 | 31,436 |
| Capital outlay | 296,066 | 863,530 | 493,682 | 369,848 |
| Debt Service | | | | |
| Principal | 167,902 | 167,902 | 167,902 | -- |
| Interest | 224,222 | 224,222 | 224,221 | 1 |
| Reserves | 84,636 | 189,794 | -- | 189,794 |
| Total expenditures | <u>58,066,582</u> | <u>60,497,731</u> | <u>51,279,983</u> | <u>9,217,748</u> |
| Excess (deficiency) of revenues over expenditures | <u>(5,769,201)</u> | <u>(7,099,843)</u> | <u>2,402,688</u> | <u>9,502,531</u> |
| Other Financing Sources (Uses): | | | | |
| Sale of capital assets | -- | -- | 90 | 90 |
| Transfers in | 1,582,727 | 1,875,966 | 12,660 | (1,863,306) |
| Transfers out | (1,150,911) | (2,333,489) | (697,758) | 1,635,731 |
| Total other financing sources (uses) | <u>431,816</u> | <u>(457,523)</u> | <u>(685,008)</u> | <u>(227,485)</u> |
| Net change in fund balances | (5,337,385) | (7,557,366) | 1,717,680 | 9,275,046 |
| Fund balances, beginning of year | <u>27,131,816</u> | <u>27,131,816</u> | <u>27,131,816</u> | <u>--</u> |
| Fund balances, end of year | <u>\$ 21,794,431</u> | <u>\$ 19,574,450</u> | <u>\$ 28,849,496</u> | <u>\$ 9,275,046</u> |

COUNTY OF INYO

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Road Fund
For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|----------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Licenses and permits | \$ 15,000 | \$ 15,000 | \$ 17,950 | \$ 2,950 |
| Use of money and property | 5,000 | 5,000 | 25,341 | 20,341 |
| Intergovernmental | 11,909,635 | 12,653,209 | 5,986,415 | (6,666,794) |
| Charges for services | 52,670 | 72,131 | 193,624 | 121,493 |
| Other revenues | 15,000 | 16,269 | 37,810 | 21,541 |
| Total Revenues | <u>11,997,305</u> | <u>12,761,609</u> | <u>6,261,140</u> | <u>(6,500,469)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public ways and facilities | 5,277,784 | 6,038,359 | 4,223,155 | 1,815,204 |
| Capital outlay | 7,072,365 | 8,027,621 | 2,847,823 | 5,179,798 |
| Total Expenditures | <u>12,350,149</u> | <u>14,065,980</u> | <u>7,070,978</u> | <u>6,995,002</u> |
| Net change in fund balances | <u>(352,844)</u> | <u>(1,304,371)</u> | <u>(809,838)</u> | <u>494,533</u> |
| Fund balances, beginning of year | <u>5,689,470</u> | <u>5,689,470</u> | <u>5,689,470</u> | <u>--</u> |
| Fund balances, end of year | <u>\$ 5,336,626</u> | <u>\$ 4,385,099</u> | <u>\$ 4,879,632</u> | <u>\$ 494,533</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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|---------------------|---------------------|---------------------|--------------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Taxes | \$ 35,367 | \$ 35,367 | \$ 37,927 | \$ 2,560 |
| Use of money and property | 4,320 | 4,667 | 9,372 | 4,705 |
| Intergovernmental | 2,203,642 | 3,012,838 | 1,791,036 | (1,221,802) |
| Charges for services | 48,500 | 48,500 | 26,548 | (21,952) |
| Other Revenues | 5,500 | 5,259 | 1,074 | (4,185) |
| Total revenues | <u>2,297,329</u> | <u>3,106,631</u> | <u>1,865,957</u> | <u>(1,240,674)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 336,836 | 286,836 | 209,533 | 77,303 |
| Public protection | 676,462 | 962,203 | 610,217 | 351,986 |
| Health and sanitation | 800,294 | 781,063 | 589,966 | 191,097 |
| Public assistance | 1,042,792 | 1,079,644 | 932,499 | 147,145 |
| Education | -- | 50,000 | -- | 50,000 |
| Recreation and culture | 70,700 | 115,100 | 15,949 | 99,151 |
| Capital outlay | 289,509 | 1,014,917 | 185,711 | 829,206 |
| Total expenditures | <u>3,216,593</u> | <u>4,289,763</u> | <u>2,543,875</u> | <u>1,745,888</u> |
| Excess (deficiency) of revenues over expenditures | <u>(919,264)</u> | <u>(1,183,132)</u> | <u>(677,918)</u> | <u>505,214</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 61,974 | 270,966 | 111,974 | (158,992) |
| Transfers out | <u>(22,000)</u> | <u>(298,847)</u> | <u>(151,267)</u> | <u>147,580</u> |
| Total other financing sources (uses) | <u>39,974</u> | <u>(27,881)</u> | <u>(39,293)</u> | <u>(11,412)</u> |
| Net change in fund balances | (879,290) | (1,211,013) | (717,211) | 493,802 |
| Fund balances, beginning of year | <u>2,931,428</u> | <u>2,931,428</u> | <u>2,931,428</u> | -- |
| Fund balances, end of year | <u>\$ 2,052,138</u> | <u>\$ 1,720,415</u> | <u>\$ 2,214,217</u> | <u>\$ 493,802</u> |

COUNTY OF INYO

Note to Required Supplementary Information For the Fiscal Year Ended June 30, 2016

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 general had expenditures in excess of appropriations in the amount of \$49,440 at the object level for public ways and facilities.

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.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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Nonmajor Governmental Funds

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

COUNTY OF INYO

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

| | <u>Capital Projects</u> | <u>Special Revenue</u> | |
|--|--|---|-------------------|
| | <u>Accumulative Capital Outlay</u> | <u>Recorder's Micro- graphics</u> | <u>Alcohol</u> |
| Assets | | | |
| Cash and investments | \$ 3,003,845 | \$ 145,964 | \$ -- |
| Imprest cash | -- | -- | -- |
| Accounts receivable | -- | 104 | 12,894 |
| Due from other governments | -- | -- | 298,759 |
| Interest receivable | 5,718 | 288 | -- |
| Prepaid expense | -- | -- | 167 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 3,009,563</u> | <u>\$ 146,356</u> | <u>\$ 311,820</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ -- | \$ 6,498 | \$ 1,035 |
| Accrued salaries and benefits | -- | 131 | 17,487 |
| Due to other funds | -- | -- | 92,613 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | -- | 6,629 | 111,135 |
| Fund Balances: | | | |
| Nonspendable | -- | -- | 167 |
| Restricted | -- | 139,727 | 200,518 |
| Assigned | 3,009,563 | -- | -- |
| | <hr/> | <hr/> | <hr/> |
| Total fund balances | <u>3,009,563</u> | <u>139,727</u> | <u>200,685</u> |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Fund Balances | <u>\$ 3,009,563</u> | <u>\$ 146,356</u> | <u>\$ 311,820</u> |

continued

COUNTY OF INYO

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2016

| | Special Revenue | | |
|--|------------------------------|--|---------------------|
| | Child Support Services | Special Districts Under the Board | Total |
| Assets | | | |
| Cash and investments | \$ 86,140 | \$ 815,107 | \$ 4,051,056 |
| Imprest cash | 40 | -- | 40 |
| Accounts receivable | -- | -- | 12,998 |
| Due from other governments | -- | -- | 298,759 |
| Interest receivable | 276 | 1,613 | 7,895 |
| Prepaid expense | -- | -- | 167 |
| | <u>\$ 86,456</u> | <u>\$ 816,720</u> | <u>\$ 4,370,915</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 2,030 | \$ 696 | \$ 10,259 |
| Accrued salaries and benefits | 31,126 | 99 | 48,843 |
| Due to other funds | -- | -- | 92,613 |
| | <u>33,156</u> | <u>795</u> | <u>151,715</u> |
| Fund Balances: | | | |
| Nonspendable | -- | -- | 167 |
| Restricted | 53,300 | 815,925 | 1,209,470 |
| Assigned | -- | -- | 3,009,563 |
| | <u>53,300</u> | <u>815,925</u> | <u>4,219,200</u> |
| Total Liabilities and Fund Balances | <u>\$ 86,456</u> | <u>\$ 816,720</u> | <u>\$ 4,370,915</u> |

COUNTY OF INYO

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

| | <u>Capital Projects</u> | <u>Special Revenue</u> | |
|--|-----------------------------------|----------------------------------|------------|
| | Accumulative Capital Outlay | Recorder's Micro- graphics | Alcohol |
| Revenues: | | | |
| Taxes | \$ -- | \$ -- | \$ -- |
| Intergovernmental | 107,192 | -- | 426,626 |
| Use of money and property | 14,270 | 722 | 229 |
| Charges for services | 55,759 | 29,251 | 77,806 |
| Other revenues | -- | 1,272 | -- |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 177,221 | 31,245 | 504,661 |
| | <hr/> | <hr/> | <hr/> |
| Expenditures: | | | |
| Public protection | -- | 33,933 | -- |
| Public ways and facilities | -- | -- | -- |
| Health and sanitation | -- | -- | 541,351 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | -- | 33,933 | 541,351 |
| | <hr/> | <hr/> | <hr/> |
| Excess (deficiency) of revenues over (under) expenditures | 177,221 | (2,688) | (36,690) |
| | <hr/> | <hr/> | <hr/> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 289,159 | -- | 35,549 |
| Transfers out | (114,136) | -- | -- |
| Total other financing sources (uses) | 175,023 | -- | 35,549 |
| | <hr/> | <hr/> | <hr/> |
| Net change in fund balances | 352,244 | (2,688) | (1,141) |
| Fund balances, Beginning of Year | 2,657,319 | 142,415 | 201,826 |
| | <hr/> | <hr/> | <hr/> |
| Fund balances, End of Year | \$ 3,009,563 | \$ 139,727 | \$ 200,685 |
| | <hr/> | <hr/> | <hr/> |

continued

COUNTY OF INYO

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

| | Special Revenue | | |
|--|------------------------------|--|---------------------|
| | Child Support Services | Special Districts Under the Board | Total |
| Revenues: | | | |
| Taxes | \$ -- | \$ 64,180 | \$ 64,180 |
| Intergovernmental | 1,091,957 | 426 | 1,626,201 |
| Use of money and property | 740 | 4,010 | 19,971 |
| Charges for services | -- | -- | 162,816 |
| Other revenues | 2,006 | -- | 3,278 |
| | 1,094,703 | 68,616 | 1,876,446 |
| | | | |
| Expenditures: | | | |
| Public protection | 1,130,661 | -- | 1,164,594 |
| Public ways and facilities | -- | 25,781 | 25,781 |
| Health and sanitation | -- | -- | 541,351 |
| | 1,130,661 | 25,781 | 1,731,726 |
| | | | |
| Excess (deficiency) of revenues over (under) expenditures | (35,958) | 42,835 | 144,720 |
| | | | |
| Other Financing Sources (Uses): | | | |
| Transfers in | -- | -- | 324,708 |
| Transfers out | -- | -- | (114,136) |
| Total other financing sources (uses) | -- | -- | 210,572 |
| | | | |
| Net change in fund balances | (35,958) | 42,835 | 355,292 |
| | | | |
| Fund balances, Beginning of Year | 89,258 | 773,090 | 3,863,908 |
| | | | |
| Fund balances, End of Year | \$ 53,300 | \$ 815,925 | \$ 4,219,200 |

COUNTY OF INYO

Combining Balance Sheet
Special Districts Under the Board
June 30, 2016

| | <u>Big Pine Lighting</u> | <u>Independence Lighting</u> | <u>Lone Pine Lighting</u> | <u>Total</u> |
|-------------------------------------|------------------------------|----------------------------------|-------------------------------|-------------------|
| Assets | | | | |
| Cash and investments | \$ 296,585 | \$ 324,078 | \$ 194,444 | \$ 815,107 |
| Interest receivable | 587 | 641 | 385 | 1,613 |
| | <u>297,172</u> | <u>324,719</u> | <u>194,829</u> | <u>816,720</u> |
| Total assets | <u>\$ 297,172</u> | <u>\$ 324,719</u> | <u>\$ 194,829</u> | <u>\$ 816,720</u> |
| Liabilities | | | | |
| Accounts payable | \$ -- | \$ 283 | \$ 413 | \$ 696 |
| Accrued salaries and benefits | 33 | 33 | 33 | 99 |
| | <u>33</u> | <u>316</u> | <u>446</u> | <u>795</u> |
| Total liabilities | <u>33</u> | <u>316</u> | <u>446</u> | <u>795</u> |
| Fund Balances | | | | |
| Fund Balances | | | | |
| Restricted | <u>297,139</u> | <u>324,403</u> | <u>194,383</u> | <u>815,925</u> |
| Total fund balances | <u>297,139</u> | <u>324,403</u> | <u>194,383</u> | <u>815,925</u> |
| Total liabilities and fund balances | <u>\$ 297,172</u> | <u>\$ 324,719</u> | <u>\$ 194,829</u> | <u>\$ 816,720</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, 2016

| | <u>Big Pine Lighting</u> | <u>Independence Lighting</u> | <u>Lone Pine Lighting</u> | <u>Totals</u> |
|--|------------------------------|----------------------------------|-------------------------------|--------------------------|
| Revenues: | | | | |
| Taxes | \$ 21,519 | \$ 22,183 | \$ 20,478 | \$ 64,180 |
| Intergovernmental | 142 | 148 | 136 | 426 |
| Use of money and property | <u>1,463</u> | <u>1,591</u> | <u>956</u> | <u>4,010</u> |
| Total revenues | <u>23,124</u> | <u>23,922</u> | <u>21,570</u> | <u>68,616</u> |
| Expenditures: | | | | |
| Public ways and facilities | <u>8,684</u> | <u>4,139</u> | <u>12,958</u> | <u>25,781</u> |
| Total expenditures | <u>8,684</u> | <u>4,139</u> | <u>12,958</u> | <u>25,781</u> |
| Excess (deficiency) of revenues over (under) expenditures | 14,440 | 19,783 | 8,612 | 42,835 |
| Fund balances, beginning of year | <u>282,699</u> | <u>304,620</u> | <u>185,771</u> | <u>773,090</u> |
| Fund balances, end of year | <u><u>\$ 297,139</u></u> | <u><u>\$ 324,403</u></u> | <u><u>\$ 194,383</u></u> | <u><u>\$ 815,925</u></u> |

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Enterprise Funds

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, 2016

| | <u>CSA #2</u> | <u>Mosquito Abatement</u> | <u>Water System</u> | <u>Total</u> |
|----------------------------------|---------------|-------------------------------|-------------------------|--------------|
| Assets | | | | |
| Current Assets: | | | | |
| Cash and investments | \$ 312,969 | \$ 129,630 | \$ 256,777 | \$ 699,376 |
| Accounts receivable | 17,996 | 64,878 | -- | 82,874 |
| Interest receivable | 621 | 285 | 545 | 1,451 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total current assets | 331,586 | 194,793 | 257,322 | 783,701 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Depreciable, net | 299,711 | 26,503 | 1,655,908 | 1,982,122 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | 631,297 | 221,296 | 1,913,230 | 2,765,823 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Deferred Outflows | | | | |
| Deferred outflows - pension | 824 | 52,800 | 27,628 | 81,252 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 3,664 | 3,244 | 30,582 | 37,490 |
| Accrued salaries and benefits | 152 | 15,329 | 5,005 | 20,486 |
| Due to other funds | 5,000 | -- | -- | 5,000 |
| Compensated absences | -- | 8,240 | 9,347 | 17,587 |
| Noncurrent Liabilities: | | | | |
| Net pension liability | 5,556 | 355,968 | 186,268 | 547,792 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | 14,372 | 382,781 | 231,202 | 628,355 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Deferred Inflows | | | | |
| Deferred inflows - pension | 495 | 31,714 | 16,595 | 48,804 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net Position | | | | |
| Net investment in capital assets | 299,711 | 26,503 | 1,655,908 | 1,982,122 |
| Unrestricted | 317,543 | (166,902) | 37,153 | 187,794 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total net position | \$ 617,254 | \$ (140,399) | \$ 1,693,061 | \$ 2,169,916 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

COUNTY OF INYO

Combining Statement of Revenues, Expenses and
Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

| | <u>CSA #2</u> | <u>Mosquito Abatement</u> | <u>Water System</u> | <u>Total</u> |
|---|-------------------|-------------------------------|-------------------------|----------------------|
| Operating Revenues: | | | | |
| Charges for services | \$ 52,138 | \$ 461,646 | \$ 386,115 | \$ 899,899 |
| Total operating revenues | <u>52,138</u> | <u>461,646</u> | <u>386,115</u> | <u>899,899</u> |
| Operating Expenses: | | | | |
| Salaries and benefits | 6,465 | 629,260 | 155,377 | 791,102 |
| Services and supplies | 18,843 | 142,862 | 308,187 | 469,892 |
| Depreciation | 12,754 | 10,404 | 55,026 | 78,184 |
| Total operating expenses | <u>38,062</u> | <u>782,526</u> | <u>518,590</u> | <u>1,339,178</u> |
| Operating income (loss) | <u>14,076</u> | <u>(320,880)</u> | <u>(132,475)</u> | <u>(439,279)</u> |
| Nonoperating Revenues (Expenses): | | | | |
| Intergovernmental revenues | -- | 38,808 | -- | 38,808 |
| Interest revenue | 1,143 | 454 | 1,498 | 3,095 |
| Total nonoperating revenues (expenses) | <u>1,143</u> | <u>39,262</u> | <u>1,498</u> | <u>41,903</u> |
| Change in net position | 15,219 | (281,618) | (130,977) | (397,376) |
| Net position - beginning of year | <u>602,035</u> | <u>141,219</u> | <u>1,824,038</u> | <u>2,567,292</u> |
| Net position - end of year | <u>\$ 617,254</u> | <u>\$ (140,399)</u> | <u>\$ 1,693,061</u> | <u>\$ 2,169,916</u> |

COUNTY OF INYO

Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

| | <u>CSA #2</u> | <u>Mosquito Abatement</u> | <u>Water System</u> | <u>Total</u> |
|--|-------------------|-------------------------------|-------------------------|-------------------|
| Cash Flows from Operating Activities | | | | |
| Cash receipts from customers | \$ 276,321 | \$ 477,864 | \$ 387,488 | \$ 1,141,673 |
| Cash paid to suppliers for goods and services | (16,253) | (140,536) | (295,007) | (451,796) |
| Cash paid to employees for salaries and benefits | (3,980) | (294,272) | (125,887) | (424,139) |
| | | | | |
| Net cash provided (used) by operating activities | <u>256,088</u> | <u>43,056</u> | <u>(33,406)</u> | <u>265,738</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Receipt of interfund loan | 5,000 | -- | -- | 5,000 |
| Payment of interfund loan | -- | (30,000) | -- | (30,000) |
| Intergovernmental revenues | 1,143 | 38,808 | -- | 39,951 |
| | | | | |
| Net cash provided (used) by noncapital financing activities | <u>6,143</u> | <u>8,808</u> | <u>--</u> | <u>14,951</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Payments related to the acquisition of capital assets | -- | (5,952) | -- | (5,952) |
| | | | | |
| Net cash provided (used) by capital and related financing activities | <u>--</u> | <u>(5,952)</u> | <u>--</u> | <u>(5,952)</u> |
| Cash Flows from Investing Activities | | | | |
| Interest received | (586) | 235 | 1,206 | 855 |
| | | | | |
| Net cash provided (used) by investing activities | <u>(586)</u> | <u>235</u> | <u>1,206</u> | <u>855</u> |
| | | | | |
| Net increase (decrease) in cash and cash equivalents | 261,645 | 46,147 | (32,200) | 275,592 |
| Cash and cash equivalents, beginning of year | 51,324 | 83,483 | 288,977 | 423,784 |
| Cash and cash equivalents, end of year | <u>\$ 312,969</u> | <u>\$ 129,630</u> | <u>\$ 256,777</u> | <u>\$ 699,376</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ 14,076 | \$ (320,880) | \$ (132,475) | \$ (439,279) |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | | |
| Depreciation | 12,754 | 10,404 | 55,026 | 78,184 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in: | | | | |
| Accounts receivable | 224,183 | 16,218 | 1,373 | 241,774 |
| Increase (decrease) in: | | | | |
| Accounts payable | 2,590 | 2,326 | 13,180 | 18,096 |
| Accrued salaries | 36 | 5,181 | 1,107 | 6,324 |
| Liability for compensated absences | -- | (5,075) | (1,936) | (7,011) |
| Net pension liability | 2,449 | 334,882 | 30,319 | 367,650 |
| | | | | |
| Net cash provided (used) by operating activities | <u>\$ 256,088</u> | <u>\$ 43,056</u> | <u>\$ (33,406)</u> | <u>\$ 265,738</u> |

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Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

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.

COUNTY OF INYO

Combining Statement of Net Position
Internal Service Funds
June 30, 2016

| | <u>Purchasing Revolving</u> | <u>Motor Pool</u> | <u>Workers' Compensation</u> |
|------------------------------------|---------------------------------|---------------------|----------------------------------|
| Assets | | | |
| Current assets: | | | |
| Pooled cash and investments | \$ 128,517 | \$ 1,974,003 | \$ 231,783 |
| Interest receivable | -- | 3,740 | -- |
| Inventory | <u>3,753</u> | <u>--</u> | <u>--</u> |
| Total current assets | 132,659 | 1,977,793 | 231,783 |
| Noncurrent assets: | | | |
| Nondepreciable | -- | 6,979 | -- |
| Depreciable, net | <u>--</u> | <u>1,433,454</u> | <u>--</u> |
| Total assets | <u>132,659</u> | <u>3,418,226</u> | <u>231,783</u> |
| Deferred Outflows | | | |
| Deferred outflows - pension | <u>--</u> | <u>25,757</u> | <u>--</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 96 | 37,100 | -- |
| Accrued salaries and benefits | -- | 5,826 | -- |
| Due to other funds | -- | -- | 120,000 |
| Liability for compensated absences | -- | 16,170 | -- |
| Liability for self-insurance funds | -- | -- | -- |
| Capital leases payable | <u>--</u> | <u>191,844</u> | <u>--</u> |
| Total current liabilities | 96 | 250,940 | 120,000 |
| Noncurrent liabilities: | | | |
| Liability for self-insurance funds | -- | -- | -- |
| Capital leases payable | -- | 670,654 | -- |
| Advances from other funds | 125,000 | -- | -- |
| Net pension liability | <u>--</u> | <u>173,652</u> | <u>--</u> |
| Total noncurrent liabilities | <u>125,000</u> | <u>844,306</u> | <u>--</u> |
| Total liabilities | <u>125,096</u> | <u>1,095,246</u> | <u>120,000</u> |
| Deferred Outflows | | | |
| Deferred outflows - pension | <u>--</u> | <u>15,471</u> | <u>--</u> |
| Net Position | | | |
| Net investment in capital assets | -- | 577,935 | -- |
| Unrestricted | 7,563 | 1,755,331 | 111,783 |
| Total net position | <u>\$ 7,563</u> | <u>\$ 2,333,266</u> | <u>\$ 111,783</u> |

continued

COUNTY OF INYO

Combining Statement of Net Position (continued)
Internal Service Funds
June 30, 2016

| | <u>County Liability</u> | <u>Medical Malpractice</u> | <u>Total</u> |
|------------------------------------|-----------------------------|--------------------------------|--------------|
| Assets | | | |
| Current assets: | | | |
| Pooled cash and investments | \$ 476,649 | \$ 23,569 | \$ 2,834,521 |
| Interest receivable | 703 | 43 | 4,486 |
| Inventory | -- | -- | 3,753 |
| | <hr/> | <hr/> | <hr/> |
| Total current assets | 477,352 | 23,612 | 2,843,199 |
| Noncurrent assets: | | | |
| Nondepreciable | -- | -- | 6,979 |
| Depreciable, net | -- | -- | 1,433,454 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | 477,352 | 23,612 | 4,283,632 |
| Deferred Outflows | | | |
| Deferred outflows - pension | -- | -- | 25,757 |
| | <hr/> | <hr/> | <hr/> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 9,995 | -- | 47,191 |
| Accrued salaries and benefits | -- | -- | 5,826 |
| Due to other funds | -- | -- | 120,000 |
| Liability for compensated absences | -- | -- | 16,170 |
| Liability for self-insurance funds | 100,000 | -- | 100,000 |
| Liability for self-insurance funds | -- | -- | 191,844 |
| | <hr/> | <hr/> | <hr/> |
| Total current liabilities | 109,995 | -- | 481,031 |
| Noncurrent liabilities: | | | |
| Liability for self-insurance funds | 248,000 | -- | 248,000 |
| Capital leases payable | -- | -- | 670,654 |
| Advances from other funds | -- | -- | 125,000 |
| Net pension liability | -- | -- | 173,652 |
| | <hr/> | <hr/> | <hr/> |
| Total noncurrent liabilities | 248,000 | -- | 1,217,306 |
| Total liabilities | 357,995 | -- | 1,698,337 |
| | <hr/> | <hr/> | <hr/> |
| Deferred Outflows | | | |
| Deferred outflows - pension | -- | -- | 15,471 |
| | <hr/> | <hr/> | <hr/> |
| Net Position | | | |
| Net investment in capital assets | -- | -- | 577,935 |
| Unrestricted | 119,357 | 23,612 | 2,017,646 |
| | <hr/> | <hr/> | <hr/> |
| Total net position | \$ 119,357 | \$ 23,612 | \$ 2,595,581 |
| | <hr/> | <hr/> | <hr/> |

COUNTY OF INYO

Combining Statement of Revenues, Expenses and
Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2016

| | <u>Purchasing Revolving</u> | <u>Motor Pool</u> | <u>Workers' Compensation</u> |
|---------------------------------|---------------------------------|---------------------|----------------------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 144,891 | \$ 1,260,253 | \$ 993,596 |
| Other revenue | <u>1,890</u> | <u>1,980</u> | <u>--</u> |
| Total operating revenues | <u>146,781</u> | <u>1,262,233</u> | <u>993,596</u> |
| Operating Expenses: | | | |
| Salaries and benefits | -- | 205,742 | -- |
| Services and supplies | 139,172 | 755,847 | 934,634 |
| Depreciation | <u>--</u> | <u>427,915</u> | <u>--</u> |
| Total operating expenses | <u>139,172</u> | <u>1,389,504</u> | <u>934,634</u> |
| Operating income (loss) | <u>7,609</u> | <u>(127,271)</u> | <u>58,962</u> |
| Non-Operating Revenue: | | | |
| Interest revenue | -- | 9,083 | -- |
| Gain on sale of assets | -- | 25,033 | -- |
| Total nonoperating revenue | <u>--</u> | <u>34,116</u> | <u>--</u> |
| Change in net position | 7,609 | (93,155) | 58,962 |
| Net position, beginning of year | <u>(46)</u> | <u>2,426,421</u> | <u>52,821</u> |
| Net position, end of year | <u>\$ 7,563</u> | <u>\$ 2,333,266</u> | <u>\$ 111,783</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, 2016

| | County Liability | Medical Malpractice | Total |
|---------------------------------|---------------------|------------------------|--------------|
| Operating Revenues: | | | |
| Charges for services | \$ 891,234 | \$ 64,732 | \$ 3,354,706 |
| Other revenue | -- | -- | 3,870 |
| | 891,234 | 64,732 | 3,358,576 |
| Operating Expenses: | | | |
| Salaries and benefits | -- | -- | 205,742 |
| Services and supplies | 611,783 | 63,311 | 2,504,747 |
| Depreciation | -- | -- | 427,915 |
| | 611,783 | 63,311 | 3,138,404 |
| Total operating expenses | 611,783 | 63,311 | 3,138,404 |
| Operating income (loss) | 279,451 | 1,421 | 220,172 |
| Non-Operating Revenue: | | | |
| Interest revenue | 802 | 82 | 9,967 |
| Gain on sale of assets | -- | -- | 25,033 |
| Total nonoperating revenue | 802 | 82 | 35,000 |
| Change in net position | 280,253 | 1,503 | 255,172 |
| Net position, beginning of year | (160,896) | 22,109 | 2,340,409 |
| Net position, end of year | \$ 119,357 | \$ 23,612 | \$ 2,595,581 |

COUNTY OF INYO

Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

| | <u>Purchasing Revolving</u> | <u>Motor Pool</u> | <u>Workers' Compensation</u> |
|--|---------------------------------|---------------------|----------------------------------|
| Cash Flows from Operating Activities | | | |
| Cash receipts from internal services provided | \$ 146,392 | \$ 1,262,312 | \$ 993,596 |
| Cash paid to suppliers for goods and services | (142,384) | (791,815) | (935,054) |
| Cash paid to employees for salaries and benefits | -- | (163,766) | -- |
| | <u>4,008</u> | <u>306,731</u> | <u>58,542</u> |
| Net cash provided (used) by operating activities | | | |
| Cash Flows from Non Capital Financing Activities | | | |
| Interfund loan repayment | -- | -- | (80,000) |
| | <u>--</u> | <u>--</u> | <u>(80,000)</u> |
| Net cash provided (used) by non capital financing activities | | | |
| | <u>--</u> | <u>--</u> | <u>(80,000)</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Payments related to the acquisition of capital assets | -- | (215,127) | -- |
| | <u>--</u> | <u>(215,127)</u> | <u>--</u> |
| Net cash provided (used) by capital and related financing activities | | | |
| | <u>--</u> | <u>(215,127)</u> | <u>--</u> |
| Cash Flows from Investing Activities | | | |
| Interest received | -- | 6,788 | -- |
| | <u>--</u> | <u>6,788</u> | <u>--</u> |
| Net cash provided (used) by investing activities | | | |
| | <u>--</u> | <u>6,788</u> | <u>--</u> |
| Net increase (decrease) in cash and cash equivalents | 4,008 | 98,392 | (21,458) |
| Cash and cash equivalents, beginning of year | 124,509 | 1,875,611 | 253,241 |
| | <u>124,509</u> | <u>1,875,611</u> | <u>253,241</u> |
| Cash and cash equivalents, end of year | <u>\$ 128,517</u> | <u>\$ 1,974,003</u> | <u>\$ 231,783</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Operating income (loss) | \$ 7,609 | \$ (127,271) | \$ 58,962 |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | |
| Depreciation | -- | 427,915 | -- |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Accounts receivable | (389) | 79 | -- |
| Inventory | 764 | -- | -- |
| Increase (decrease) in: | | | |
| Accounts payable | (3,976) | (35,968) | (420) |
| Accrued salaries | -- | 2,195 | -- |
| Liability for compensated absences | -- | 895 | -- |
| Net pension liability | -- | 38,886 | -- |
| | <u>--</u> | <u>38,886</u> | <u>--</u> |
| Net cash provided (used) by operating activities | <u>\$ 4,008</u> | <u>\$ 306,731</u> | <u>\$ 58,542</u> |
| Schedule of non-cash capital and related financing activities: | | | |
| Capital lease and related capital assets | \$ -- | \$ 986,001 | \$ -- |

continued

COUNTY OF INYO

Statement of Cash Flows
Internal Service Funds (continued)
For the Year Ended June 30, 2016

| | <u>County Liability</u> | <u>Medical Malpractice</u> | <u>Total</u> |
|--|-----------------------------|--------------------------------|---------------------|
| Cash Flows from Operating Activities | | | |
| Cash receipts from internal services provided | \$ 891,234 | \$ 64,732 | \$ 3,358,266 |
| Cash paid to suppliers for goods and services | (625,579) | (63,311) | (2,558,143) |
| Cash paid to employees for salaries and benefits | -- | -- | (163,766) |
| | <u>265,655</u> | <u>1,421</u> | <u>636,357</u> |
| Net cash provided (used) by operating activities | | | |
| Cash Flows from Non Capital Financing Activities | | | |
| Interfund loans from other funds | -- | -- | (80,000) |
| | <u>--</u> | <u>--</u> | <u>(80,000)</u> |
| Net cash provided (used) by non capital financing activities | | | |
| | <u>--</u> | <u>--</u> | <u>(80,000)</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Payments related to the acquisition of capital assets | -- | -- | (215,127) |
| | <u>--</u> | <u>--</u> | <u>(215,127)</u> |
| Net cash provided (used) by capital and related financing activities | | | |
| | <u>--</u> | <u>--</u> | <u>(215,127)</u> |
| Cash Flows from Investing Activities | | | |
| Interest received | 264 | 56 | 7,108 |
| | <u>264</u> | <u>56</u> | <u>7,108</u> |
| Net cash provided (used) by investing activities | | | |
| | <u>264</u> | <u>56</u> | <u>7,108</u> |
| Net increase (decrease) in cash and cash equivalents | 265,919 | 1,477 | 348,338 |
| Cash and cash equivalents, beginning of year | 210,730 | 22,092 | 2,486,183 |
| | <u>210,730</u> | <u>22,092</u> | <u>2,486,183</u> |
| Cash and cash equivalents, end of year | <u>\$ 476,649</u> | <u>\$ 23,569</u> | <u>\$ 2,834,521</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Operating income (loss) | \$ 279,451 | \$ 1,421 | \$ 220,172 |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | |
| Depreciation | -- | -- | 427,915 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Accounts receivable | -- | -- | (310) |
| Inventory | -- | -- | 764 |
| Increase (decrease) in: | | | |
| Accounts payable | (13,796) | -- | (54,160) |
| Accrued salaries | -- | -- | 2,195 |
| Liability for compensated absences | -- | -- | 895 |
| Net pension liability | -- | -- | 38,886 |
| | <u>--</u> | <u>--</u> | <u>38,886</u> |
| Net cash provided (used) by operating activities | <u>\$ 265,655</u> | <u>\$ 1,421</u> | <u>\$ 636,357</u> |
| Schedule of non-cash capital and related financing activities: | | | |
| Capital lease and related capital assets | \$ -- | \$ -- | 986,001 |

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Fiduciary Funds

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.

COUNTY OF INYO

Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2016

| | Special Districts Governed by Local Boards | School Districts | Total |
|--|---|----------------------|----------------------|
| Assets | | | |
| Cash and investments | \$ 19,185,435 | \$ 27,181,559 | \$ 46,366,994 |
| Imprest cash | 3,444 | -- | 3,444 |
| Cash with fiscal agent | 142,780 | -- | 142,780 |
| Interest receivable | 36,804 | 61,474 | 98,278 |
| Total assets | <u>19,368,463</u> | <u>27,243,033</u> | <u>46,611,496</u> |
| Liabilities | | | |
| Due to other funds | 20,000 | -- | 20,000 |
| Total liabilities | <u>20,000</u> | <u>--</u> | <u>20,000</u> |
| Net Position | | | |
| Net position held in trust for investment pool participants | 19,348,463 | 27,243,033 | \$ 46,591,496 |
| Total net position | <u>\$ 19,348,463</u> | <u>\$ 27,243,033</u> | <u>\$ 46,591,496</u> |

