County of Merced
State of California

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

Prepared by
County Auditor-Controller's Office
Lisa Cardella-Presto, CPA, Auditor-Controller
Janey Cabral, Assistant Auditor-Controller

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INTRODUCTORY SECTION

MERCED COUNTY

AUDITOR-CONTROLLER

Lisa Cardella-Presto, C.P.A.
Auditor-Controller

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March 5, 2014

Honorable Board of Supervisors
County of Merced
Merced, California 95340

To the Board of Supervisors and Merced County Citizens:

The Comprehensive Annual Financial Report (CAFR) of the County of Merced (County) for the fiscal year ended June 30, 2013, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon an internal control framework established for this purpose. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation of the various funds of the County. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than an absolute, assurance that the financial statements are free of any material misstatement. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The independent auditor's report is located at the beginning of the financial section of this report. Brown Armstrong Accountancy Corporation has issued an unmodified ("clean") opinion on the County's financial statements for the year ended June 30, 2013.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. This letter is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The County was incorporated in 1855 and is located in the heart of the San Joaquin Valley in California, the agricultural hub of the state. The County's abundant flat land and nearby sources of water support the local agricultural economy. The County of Merced occupies approximately 1,978 square miles of land and water serving an approximate population of 262,000 ethnically diverse citizens. Six incorporated cities are within the County: Atwater, Dos Palos, Gustine, Livingston, Los Banos and Merced and numerous smaller unincorporated communities. The County's agricultural-related industries are a major source of employment, along with food processing, retailing, and light manufacturing. Agriculture continues to be the economic base for the County with $3.3 billion in gross production for the 2012 calendar year, placing Merced County as the fifth largest agricultural producing County in the state and sixth in the nation. The higher education system also provides cultural and social influence throughout the County. The County is home to the University of California (UC) Merced and Merced College.

The County government functions as a local government body to serve the needs of its residents. As geographical and political subdivisions of the state, counties serve a dual role: providing municipal services in the unincorporated areas and acting as administrative agents for the state and federal government programs and services. Policymaking and legislative authority is vested in the County Board of Supervisors (Board) which consists of an elected supervisor from each of the five districts. The Board is responsible, among other things, for passing ordinances, adopting budgets, and appointing committees, the County Executive Officer (CEO) and non-elected department directors. Supervisors are elected to four year staggered terms with elections occurring every two years for alternate districts. The County has five elected department directors responsible for the offices of the Assessor-Recorder, Auditor-Controller, District Attorney-Public Administrator, Sheriff-Coroner, and Treasurer-Tax Collector. An organizational chart reflecting the various functional areas of the County is included later in

this report.

The County, with approximately 1,774 employees, provides a full range of services. Citizens residing in unincorporated areas of the County receive municipal services from the County including law enforcement, fire protection, land use and zoning, building permits, local road building and maintenance, animal care and control, and public libraries. Every resident of the County, directly or indirectly, benefits from these services. In addition, most services performed by the County are provided for all residents regardless of whether those residents live in cities or unincorporated areas. The County's principal functions include seven major areas: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The state and federal government mandate certain minimum service levels in areas of public assistance and health services.

Included in operations are various component units which provide specific services County-wide or to distinct geographical areas within the County. The governmental reporting entity consists of the County and its component units. They include the Merced County Employees' Retirement Association (MCERA), the Other Post Employment Benefits Retirement Investment Trust, the Merced Tobacco Funding Corporation, and the First 5 Merced County Children & Families Commission. While these entities are legally separate from the County, the County has some financial accountability for them, or they are organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete.

The County is required by State law to adopt a final budget each year. This annual budget serves as the foundation for the County's financial planning and control. Budgets are adopted for all governmental and proprietary funds and are prepared in accordance with the State Budgetary Act. The County maintains budgetary controls to assure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of the general and special revenue funds are included (except for Tobacco Securitization, Housing Loan Program and Business Loan Program), the capital projects fund, and debt service funds (except for the Merced County Tobacco Funding Corporation) in the annually appropriated budget. Project-length financial plans are adopted for the capital projects fund. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the object level within each department or budget unit, except for capital assets which are budgeted for at the sub-object level. The County also maintains an encumbrance accounting system to assist departments in accomplishing budgetary control. Unencumbered annual appropriations lapse at year-end. An encumbrance reserves a portion of an appropriation at the time a commitment is made to acquire goods or services. Open encumbrances are reported as reservations of fund balances at fiscal year-end and are re-appropriated as part of the following year's budget. The legal level of control for appropriations is exercised at the department, within fund level. Appropriations at this level may only be adjusted during the year with approval of the Board. Management may make adjustments at their discretion below that level. Such adjustments by the Board and management are reflected in the revised budgetary data presented in the financial statements.

The County of Merced internet site at http:/www.co.merced.ca.us provides additional information about the County government and its services to the citizens of the County and to those who visit. The County's website includes information about the Board, including how to contact the Board, and provides Board agendas and minutes, County job listings, County department directories, information on assessment appeals, voter information, County permits and forms, and financial information such as the County Annual Budget. There are also online services to use, including the ability to view live and archived Board meetings, look up election results and polling places and pay property taxes.

Economic Overview

As indicative of the entire State of California, Merced County continues to feel the effects of a sluggish economy. Merced County begins to show modest improvements in key economic indicators. Indicators for next year show a slow recovery in the local economic base with sluggish growth and modest changes in the jobless rate into 2013.

Employment Data

The County's unemployment rate decreased from 17.3% in June 2012 to 14.1% in June 2013. Merced County's rate is significantly higher than the State of California's unemployment rate of 8.9% or the United States' rate of 7.6% at the same point in time. The County's unemployment rate is typically higher than the State's or the national market in part due to the seasonal nature of its large agricultural employment base. The County's unemployment rate for the fiscal year of 2012/2013 ranged from a high of 18% to a low of 12% reflecting the nature of seasonal agricultural jobs.

These rates indicate a moderately positive trend in employment for the year for Merced County.

Agriculture currently accounts for 21% of wage and salary employment for the County. Other important sources of employment include government (23%), goods producing (15%), wholesale and retail trade (14%) and education and health services (9%) as of September 2013 on a non-seasonally adjusted basis.

Personal Income

Per capita personal income showed a modest improvement going from $27,329 in 2010 to $28,497 in 2011. This compares with a per capita income for the state as a whole of $43,626 and $35,452 for the nonmetropolitan portion of the state in 2011.

Real Estate

The County-wide median price on all types of home sales increased to $172,000 at October 2013 as compared to $123,000 at October 2012. The increase in median home prices is a sign that prices are modestly improving after the previous years of significant declines. The certified valuation of total taxable property values remained approximately the same with a 0.8% increase from fiscal year 2011/2012 to fiscal year 2012/2013.

Agriculture

The County remains a leading agricultural county in the state and in the nation. Total gross production was $3.3 billion in 2012. Leading commodities include milk, almonds, cattle and calves, chickens and sweet potatoes.

The economy has shown some signs of modest recovery from the effects of the distressed economic times throughout the United States, California and Merced County. Although economic indicators are showing modest improvements, the long-term impact of the significant real estate market declines and a high level of unemployment continue to affect the local economy. The unknowns in the economy such as the drought experienced in the San Joaquin Valley, unemployment, commodity prices and water access issues may continue to impact the County's revenue and tax base.

Major Initiatives

With unprecedented challenges facing our state, regional and local economies, Merced County continues to place great value on its ability to deliver meaningful services and programs for its population. The County well understands its role and prides itself on delivering said programs for the purpose of improving the quality of life of its residents.

Over the past several years, there has been a great deal of fiscal uncertainty in Sacramento, which has placed great strains on local governments throughout California and Merced County is not an exception. While not an exhaustive list, to follow are a number of accomplishments made by Merced County that aim to illustrate the County's firm commitment to providing outstanding programs for the community and maintaining essential services with resources becoming more finite.

Campus Parkway: The Campus Parkway project involves the construction of a new four lane expressway from Highway 99, connecting Highway 140 and extending to Yosemite Avenue in the City of Merced for a total length of approximately 4.5 miles. The construction of the first segment of the Campus Parkway (From Highway 99 to Childs Avenue) was successfully completed in 2010. This vital project represents one segment of a loop system that will relieve congestion and improve goods and services movement in our community. The Campus Parkway project is a collaborative effort undertaken by the County of Merced, the City of Merced, the Merced County Association of Governments, CalTrans and UC Merced. The County and its partners continue to seek the resources necessary to construct the next two segments of the project, which has an estimated cost of $90 million. This project is estimated to generate 1,760 jobs and will ultimately connect the growing areas of the City of Merced, UC Merced and its associated future campus community.

Atwater-Merced Expressway: In 2012, Merced County began the first phase of the Atwater-Merced Expressway Project. This first phase includes the construction of a new interchange on State Route 99 to replace the existing Buhach Interchange, the construction of the first segment of the Expressway to Green Sands Avenue, and the construction of Green Sands Avenue from Buhach Road to Gurr Road. This project will significantly improve traffic safety on State

Route 99 and will greatly improve access to the City of Atwater and the Castle Commerce Center and Castle Airport. Since June of 2013, a significant amount of work has been completed and the construction of the project will continue throughout 2014/2015 with an expected completion date in early 2016.

Emergency Operations and 911 Dispatch Center: Construction was completed in 2013 for the remodeling of a portion of the old Wing Command offices at the Castle Commerce Center. Utilizing a $1 million California Emergency Management Agency (CalEMA) grant and $3.5 million in Tobacco Securitization Funds, the County now has a facility specifically designed and outfitted for emergency events and ultimately for day-to-day dispatch activities. New Dispatch Center equipment will be installed over a three phase implementation project with the first phase being the purchase and installation of the dispatch consoles in 2014.

Elections Center and Consolidated Storage/Surplus Warehouse Facility: Construction was completed in 2013 for an Elections Center and consolidated storage/surplus warehouse facility at the location that was formerly the Merced County Hospital. The project was funded with $3 million of Tobacco Securitization Funds. The Board continues to explore options for re-use of newer portions of the old hospital for County operations. The Board awarded an Exclusive Negotiating and Development Agreement with a developer for potential re-use as a U.S. Veterans Housing Facility, however; progress on this reuse project has stalled due to a lack of funding for construction and operational costs.

Other Projects: Several other capital projects were approved, completed and/or underway in the fiscal year. They include the complete reroofing of various fire stations and recreational facilities at the regional parks, the completion of the remodel of a vacant County facility that formerly housed the Division of Environmental Health for administration of the Assembly Bill (AB) 109 Prison Realignment program, the consolidation of various County departments into the 2nd floor of the Main Administration building essential to the issuance of development related permits to the public, the remodeling of an administrative building for the Public Defender to update and improve staff facilities and Americans with Disabilities Act (ADA) accessibility compliance retrofits, the replacement of failed air conditioning equipment and landscaping improvements at the Main Library and the remodel of medical facilities and upgrade of security and monitoring systems at the Sandy Mush Adult Correctional Facility.

The Merced County Board of Supervisors adopted the 2030 General Plan Update, which serves as the Merced County's "blueprint" or "constitution" for all future land use, development, preservation, and resource conservation decisions. The 2030 General Plan addresses seven mandatory general plan elements required under state planning laws, and includes three additional chapters on economic development, air quality, and water, as well as revised land use and circulation diagrams.

Merced County continues to operate Castle Commerce Center and Castle Airport (Castle), a former military installation conveyed to the County in December 2006. Castle is an emerging commercial-industrial center, capable of reaching global markets in the fields of aviation, non-aviation, ware-housing and technology development. Over the past years, Merced County has signed several noteworthy leases, including an aviation maintenance, repair and overhaul operator, manufacturers of overhead cranes and technology companies. Dialogue continues to take place with potential high-tech and bioscience-oriented companies as well as interest from the green technology trade business sector. As a Foreign Trade Zone and Enterprise Zone site, Castle presents significant opportunities to businesses looking to locate and expand operations in Merced County.

Merced County currently has a new taxiway under construction to enhance safety and efficiency at Castle Airport. This construction is funded by Airport Capital Improvement funds and the taxiway is expected to be operational by March 2014. Castle remains home to one of the longest runways in the western United States at 11,802 feet and has great intermodal capability with easy access to aviation, railroads and highways, as well as regional proximity to three major California Seaports.

Castle remains a site under evaluation by the California High Speed Rail Authority from which to locate a Heavy Maintenance Facility. If successful, this would create in excess of 1,500 new jobs for the community and the region.

From an economic development standpoint, Castle represents one of the state's most significant opportunities considering the uniqueness of the property, its operational capabilities and centralized geographic location. Merced County remains fully committed to advancing Castle and continues to provide needed local investment into the facility.

The University of California Merced, which opened in September 2005, continues to grow. Located alongside Lake Yosemite approximately 3 miles north-east of the City of Merced, the school markets itself as the first new research university of the 21st century. The site is complete with housing; a library; Schools of Engineering, Natural Science, Social Sciences, Humanities and Arts; and a wellness center/gym. Enrollment has grown to about 6,200 students, showing very strong growth in enrollment for the last few years. It has satellite campuses in downtown Merced, Merced College, Bakersfield, Fresno and Modesto. Future plans include the planning for a School of Medicine and a School of Management. The university is expected to accommodate the near term projected enrollment of 10,000 students and a growing staff and facility by the year 2020. It is actively developing plans for future construction of new teaching, research, and residential facilities of its existing campus. The university, with the research facilities and business that it attracts to the area, along with the resulting community activities it helps to create, should provide a stimulus for growth to the area in the future.

Other Information

Pension Trust Fund Operations

The County participates in and contributes to a defined benefit plan covering all full-time employees. Contributions are made by both the County and employees as recommended by the actuary and approved by the Board of Retirement and the Board of Supervisors. The MCERA is reported as a fiduciary trust fund (Pension Trust) fund in these statements; a complete financial report is available from the MCERA.

Cash Management

The County Treasurer's office manages the Treasury Investment Pool (Pool). The Pool is comprised of all County and agency funds that are deposited in the County Treasury for operating purposes. A formal investment policy is administered by the Treasurer's staff to ensure that investments satisfy legal guidelines, provide liquidity to meet the daily demands upon the Treasury, and provide competitive interest earnings within those constraints. A Treasury Oversight Committee is responsible for regulatory oversight. Further information about the Pool is included in Note 2 to the Financial Statements.

In addition, the MCERA Pension Trust Fund is governed by the Board of Retirement and an asset management advisory firm assists in the administration of investments. The Board of Retirement has adopted an investment policy intended to provide sufficient benefits within an investment structure intended to minimize investment risk and while maintaining a competitive investment return. The investments in MCERA are long-term in nature. Additional information about the operations of the MCERA is available from the MCERA office.

Single Audit

As a recipient of Federal and State financial assistance, the County is also responsible for ensuring that an adequate internal control structure is in place to provide reasonable assurance for compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management, the internal audit staff of the County, and an annual audit performed by a public accounting firm in compliance with the Federal Single Audit Act of 1996 and the American Recovery and Reinvestment Act of 2009.

Risk Management

The County maintains a comprehensive risk management program administered by a full time risk manager and staff. The County is partially self-insured on its workers' compensation, dental, unemployment insurance, general liability, and auto liability plans. Outside insurance is provided for claims in excess of the self-insured limits, subject to certain limitations and for other types of risks such as property damage, medical malpractice and fiduciary liabilities. The County records estimated liabilities for such claims filed or expected to be filed for incidents that have occurred. County officials believe that assets of the Risk Management Fund and funds that are to be provided in the future will be adequate to meet the self-insured claims as they come due.

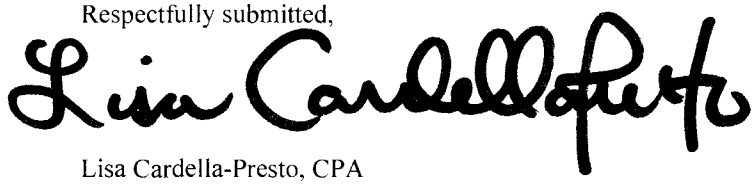
Independent Audit

The accounting firm of Brown Armstrong Accountancy Corporation was selected by the County's audit committee. In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1996 and the related U.S. Office of Management and Budget's Circular A-133. The independent auditor's report on the basic financial statements including combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws, regulations, contracts

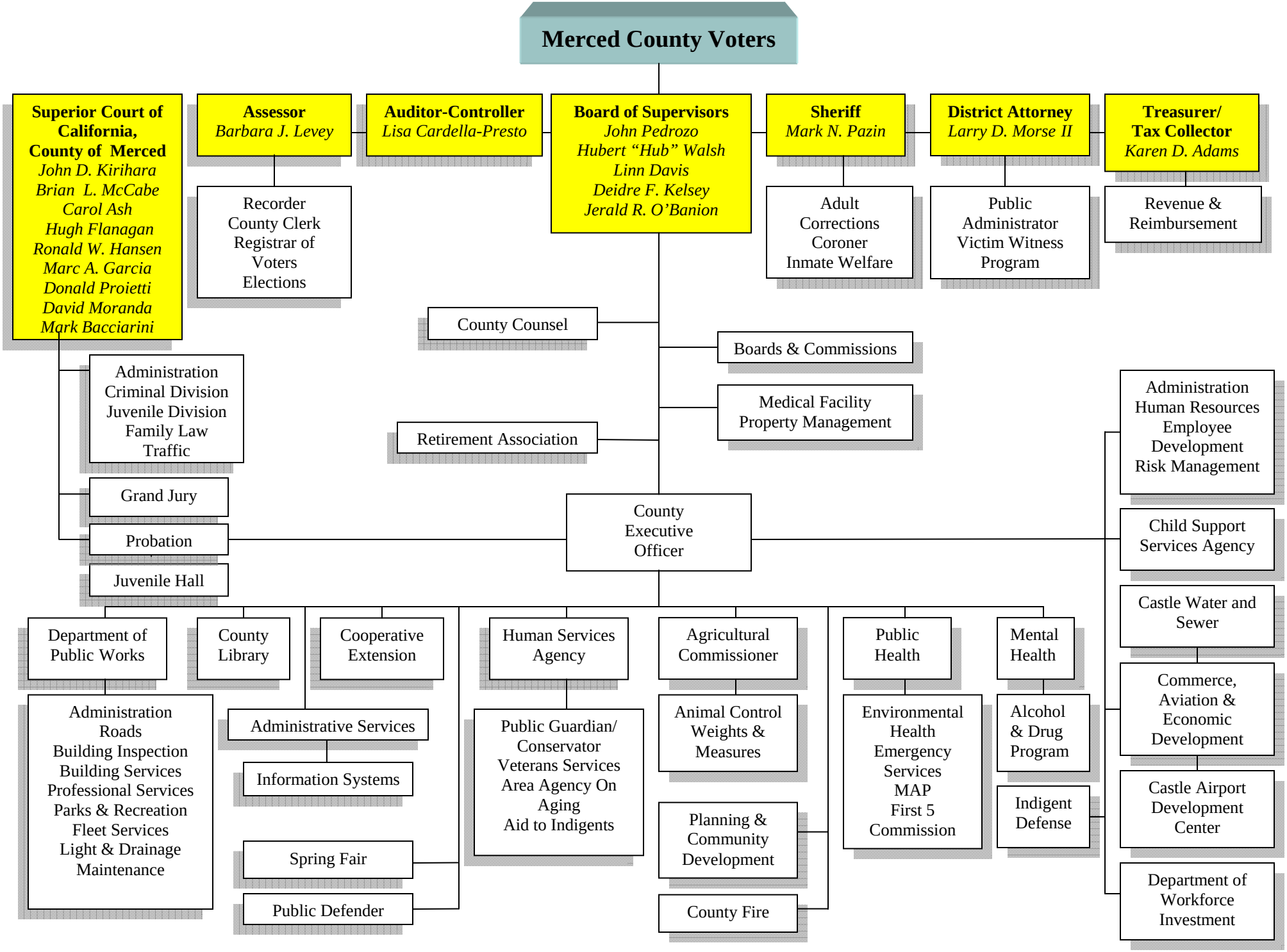
and grant agreements can be found in the separately issued Single Audit Report.

Acknowledgments
The preparation of the Comprehensive Annual Financial Report is accomplished with the efficient and dedicated services of the entire staff of the Auditor-Controller's office. Thank you goes to all the County departments for their cooperation and participation in creating this report and to the Board of Supervisors for their leadership and continual efforts to ensure the general fiscal health and integrity of the County.

Respectfully submitted,



Lisa Cardella-Presto, CPA
Auditor-Controller


Merced County Voters
Superior Court of California, County of Merced
John D. Kirihara
Brian L. McCabe
Carol Ash
Hugh Flanagan
Ronald W. Hansen
Marc A. Garcia
Donald Proietti
David Moranda
Mark Bacciarini
Assessor
Barbara J. Levey
Recorder
County Clerk
Registrar of Voters
Elections
Auditor-Controller
Lisa Cardella-Presto
Board of Supervisors
John Pedrozo
Hubert "Hub" Walsh
Linn Davis
Deidre F. Kelsey
Jerald R. O'Banion
Sheriff
Mark N. Pazin
Adult Corrections
Coroner
Inmate Welfare
District Attorney
Larry D. Morse II
Public Administrator
Victim Witness Program
Treasurer/ Tax Collector
Karen D. Adams
Revenue & Reimbursement
County Counsel
Boards & Commissions
Medical Facility
Property Management
Retirement Association
Administration
Criminal Division
Juvenile Division
Family Law
Traffic
Grand Jury
Probation
Juvenile Hall
County Executive Officer
Administration
Human Resources
Employee Development
Risk Management
Child Support Services Agency
Castle Water and Sewer
Commerce, Aviation & Economic Development
Castle Airport Development Center
Department of Workforce Investment
Department of Public Works
Administration
Roads
Building Inspection
Building Services
Professional Services
Parks & Recreation
Fleet Services
Light & Drainage Maintenance
County Library
Cooperative Extension
Administrative Services
Information Systems
Spring Fair
Public Defender
Human Services Agency
Public Guardian/ Conservator
Veterans Services
Area Agency On Aging
Aid to Indigents
Agricultural Commissioner
Animal Control
Weights & Measures
Planning & Community Development
County Fire
Public Health
Environmental Health
Emergency Services
MAP
First 5 Commission
Mental Health
Alcohol & Drug Program
Indigent Defense

County of Merced
Board of Supervisors and Fiscal Officers

(As of June 30, 2013)

Board of Supervisors

District 1 . . . . . John Pedrozo

District 2 . . . . . Hubert “Hub” Walsh

District 3 . . . . . Linn Davis

District 4 . . . . . Deidre F. Kelsey, Chairperson

District 5 . . . . . Jerald R. O'Banion

Fiscal Officers

Assessor, Recorder, County Clerk, Registrar of Voters, Elections. . . . . Barbara J. Levey

Auditor-Controller . . . . . Lisa Cardella-Presto, C.P.A.

Assistant Auditor-Controller . . . . . Janey Cabral

County Executive Officer . . . . . James L. Brown

Grand Jury . . . . . William Gray (Foreperson)

Superior Court . . . . . Brian L. McCabe (Presiding Judge)

Treasurer-Tax Collector, Revenue and Reimbursement Officer . . . . . Karen D. Adams, C.P.A.

FINANCIAL SECTION

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TEL 209.451.4833

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Merced, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Merced, California, (the County) as of and for the year ended June 30, 2013, 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 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.

Opinions

In our opinion, 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 of Merced, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison statements for the General Fund and the Road Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Note 1 to the financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in advance during the fiscal year 2013. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-15 and schedules of funding progress on pages 78 and 79, 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 financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
March 5, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The County of Merced's (County) Management Discussion and Analysis is designed to present a narrative overview of the financial activities of the County and an analysis of the County's financial position and performance for the fiscal year ended June 30, 2013. This should be read in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section.

Financial Highlights

- The assets of the County exceeded its liabilities at the 2012-2013 fiscal year-end by $515.1 million. This is referred to as net position. Of this amount, $7.7 million (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors, $43.9 million is restricted for specific purposes (restricted net position), and $463.5 million is the net investment in capital assets.
- The County's total net position decreased by $8.3 million from the 2011-2012 fiscal year-end. Net position in the governmental activities decreased by $1.3 million, while those in the business-type activities decreased by $7.0 million.
- As of the close of the 2012-2013 fiscal year, the County's governmental funds reported a combined ending fund balance of $138.8 million, a decrease of $12.1 million from the prior year. Of this amount, $49.4 million is available for the County's ongoing obligations related to programs with external restrictions (restricted fund balance). Of the remaining amount, $47.7 million is available to fund ongoing commitments of the County's programs for citizens (committed and assigned fund balance) and another $38.9 million are funds which are currently unassigned.
- As of the close of the 2012-2013 fiscal year, the fund balance for the General Fund was $73.8 million, of which $33.5 million is available to fund ongoing commitments of the County's programs (committed and assigned fund balance) and $38.9 million are funds that are currently unassigned.
- The County's total long-term debt decreased by $2.6 million in comparison with the prior year. The refinancing of the Juvenile Hall 2002 Certificates of Participation with the proceeds from the 2013 Certificates of Participation comprises $1.5 million of the change from the prior year. In addition, the decrease was due to the regularly scheduled debt service payments that are partially offset by increases in the funding of the County's Other Post Employment Benefits (OPEB) liability.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) *Government-wide* financial statements, (2) *Fund* financial statements, and (3) *Notes* to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. These statements provide both long-term and short-term information about the County's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in the full accrual basis of accounting and the elimination or reclassification of internal activities.

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 result in cash flows in future fiscal periods.

Both of the 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 and cultural services. The business-type activities of the County include the Castle Airport Development Center, Medical Facility Lease Operation, and Castle Water and Sewer.

The government-wide financial statements include the following blended component units: the Merced County Employees' Retirement Association (MCERA), Other Post Employment Benefits Retirement Investment Trust, the Merced County Tobacco Funding Corporation, and the First 5 Merced County Children & Families Commission. Blended component units, although legally separate entities, are, in substance, part of the County's operations. These component units are included in the County's reporting entity because of the significance of their financial and operational relationship and their mutual governing body. There are no component units of the County that meet the criteria for discrete presentation.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate 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 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 what financial resources are available in the near future to finance the County's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* 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 numerous 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, the Dairy Loan Program Fund, the Road Fund and the Tobacco Securitization Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for all of the individual governmental funds except the Merced County Tobacco Funding Corporation, the Tobacco Securitization Fund, the Business Loan Program Fund and the Perpetual Conservation Easement Fund. Budgetary comparison schedules have been provided for each applicable fund to demonstrate compliance with this budget.

Proprietary funds consist of two different types of 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 Medical Facility Lease Operation, Castle Airport Development Center, and Castle Water and Sewer operations. *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 its Fleet Service Management, Administrative Services and Insurance Pool operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Castle Airport Development Center operations, which is considered to be a major fund of the County. The County's two remaining enterprise funds are considered to be nonmajor funds and are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for these two funds are provided in the form of *combining statements* elsewhere in this report. Furthermore, the County's three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for these three internal service funds are also provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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.

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 note disclosures can be found on pages 43-77 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's Schedules of Funding Progress. Required supplementary information can be found on pages 78-79 of this report.

Combining and Individual Fund Statements and Schedules. The combining and individual fund statements referred to earlier provide information for nonmajor governmental, enterprise, internal service and agency funds and are presented immediately following the required supplementary information.

Government-wide Financial Analysis

Summary of Net Position

	Governmental Activities		Business-type Activities		Total		
	2013	2012	2013	2012	2013	2012	Variance
Current and other assets	$ 265,720,033	$ 287,817,224	$ 13,361,779	$ 14,033,614	$ 279,081,812	$ 301,850,838	-7.54%
Capital assets	341,490,146	330,380,647	129,360,168	135,596,375	470,850,314	465,977,022	1.05%
Total assets	$ 607,210,179	$ 618,197,871	$ 142,721,947	$ 149,629,989	$ 749,932,126	$ 767,827,860	-2.33%
Deferred outflows of resources	$ -	$ -	$ -	$ -	$ -	$ -	-
Current and other liabilities	$ 84,719,881	$ 91,685,987	$ 246,506	$ 235,514	$ 84,966,387	$ 91,921,501	-7.57%
Long-term liabilities	149,567,994	152,235,217	258,334	216,382	149,826,328	152,451,599	-1.72%
Total liabilities	$ 234,287,875	243,921,204	$ 504,840	$ 451,896	$ 234,792,715	$ 244,373,100	-3.92%
Deferred inflows of resources	$ -	$ -	$ -	$ -	$ -	$ -	-
Net position							
Net Investment in capital assets	$ 334,137,124	$ 311,333,561	$ 129,360,168	$ 135,596,376	$ 463,497,292	$ 446,929,937	3.71%
Restricted	43,835,354	47,893,405	79,439	84,527	43,914,793	47,977,932	-8.47%
Unrestricted	(5,050,174)	15,049,701	12,777,500	13,497,190	7,727,326	28,546,891	-72.93%
Total net position	$ 372,922,304	$ 374,276,667	$ 142,217,107	$ 149,178,093	$ 515,139,411	$ 523,454,760	-1.59%

Net position may serve over time as a useful indicator of the County's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $515.1 million at June 30, 2013, for the County.

The largest portion of the County's net position, $463.5 million or 90.0%, reflects its net investment in capital assets (e.g., land, construction in progress, buildings and improvements, equipment, and infrastructure), which takes into account any related debt used to acquire those assets, that is still outstanding. 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.

An additional portion of the County's net position, $43.9 million or 8.5%, represents resources that are subject to external restrictions on how they may be used and are listed as *restricted*. The remaining component, those reported as *unrestricted*, totaled $7.7 million or 1.5% and may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position.

Governmental activities. Net position in the County's governmental activities remained approximately constant with a decrease of $0.3 million during the current fiscal year. The key components changed as follows:

- Current and other assets decreased by $22.1 million or 7.7%, most of which can be primarily attributed to a decrease in equity in pooled cash and investments of $20.3 million and a decrease in restricted assets of $1.2 million. This is in part offset by an increase in receivables of $1.4 million. The decrease in equity in pooled assets was primarily due to a drop in the County's Fire Fund as cash was utilized in the payment for services rendered by Cal Fire for the prior year and current year and a decrease of $4.9 million in the Tobacco Securitization Fund for the funding of capital outlays. The $4.1 million decrease in Restricted Assets is largely due to funds being utilized for the completion of the Campus Parkway Bike Path and costs associated with various Proprosition 1B road projects.
- Capital assets increased $11.1 million or 3.4% due primarily to increases in capitalized costs totaling $30.3 million. The increased capitalized costs are associated with Infrastructure additions for $3.7 million and various Capital Improvement Program (CIP) projects for $23.7 million, primarily $16.2 million for miscellaneous Road Projects, $2.5 million for the Merced County Emergency Operations Center, and $2.6 million for the Hospital building re-use project. This is partially offset by depreciation costs associated with capitalized assets of $18.8 million and assets disposals of $0.4 million to surplus and land being deeded to the City of Merced for the Campus Parkway Project.
- Current and other liabilities decreased by $7.0 million or 7.6%. This decrease is in part due to a decrease in accrued liabilities of $12.3 million and an increase in unearned revenue of $5.3 million. The decrease in accrued liabilities is due primarily to a decrease in contractual obligations with the California Department of Forestry for Fire Protection Services within the Fire Fund as payment was rendered for prior years service. In addition, the increase in Unearned Revenue is due to increases in advanced funding for various grants within the General Fund.
- Long-term liabilities decreased by $2.6 million or 1.7%. The decrease is primarily the result of the refunding of the 2002 Juvenile Justice Certificates of Participation in 2013 in the amount of $12.5 million and the issuance of the 2013 Juvenile Justice Certificates of Participation totaling $10.9 million and partially due to regularly scheduled debt service payments.

Business-type activities. Net position in the County's business-type activities decreased $7.0 million, or 4.7% from the previous year. The key components of the decrease are as follows:

- Current and other assets decreased by $0.7 million or 4.8%. This is primarily due to a reduction in equity in pooled cash and investments of $0.7 million due to a decrease in State and Federal aid in Castle Airport operations and an increase in expenses on the construction of infrastructure within the Castle Airport. The net effect of the decrease in government aid and the increases in expenses accounts for $0.5 million, which is majority of the decrease.
- Capital assets decreased by $6.2 million or 4.6% from the prior year. The primary cause of the decrease was depreciation on capital assets in the amount of $6.3 million.
- Current and other liabilities were approximately the same.
- Long-term liabilities were approximately the same.

The following table compares revenues, expenses, transfers and changes in net position for governmental and business-type activities for the two fiscal years ending June 30, 2013 and 2012:

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total		
Revenues	2013	2012	2013	2012	2013	2012	Variance
Program revenues							
Charges for services	$ 47,342,393	$ 48,275,259	$ 2,027,061	$ 2,008,627	$ 49,369,454	$ 50,283,886	-1.82%
Operating grants and contributions	238,404,695	235,749,446	80,159	265,536	238,484,854	236,014,982	1.05%
Capital grants and contributions	5,603,565	4,698,652			5,603,565	4,698,652	19.26%
General revenues							
Property taxes	66,259,112	63,364,518			66,259,112	63,364,518	4.57%
Sales and use taxes	5,671,642	5,376,938			5,671,642	5,376,938	5.48%
Other taxes	1,045,535	1,381,364			1,045,535	1,381,364	-24.31%
Unrestricted investment earnings	1,108,793	4,325,799		175,410	1,108,793	4,501,209	-75.37%
Other	12,230,817	7,363,927		347,581	12,230,817	7,711,508	58.60%
Total revenues	377,666,552	370,535,903	2,107,220	2,797,154	379,773,772	373,333,057	1.73%
Expenses							
General government	$ 31,403,707	$ 36,273,963			$ 31,403,707	$ 36,273,963	-13.43%
Public protection	114,776,068	119,342,431			114,776,068	119,342,431	-3.83%
Public ways and facilities	21,614,446	22,765,096			21,614,446	22,765,096	-5.05%
Health and sanitation	52,697,318	52,397,777			52,697,318	52,397,777	0.57%
Public assistance	147,570,494	143,000,892			147,570,494	143,000,892	3.20%
Education	2,478,600	2,873,434			2,478,600	2,873,434	-13.74%
Recreation and cultural services	2,041,973	2,014,859			2,041,973	2,014,859	1.35%
Interest on long-term debt	5,305,114	6,157,458			5,305,114	6,157,458	-13.84%
Medical Facilities Lease Operations			$ 444,262	$ 429,800	444,262	429,800	3.36%
Castle Airport Development Center			8,364,699	9,060,282	8,364,699	9,060,282	-7.68%
Castle Water and Sewer			277,245	284,428	277,245	284,428	-2.53%
Total expenses	377,887,720	384,825,910	9,086,206	9,774,510	386,973,926	394,600,420	-1.93%
Excess (deficiency) before transfers	(221,168)	(14,290,007)	(6,978,986)	(6,977,356)	(7,200,154)	(21,267,363)	-66.14%
Transfers	(18,000)	(29,850)	18,000	29,850	-	-	-
Transfers to other governments	-	1,008,249	-	(24,321,908)	-	(23,313,659)	-100.00%
Change in net position	(239,168)	(13,311,608)	(6,960,986)	(31,269,414)	(7,200,154)	(44,581,022)	-83.85%
Net position - July 1	374,276,667	387,588,275	149,178,093	180,447,507	523,454,760	568,035,782	-7.85%
Cumulative effect of change In accounting principle	(1,115,195)				(1,115,195)		100.00%
Net position-beginning, as restated	373,161,472	387,588,275	149,178,093	180,447,507	522,339,565	568,035,782	-8.04%
Net position - June 30	$ 372,922,304	$ 374,276,667	$ 142,217,107	$ 149,178,093	$ 515,139,411	$ 523,454,760	-1.59%

Governmental activities. These activities decreased the County's net position by $1.4 million or 0.4%. Total revenues increased by $7.1 million while total expenses decreased by $6.9 million from the prior year cutting the deficit by $13.0 million. The key elements of these changes are as follows:

Revenues

- Charges for services remained approximately the same with a decrease of $0.9 million or 0.2%. The decrease is due to minimal decreases across many program charges for services throughout the County.
- Operating grants and contributions increased by $2.7 million. The $2.7 million increase is primarily due to a $1.6 million increase in State and Federal funding for Child Support Services in fiscal year 2012-2013, in addition to a $0.5 million increase in State Aid for public safety for the Sheriff's Corrections with the remaining $0.6 million increase due to numerous program activities with no significant changes within any one single program.

- Capital grants and contributions increased by $0.9 million or 19.3%. The increase is primarily due to contributions for deeded infrastructure of roads in housing developments within the County for $1.0 million with modest decreases in State aid for road construction.
- Property taxes increased by $2.9 million, or 4.6%, primarily as a result of increased value assessments. Assessed values increased by 0.8% as of the end of the 2012/2013 fiscal year compared with a decrease of 0.2% for the fiscal year-end 2011/2012.
- Sales and use taxes increased by $0.3 million or 5.5% primarily as a result of the general level of business activities.
- Unrestricted investment earnings decreased $3.2 million, or 74.4%, due to decreased market rates at year-end that are utilized in the Fair Market Value adjustment made to investments in accordance with the requirements within Governmental Accounting Standards Board (GASB) Statement No. 31.
- Other revenue increased by $4.9 million or 66.1%. The increase is primarily due to reclassifications of realignment revenue from the State of California in the amount of $3.6 million, changes in the rates utilized to charge departments each payroll to fund the annually increasing debt service payments on the Pension Obligation Bonds in the amount of $0.1 million and by a modest increase in insurance proceeds.

Expenses

- The largest government function areas with decreases in expenses are general government with a decrease of $4.9 million or 13.4% and public protection with a decrease of $4.6 million or 3.8%. This is primarily due to a decrease in salaries and wages of $1.7 million from the cost savings of the furlough program along with decreased spending within the capital improvement program in fiscal year 2013 in the general government function; and a decrease of $2.8 million in services and supplies of the County Fire Department within the public protection function, which was caused by a decrease in California Department of Forestry costs for services.
- Other functional areas experienced modest decreases in expenses such as public ways and facilities ($1.2 million), education ($0.4 million), and interest on long-term debt ($0.9 million). Functional areas that experienced modest increases in expenses include health and sanitation ($0.3 million) and public assistance increased by $4.6 million due to increased funding being available from both the State and Federal Governments in conjunction with increased OPEB expense recognized.

Business-type activities. In aggregate, activities caused the net position in the County's business-type activities to decrease $7.0 million or 4.7% from the previous year. The key elements of the change are as follows:

Revenues

- Revenues decreased by $0.7 million or 24.7% from the previous year. The decrease is due to State and Federal aid decreasing by $0.2 million as well as transactions occurring in the prior year that did not in the current year; such as the transfer of a capital asset from a governmental fund and a court judgment in the favor of the County. Interest income decreased by $0.2 million in fiscal year 2013 due to the Fair Market Value adjustment made to investments in accordance with the requirements within GASB Statement No. 31.

Expenses

- Expenses decreased by $0.7 million or 7.0% from the previous year. The decrease in expenses was primarily within Castle Airport operations, though minimal. The main contributor to the change in net position was the depreciation expense in the amount of $6.6 million in fiscal year 2013.

Financial Analysis of the County's Funds

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

Governmental funds. The general government functions are contained in the General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds. 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 financial requirements. In particular, *unassigned fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

At June 30, 2013, the County's governmental funds reported combined fund balances of $138.8 million, a $12.1 million or 8.0% decrease from the prior year. Of this amount, $49.4 million is available for the County's ongoing obligations related to programs with external restrictions (restricted fund balance). These include restrictions such as (1) to pay future debt service payments ($20.1 million), (2) to pay future capital projects and equipment purchases ($2.2 million), and (3) by contract or grant agreement ($23.4 million including $12.2 million held in escrow for tobacco securitization). Of the remaining amount, $29.2 million is available to fund ongoing commitments of the County's programs (committed fund balance). These commitments include items such as strategic reserves for

economic uncertainty ($7.0 million), reserves for County payroll ($7.6 million), reserves for eventual development and replacement of the County's financial systems ($5.5 million), and allocations for Castle Development programs ($3.1 million). In addition, there are numerous other programs and projects for which funds have been committed towards these projects. Unassigned fund balance totaled $38.9 million and is available for unspecified other purposes of the County. Of the total fund balance for the County, $2.8 million is deemed nonspendable in form and includes advances to other funds, inventories, permanent funds and prepaid items.

The *General Fund* is the chief operating fund of the County. At June 30, 2013, the unassigned fund balance of the General Fund was $38.9 million, while the total fund balance was $73.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 12.8% of total General Fund expenditures, while the total fund balance represents 24.3% of that same amount. The fund balance for the General Fund decreased by $3.2 million during the current fiscal year.

The following schedule presents a summary of General Fund revenues, by source, for the current and prior fiscal year and the percentage change in relation to the prior year:

	FY 2012/13		FY 2011/12		Increase/(Decrease)	
	Amount	Percent Of Total	Amount	Percent Of Total	Amount	Percent Of Change
Taxes and assessments	$ 61,131,374	20.40%	$ 58,244,588	19.97%	$ 2,886,786	4.96%
Licenses, permits and franchises	4,364,175	1.46%	4,246,870	1.46%	117,305	2.76%
Fines, forfeitures and penalties	5,478,176	1.83%	5,246,668	1.80%	231,508	4.41%
Use of money and property	247,039	0.08%	1,833,900	0.63%	(1,586,861)	-86.53%
Aid from other governmental agencies	196,996,545	65.74%	194,801,423	66.80%	2,204,851	1.13%
Charges for current services	28,383,861	9.47%	26,842,386	9.20%	1,541,475	5.74%
Other revenues	3,068,636	1.02%	390,899	0.14%	2,668,008	682.53%
Total	$ 299,669,806	100.00%	$ 291,606,734	100.00%	$ 8,063,072	2.77%

The most significant changes in the overall $8.1 million or 2.8% increase in General Fund revenues include:

- The increase in taxes and assessments of $2.9 million or 5.0% was primarily a result of an increase in secured property taxes, supplemental taxes and sales and use taxes.
- Fines, forfeitures and penalties increased by $0.2 million or 4.4%. The increase is spread across most fine categories, such as vehicles fines and court fines.
- Revenues from the use of money and property decreased by $1.5 million or 86.5%. This was primarily due to decreased market rates at year-end that are utilized in the Fair Market Value adjustment made to investments in accordance with the requirements within GASB Statement No. 31.
- Aid from other governmental agencies comprises, by far, the greatest source of revenue for the General Fund. Revenue in this category is comprised of a multitude of grants and contracts for the reimbursement of eligible costs, primarily from the State of California and the Federal Government. This year, the overall revenue received from these sources increased by $2.2 million, or 1.1%, from the previous year. The biggest change noted in individual programs was an increase in combined Federal/State aid for public assistance ($6.2 million) and an increase in State aid for public safety ($3.6 million), offset by a decrease in State funding for Mental Health of $4.5 million. There were changes in numerous other program activities with no significant changes within any one single program.
- Charges for current services increased by $1.5 million or 5.7%. The increase is in part due to increases in charges for MediCal services ($1.1 million) and numerous other small changes in charges for other current services.
- Other revenues increased by $2.7 million or 682.5%. The increase occurs over various revenue accounts within Other Revenue and is not attributable to one significant revenue line item.

The following schedule presents a summary of General Fund expenditures, by function, for the current and prior fiscal year and the percentage change in relation to the prior year:

	FY 2012/13		FY 2011/12		Increase/(Decrease)	
	Amount	Percent Of Total	Amount	Percent Of Total	Amount	Percent Of Change
General government	$ 27,303,929	8.97%	$ 32,117,364	10.51%	$ (4,813,435)	-14.99%
Public protection	86,950,860	28.58%	87,822,797	28.75%	(871,937)	-0.99%
Health and sanitation	43,422,670	14.27%	42,210,344	13.82%	1,212,326	2.87%
Public assistance	142,182,636	46.73%	138,474,230	45.33%	3,708,406	2.68%
Education	2,456,429	0.81%	2,946,752	0.96%	(490,323)	-16.64%
Recreation and cultural services	1,918,084	0.64%	1,879,403	0.63%	38,681	2.06%
Total	$ 304,234,608	100.00%	$ 305,450,890	100.00%	$ (1,216,282)	-0.40%

The most significant changes in the overall $1.2 million or 0.4% decrease in General Fund expenditures include:

- General government expenditures decreased by $4.8 million or 15.0% from the previous year. The decrease in general government is primarily due to reductions in the Capital Improvement Program for the County with a reduction in capital asset expenditures of $2.8 million. The remainder of the expense reduction is the result of general cost containment measures such as the County-wide furlough program.
- Public protection expenditures decreased by $0.9 million or 1.0%. Specifically, the Sheriff department expenditures decreased $0.9 million, and District Attorney $0.5 million. The probation department expenditures increased $1.3 million, and Juvenile Hall $0.2 million. The reductions were across most departments as a result of general cost containment measures. The decrease is in part due to payroll cost containment measures instituted through the utilization of a County-wide furlough program.
- Health and sanitation expenditures increased by $1.2 million or 2.9%. The increase is made up of increases in Mental Health of $4.1 million partially offset by decreases in the Health Department of $2.9 million. The increase in Mental Health is largely due to the increased expenses due to increased funding from the State and Federal Governments. The decreases in the Health Department expenditures are largely due to decreases in supplies and services expenses and salaries and wages due to general cost containment measures in order to better match revenue streams in order to decrease the deficit.
- Public assistance expenditures increased by $3.7 million or 2.7%. The increase is primarily due to increases in Aid programs ($1.8 million) and the Human services agency administration expenditures ($2.2 million). Public Assistance programs are primarily funded through Federal and State Aid and the expenditures typically show a direct correlation to the amounts funded. Education expenditures decreased $0.5 million or 16.6% with the decrease being a result of decreased expenditures for the Merced County Library.
- Recreation and cultural services remained approximately the same at $1.9 million.

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

	FY 2012/13 Amount	FY 2011/12 Amount	Increase/ (Decrease) Amount
Transfers in	$ 2,837,390	$ 5,528,339	$ (2,690,949)
Transfers out	(1,544,392)	(1,495,805)	(48,587)
Capital lease financing	61,669	37,124	24,545
Total	$ 1,354,667	$ 4,069,658	$ (2,714,991)

Key elements of the changes in other financing sources and uses from the previous year are as noted:

- Transfers in decreased by $2.7 million from the prior fiscal year. Transfers received from the Tobacco Securitization Fund ($2.8 million) accounted for the majority of the transfers in during the fiscal year. Transfers from the Tobacco Securitization Fund were for the Hospital Building Re-use and Development Project ($2.6 million).
- Transfers out remained approximately the same at $1.5 million. The $1.5 million in transfers out is comprised primarily of transactions for funding of the 2002 Juvenile Hall Facility debt ($0.9 million) and Department of Public Works Building Service Division ($0.5 million).

The *Dairy Loan Program Fund* is used (1) to record drawdowns of funds made available to the County in two separate loan agreements with the State Water Resources Control Board (SWRCB), (2) to record the disbursements of those proceeds to participants in the program, and (3) to accumulate resources for the payment of principal and interest on each of the loans. As of June 30, 2013, the fund balance of the dairy loan program fund was $5.5 million. Of this amount, $4.9 million is for future principal and interest payments on the existing obligation to the SWRCB. Total fund balance decreased by $0.2 million during the current fiscal year. The decrease is attributed to the fact that, in the current year, the sum of the loan repayments made by program participants and the interest earned on funds in the County Treasury was exceeded by the County's debt service requirements and the administration costs of the program by $0.2 million.

The *Road Fund* is utilized to account for both the costs associated with maintaining the public roads in the unincorporated areas of the County and the revenues received to provide those services, primarily from State highway use taxes and Federal/State grants. As of June 30, 2013, the restricted portion of fund balance in this fund was $5.9 million which consists primarily of fund balance that is restricted for road projects as the revenue source dictates. Total fund balance was $6.6 million and represents a decrease of $3.7 million from the previous year. The decrease is attributable to revenues from government aid, charges for current services and other revenues were exceeded by expenditures.

The *Tobacco Securitization Fund* is used to account for the proceeds received when the County securitized its future tobacco settlement funds during the 2001/02 fiscal year. The proceeds are held by a third-party trustee and interest earned on these funds is periodically transferred to the General Fund. As of June 30, 2013, the total fund balance was restricted and was $12.2 million. Total fund balance decreased by $4.9 million during the current fiscal year primarily as a result of the funding of the Hospital Building Re-use and Development Project and the Emergency Operations Center.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The *Castle Airport Development Center Fund* is used to account for the operation of activities associated with the civilian re-use of the former Castle Air Force Base, the assets acquired from both the Air Force through quit claim deed and those purchased/constructed by the County, and the liabilities incurred as a result of those activities. As of June 30, 2013, the total net position of this fund is $126.4 million. Of this amount, $126.4 million is invested in capital assets net of related debt, and -$0.1 million is unrestricted. During the current fiscal year, total net position decreased by $6.5 million, primarily attributable to the depreciation expenses for the operation which totaled $6.3 million for the current fiscal year.

Additional factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The County's final amended budget appropriations differ from the original budget by 1.3%. Supplemental appropriations of $4.8 million were approved during the fiscal year. Major changes can be summarized as follows:

- An additional $1.5 million was appropriated to the Human Services Agency department primarily to provide support for public health programs, to fund literacy training services and other professional services associated with additional CalWorks funding, additional funds needed for the replacement of its HVAC system and remodeling of an office building.
- An additional $1.5 million was appropriated to the Sheriff Department primarily for overtime costs in the corrections department due to the large number of inmates in custody and the shortage of staff. This was in part offset by unanticipated State Prisoner Board revenue and other budgetary adjustments.

- An additional $0.5 million was appropriated to the Planning and Community development to fund contracts with third parties preparing environmental impact reports for various projects. These increases were funded by the project applicants.
- The remaining increases totaling $1.3 million were spread over numerous departments and were based either on unanticipated revenue, increase in charges for services, or unanticipated State/Federal funding.

During the year, actual revenues and other financing sources were less than budgetary estimates by $20.5 million while expenditures and other financing uses were $57.2 million less than budgetary estimates. Key variances of actual to budgetary estimates include:

Revenues:

- Taxes and assessments exceeded budget by $3.1 million. This was primarily due to revenues exceeding the estimate for property taxes of $2.0 million and sales and use tax of $1.1 million due to modest increases to assessed home valuations and increased business activities.
- Revenue from use of money and property was under budget by $1.0 million. This is primarily due to the fair market value adjustment due to the accounting requirements of GASB Statement #31.
- Aid from other governmental agencies was under budget by $18.1 million. This was due primarily to lower than anticipated funding received from the State and Federal Governments for such programs as Mental Health, Public Assistance and numerous other programs.
- Charges for current services also were less than budget by $4.6 million. The variance is in part due to lower revenues associated with Medi Cal services for Mental Health ($2.9 million). The remaining shortfall is due to less than anticipated charges for current services in numerous types of services in numerous departments within the County. One of the reasons for this is the reduction of the County's overall workforce to provide certain services in conjunction with county wide payroll cost reductions through the instituted furlough program, creating less days that services can be provided.

Expenditures:

- Unspent appropriations for salary and employee benefits were $14.9 million. These savings included the following: General government ($2.3 million), Public protection ($5.7 million), Health and Sanitation ($4.5 million), Public Assistance ($2.2 million) and Education ($0.2 million). Cost savings were realized across all functions as the result of holding open unfilled positions and other cost savings measures such as the County-wide furlough program. Reduced spending also occurred due to the lower than forecasted revenues as discussed above.
- Unspent appropriations for services and supplies expenditures were $22.2 million. These savings included the following: General government ($9.4 million), Public protection ($4.5 million), Health and Sanitation ($4.5 million), Public Assistance ($3.0 million) and Education ($0.3 million). Cost savings were realized across all functions as well as reduced expenditures in various functions due to lower than forecasted revenues as discussed above.
- Unspent appropriations for other charges were $6.6 million. These savings included the following: General government ($0.5 million), Public protection ($0.5 million), Health and Sanitation ($0.5 million), Public Assistance ($5.0 million). This was due to cost savings and due to lower than forecasted revenues.
- Expenditures for capital assets were $11.1 million less than appropriated as a result of equipment and construction related expenditures which were budgeted but not procured in this fiscal cycle.
- Contingencies were established in the budget of $3.5 million, of which no material expenditures occurred.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for both its governmental and business-type activities as of June 30, 2013, amounts to $470.9 million net of accumulated depreciation. This investment in capital assets includes infrastructure, buildings and improvements, land improvements, equipment, construction in progress and land. Overall, the County's investment in capital assets increased by $4.9 million, or 1.1%, from the previous fiscal year. The amount attributable to governmental activities increased by $11.1 million, or 1.8%, while the amount attributable to business-type activities decreased by $6.2 million, or 4.6%.

Merced County's Capital Assets

(Net of depreciation)

	Governmental Activities		Business-type Activities		Total		
	2013	2012	2013	2012	2013	2012	Variance
Infrastructure	$ 150,012,950	$ 154,083,208	$ 9,810,074	$ 10,511,024	$ 159,823,024	$ 164,594,232	-2.90%
Buildings and improvements	84,564,197	88,295,396	74,709,922	80,333,100	159,274,119	168,628,496	-5.55%
Land improvements			1,121,901	1,268,761	1,121,901	1,268,761	-11.58%
Equipment	23,901,135	25,326,030	(83,386)	40,840	23,817,749	25,366,870	-6.11%
Construction in progress	59,076,705	39,858,281	462,861	103,854	59,539,566	39,962,135	48.99%
Land	23,935,159	22,817,732	43,338,796	43,338,796	67,273,955	66,156,528	1.69%
Total	$ 341,490,146	$ 330,380,647	$ 129,360,168	$ 135,596,375	$ 470,850,314	$ 465,977,022	1.05%

Major capital asset transactions/events during the current fiscal year included the following:

Governmental Activities:

- Infrastructure decreased by $4.1 million as a result of depreciation on existing infrastructure in the amount of $10.8 million exceeding the sum of new capital outlays and completed construction projects in the amount of $6.7 million. The completed infrastructure amount is mainly due to miscellaneous road projects.
- Buildings and improvements decreased by $3.7 million due primarily to the depreciation of $4.0 million exceeding the sum of new capital outlays and the completed construction projects in the amount of $0.3 million.
- Equipment decreased by $1.4 million as the result of depreciation of $4.0 million exceeding the sum of new capital outlays and completed construction projects in the amount of $2.9 million and deletions of $0.3 million. The most significant addition for the fiscal year ended June 30, 2013 included equipment purchases for the Merced County Fire Department.
- Construction in progress increased by $19.2 million for the County. New construction in progress totaled $23.7 million and transfers totaled $4.3 million. This included work on numerous road projects including the Atwater- Merced Expressway, multiple Proposition 1B projects and funds expended for the hospital reuse project for County elections and a consolidated storage/surplus warehouse facility and funds expended for the Emergency Operations Center and 911 Dispatch Center. Transfers included the completion of road overlay projects and the completion of the Campus Park bike path.
- Land increased by $1.1 million. The increase was due to land additions of $0.5 million and land transfers of $0.6 million.

Business-Type Activities:

- Infrastructure decreased by $0.7 million as a result of depreciation on existing infrastructure in the amount of $0.7 million.
- Buildings and improvements decreased by $5.6 million due to the depreciation of $5.6 million.
- Construction in progress increased by $0.4 million for the County. This is due to structures and improvements underway at the former Castle Airport Development Center.

Additional information on the County’s capital assets can be found in Note 7 of this report.

Long-term debt

Merced County's Outstanding Long-Term Debt

	Governmental Activities		Business-type Activities		Total		
	2013	2012	2013	2012	2013	2012	Variance
Pension Obligation Bonds	$ 30,230,000	$ 35,780,000	$ 0	$ 0	$ 30,230,000	$ 35,780,000	-15.51%
Tobacco Settlement Bonds	34,930,727	36,629,835	0	0	34,930,727	36,629,835	-4.64%
Certificates of Participation	18,765,932	20,563,961	0	0	18,765,932	20,563,961	-8.74%
Loans From State of California	6,095,581	7,114,486	0	0	6,095,581	7,114,486	-14.32%
Self-Insurance Debt	17,991,929	17,667,044	0	0	17,991,929	17,667,044	1.84%
Earned Compensated Absences	12,847,932	12,410,151	86,145	84,805	12,934,077	12,494,956	3.51%
Capital Lease Obligations	258,954	277,184	0	0	258,954	277,184	-6.58%
Other Post Employment Benefits	28,446,939	21,792,556	172,190	131,577	28,619,129	21,924,133	30.54%
Total	$ 149,567,994	$ 152,235,217	$ 258,335	$ 216,382	$ 149,826,329	$ 152,451,599	-1.72%

At the end of the current fiscal year, the County had total long-term debt outstanding of $149.8 million. The County's total long-term debt decreased by $2.7 million, or 1.7%, during the current fiscal year. Key elements of this change include:

- Other Post Employment Benefits (OPEB) debt increased by $6.7 million, or 30.5%, due primarily to the County reducing funding to $5.5 million of the 2012 Annual Required Contribution (ARC) of $12.4 million. See Note 12 for additional information.
- Estimated self-insurance debt increased by $0.3 million, or 1.8%, due principally to an increase in the estimated balance of outstanding workers' compensation claims of $0.3 million incurred in the year ended June 30, 2013. See Note 13 for additional information.
- Certificates of Participation decreased by $1.8 million or 8.7%. The decrease is primarily the result of the refunding of the 2002 Juvenile Justice Certificates of Participation in 2013 in the amount of $12.5 million and the issuance of the 2013 Juvenile Justice Certificates of Participation totaling $10.9 million and partially due to regularly scheduled principal payments.
- Decreases in the amount of long-term debt owed on Pension Obligation Bonds ($5.6 million), Tobacco Settlement Bonds ($1.7 million), and loans from the State of California ($0.8 million) were primarily the result of regularly scheduled principal payments. See Note 9 for additional information.

Economic Factors and Next Year's Budget and Rates

- The national, state and local economies all are starting to show signs of slow recovery from the effects of many years of a sluggish economy. Merced County continues to feel the effects of relatively high levels of unemployment and minimal new construction or new business activity. Some recovery is being seen in the value of the single family homes. The total assessed value of taxable property within the County increased by 0.8% from the previous year. Retail sales are also showing some signs of recovery. Still, a generally weak economy puts pressure on the County's ability to increase revenues through property, sales, or other taxes in the upcoming fiscal year. The County's 12/13 budget reflects this reality.
- As a political subdivision of the State of California, the County is dependent on the State for the majority of its funding and is subject to policy fluctuations within the State Assembly and Senate. The ramifications of the State's budget and its effect on the County and its various programs remain in constant flux. For these reasons, the County is constantly monitoring events at the State level and will subsequently make any necessary adjustments to bring its operating costs in line with its available resources. The States fiscal difficulties continue to impact County revenues and its programs.
- The County's fund balance remains sufficient. The Board of Supervisors has continued its effort in 2013/14 to remain conservative in its future planning to help weather the current economic conditions.
- The County will continue to review all of its fee rates and will made adjustments to recover its cost of service, as appropriate.

As of the end of the fiscal year, unassigned fund balance in the General Fund totaled $38.9 million. The County has appropriated the full amount for spending in the 2013/2014 fiscal year budget.

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 County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor-Controller's Office, 2222 'M' Street, Merced, CA 95340.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

COUNTY OF MERCED
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and investments	$ 224,355,202	$ 13,049,248	$ 237,404,450
Receivables, net	30,852,964	229,816	31,082,780
Internal balances	801		801
Prepaid items	410,622		410,622
Inventories	1,436,346	3,276	1,439,622
Restricted assets	8,664,098	79,439	8,743,537
Capital assets:			
Nondepreciable	83,011,864	43,801,656	126,813,520
Depreciable, net	258,478,282	85,558,512	344,036,794
Total assets	607,210,179	142,721,947	749,932,126
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows of resources			
LIABILITIES			
Accrued liabilities	15,133,234	168,300	15,301,534
Internal balances		801	801
Unearned revenue	69,586,647	77,405	69,664,052
Long-term liabilities:			
Due within one year	17,312,872	19,188	17,332,060
Due in more than one year	132,255,122	239,146	132,494,268
Total liabilities	234,287,875	504,840	234,792,715
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources			
NET POSITION			
Net investment in capital assets	334,137,124	129,360,168	463,497,292
Restricted for:			
Public protection	14,042,834		14,042,834
Public ways and facilities	5,295,657		5,295,657
Health and sanitation	5,881,845		5,881,845
Public assistance	8,906,233		8,906,233
Debt service	5,584,803		5,584,803
Perpetual use:			
Expendable	258,251		258,251
Other purposes	3,865,731		3,865,731
Castle Airport operations		79,439	79,439
Unrestricted	(5,050,174)	12,777,500	7,727,326
Total net position	$ 372,922,304	$ 142,217,107	$ 515,139,411

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position, Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position, Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position, Primary Government: Total
Primary government:							
Governmental activities:							
General	$ 31,403,707	$ 18,508,027	$ 1,614,537	$ 33,000	$ (11,248,143)		$ (11,248,143)
Public protection	114,776,068	16,497,116	36,773,192	12,046	(61,493,714)		(61,493,714)
Public ways and facilities	21,614,446	4,451,184	17,664,483	5,558,519	6,059,740		6,059,740
Health and sanitation	52,697,318	5,958,507	42,869,214		(3,869,597)		(3,869,597)
Public assistance	147,570,494	766,541	137,923,198		(8,880,755)		(8,880,755)
Education	2,478,600	69,871	1,558,531		(850,198)		(850,198)
Recreation and cultural services	2,041,973	1,091,147	1,540		(949,286)		(949,286)
Interest on long-term debt	5,305,114				(5,305,114)		(5,305,114)
Total governmental activities	377,887,720	47,342,393	238,404,695	5,603,565	(86,537,067)		(86,537,067)
Business-type activities:							
Medical Facility Lease Operations	444,262	6,936				$ (437,326)	(437,326)
Castle Airport Development Center	8,364,699	1,748,277	80,159			(6,536,263)	(6,536,263)
Castle Water and Sewer	277,245	271,848				(5,397)	(5,397)
Total business-type activities	9,086,206	2,027,061	80,159			(6,978,986)	(6,978,986)
Total primary government	$ 386,973,926	$ 49,369,454	$ 238,484,854	$ 5,603,565	(86,537,067)	(6,978,986)	(93,516,053)
General revenues:							
Taxes:							
Property taxes					66,259,112		66,259,112
Sales and use taxes					5,671,642		5,671,642
Other taxes					1,045,535		1,045,535
Investment earnings					1,108,793		1,108,793
Miscellaneous					12,230,817		12,230,817
Transfers					(18,000)	18,000	
Total general revenues and transfers					86,297,899	18,000	86,315,899
Change in net position					(239,168)	(6,960,986)	(7,200,154)
Net position - beginning					374,276,667	149,178,093	523,454,760
Cumulative effect of change in accounting principle					(1,115,195)		(1,115,195)
Net position - beginning, as restated					373,161,472	149,178,093	522,339,565
Net position - ending					$ 372,922,304	$ 142,217,107	$ 515,139,411

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

COUNTY OF MERCED
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Dairy Loan Program	Road	Tobacco Securitization	Other Governmental Funds	Total Governmental Funds
ASSETS & DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Equity in pooled cash and investments	$ 130,387,045	$ 5,395,898	$ 13,212,066	$ 12,247,200	$ 36,169,586	$ 197,411,795
Receivables, net						
Accounts	15,541,286	39,542	237		3,038,761	18,619,826
Notes		1,985,563			7,073,504	9,059,067
Taxes and assessments	1,382,700				198,781	1,581,481
Due from other funds	587,953		8,970		242,844	839,767
Prepaid items	280,225				103,306	383,531
Inventories	153,866		653,000		465,833	1,272,699
Restricted assets	59,812		87,101		4,658,583	4,805,496
Total assets	148,392,887	7,421,003	13,961,374	12,247,200	51,951,198	233,973,662
Deferred outflows of resources:						
Total deferred outflows of resources						
Total assets & deferred outflows of resources	$ 148,392,887	$ 7,421,003	$ 13,961,374	$ 12,247,200	$ 51,951,198	$ 233,973,662
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accrued liabilities	$ 10,452,033		$ 1,331,773		$ 1,481,268	$ 13,265,074
Due to other funds	972,536		46,359		543,379	1,562,274
Deferred revenue	63,126,906	$ 1,946,022	5,995,818		9,258,691	80,327,437
Unearned revenue						
Total liabilities	74,551,475	1,946,022	7,373,950		11,283,338	95,154,785
Deferred inflows of resources:						
Total deferred inflows of resources						
Fund balances:						
Nonspendable	$ 1,381,742		$ 653,000		$ 724,084	$ 2,758,826
Restricted	59,812	$ 5,474,981	5,934,424	$ 12,247,200	25,699,954	49,416,371
Committed	16,359,865				12,895,082	29,254,947
Assigned	17,120,982				1,350,335	18,471,317
Unassigned	38,919,011				(1,595)	38,917,416
Total fund balances	73,841,412	5,474,981	6,587,424	12,247,200	40,667,860	138,818,877
Total liabilities, deferred inflows of resources and fund balances	$ 148,392,887	$ 7,421,003	$ 13,961,374	$ 12,247,200	$ 51,951,198	$ 233,973,662

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2013

Fund balances - Total Governmental Funds (page 18)		$ 138,818,877
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.		337,506,530
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.		10,740,790
Internal service funds are used by management to charge the costs of certain activities such as the management of fleet services, electronic data processing functions, printing and reproduction services, and both the self-insurance and other insurance activities of the County. The assets and liabilities of these service funds are included in governmental activities in the statement of net position.		17,128,591
Long-term liabilities, including accrued interest payable, are not due and payable in the current period and therefore are not reported in the governmental funds:		
Pension obligation bonds	$ 30,230,000	
2005 Tobacco Settlement Asset-Backed Bonds	35,665,000	
Less: Unamortized issuance discount	(734,273)	
Dairy loan program	6,095,581	
Juvenile Hall 2013 Certificates of Participation	10,885,000	
Courthouse Construction Certificates of Participation	7,880,000	
Add: Unamortized issuance premium	932	
Compensated absences	12,393,378	
Capital leases	258,954	
Other post employment benefits (OPEB) obligation	27,599,272	
Accrued interest payable	998,640	(131,272,484)
Net position of governmental activities (page 16)		$ 372,922,304

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General	Dairy Loan Program	Roads	Tobacco Securitization	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and assessments	$ 61,131,374				$ 11,175,788	$ 72,307,162
Licenses, permits and franchise fees	4,364,175		$ 54,913		7,600	4,426,688
Fines, forfeitures and penalties	5,478,176		1,691		1,725,155	7,205,022
Revenue from use of money and property	247,039	$ 91,781	1	$ 260,307	1,800,044	2,399,172
Aid from other governmental agencies	196,996,545		18,983,641		22,646,427	238,626,613
Charges for current services	28,383,861		2,497,239		1,356,283	32,237,383
Other revenues	3,068,636	786,413	1,849,328		11,075,945	16,780,322
Total revenues	299,669,806	878,194	23,386,813	260,307	49,787,242	373,982,362
EXPENDITURES						
Current:						
General	27,248,215				1,771,784	29,019,999
Public protection	86,950,860				23,741,658	110,692,518
Public ways and facilities			27,076,693			27,076,693
Health and sanitation	43,422,670				7,713,777	51,136,447
Public assistance	142,182,636				3,595,248	145,777,884
Education	2,456,429					2,456,429
Recreation and cultural services	1,918,084					1,918,084
Debt service:						
Principal		827,761			20,276,144	21,103,905
Interest		180,007			4,961,646	5,141,653
Administration	55,714	48,000			558,127	661,841
Capital outlay					1,981,260	1,981,260
Total expenditures	304,234,608	1,055,768	27,076,693		64,599,644	396,966,713
Excess (deficiency) of revenues over (under) expenditures	(4,564,802)	(177,574)	(3,689,880)	260,307	(14,812,402)	(22,984,351)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,837,390				14,773,748	17,611,138
Transfers out	(1,544,392)		(4,902)	(5,096,618)	(11,032,912)	(17,678,824)
Resources from capital leases	61,669					61,669
Long-term debt proceeds					10,885,000	10,885,000
Total other financing sources (uses)	1,354,667		(4,902)	(5,096,618)	14,625,836	10,878,983
Net change in fund balances	(3,210,135)	(177,574)	(3,694,782)	(4,836,311)	(186,566)	(12,105,368)
Fund balances - beginning	77,051,547	5,652,555	10,282,206	17,083,511	40,854,426	150,924,245
Fund balances - ending	$ 73,841,412	$ 5,474,981	$ 6,587,424	$ 12,247,200	$ 40,667,860	$ 138,818,877

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
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 Fiscal Year Ended June 30, 2013

Net change in fund balances - total governmental funds (page 20)		$ (12,105,368)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays 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. This is the amount by which capital outlays and other capital related adjustments ($29,378,386) exceeded the book value of disposed capital assets ($140,829) and depreciation ($18,043,375) in the current period.		11,194,182
Governmental funds report the funding of loans to program participants as expenditures and the subsequent repayment of principal as revenue. However, in the statement of activities the former is accounted for as an increase and the latter as a decrease to notes receivable. This is the amount by which the sum total of principal repaid ($882,133) exceeded the amount of new loans funded ($419,413) in the current period.		(462,720)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Revenues not considered "available" as of the balance sheet date	$ 1,046,619	
This amount represents revenues which are not considered "available" as of the balance sheet date		1,046,619
New capital lease agreements provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position:		
Juvenile Hall 2013 Certificates of Participation	$ (10,885,000)	
This amount represents new capital lease obligations	(61,669)	(10,946,669)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Pension obligation bonds	$ 5,550,000	
Capital leases	79,899	
Tobacco settlement asset-backed bonds	1,745,000	
Dairy loan program	827,761	
Juvenile Hall Certificates of Participation	12,465,000	
Courthouse Construction Certificates of Participation	325,000	
Energy retrofit loan	191,144	21,183,804
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 accrued interest payable	$ 204,430	
Amortization of debt issuance costs	(276,351)	
Amortization of debt issuance discounts/premium	(152,863)	
Bad debt expense on notes receivable	(797,884)	
Increase in other post employment benefits (OPEB) obligation	(6,444,697)	
Increase in compensated absences	(473,363)	(7,940,728)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of those activities are reported with governmental activities.		(2,208,288)
Change in net position of governmental activities (page 17)		$ (239,168)

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES				
Taxes and assessments	$ 57,995,054	$ 57,995,054	$ 61,131,374	$ 3,136,320
Licenses, permits and franchise fees	4,152,035	4,200,935	4,364,175	163,240
Fines, forfeitures and penalties	5,659,773	5,675,823	5,478,176	(197,647)
Revenue from use of money and property	1,221,837	1,223,837	247,039	(976,798)
Aid from other governmental agencies	212,383,950	215,072,179	196,996,545	(18,075,634)
Charges for current services	31,366,952	33,022,128	28,383,861	(4,638,267)
Other revenues	2,912,349	2,965,846	3,068,636	102,790
Total revenues	315,691,950	320,155,802	299,669,806	(20,485,996)
EXPENDITURES				
General Government				
Legislative and Administrative				
Board of Supervisors				
Salaries and employee benefits	1,314,230	1,314,230	1,038,431	275,799
Services and supplies	5,210,241	5,210,241	384,817	4,825,424
Intrafund and interfund transfers	(90,746)	(90,746)	(28,967)	(61,779)
Capital outlay	63,784	63,784		63,784
Total Board of Supervisors	6,497,509	6,497,509	1,394,281	5,103,228
County Executive Office				
Salaries and employee benefits	1,773,697	1,773,697	1,493,883	279,814
Services and supplies	315,304	315,304	253,495	61,809
Intrafund and interfund transfers	(100,739)	(100,739)	(8,642)	(92,097)
Total County Executive Office	1,988,262	1,988,262	1,738,736	249,526
Special Auditing				
Services and supplies	160,000	160,000	129,390	30,610
Intrafund and interfund transfers	(9,000)	(9,000)	(7,500)	(1,500)
Total Special Auditing	151,000	151,000	121,890	29,110

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
Board of Equalization				
Services and supplies	$ 8,200	$ 8,200	$ 3,368	$ 4,832
Total Board of Equalization	8,200	8,200	3,368	4,832
Finance				
Auditor-Controller				
Salaries and employee benefits	2,758,481	2,758,481	2,421,527	336,954
Services and supplies	905,456	905,456	846,287	59,169
Capital outlay	5,500,000	5,500,000		5,500,000
Total Auditor-Controller	9,163,937	9,163,937	3,267,814	5,896,123
Revenue and Reimbursement				
Salaries and employee benefits	1,490,374	1,490,374	1,414,141	76,233
Services and supplies	499,608	499,608	339,805	159,803
Intrafund and interfund transfers	(122,359)	(122,359)	(111,867)	(10,492)
Capital outlay	44,000	44,000		44,000
Total Revenue and Reimbursement	1,911,623	1,911,623	1,642,079	269,544
Assessor				
Salaries and employee benefits	3,232,162	3,192,457	3,034,773	157,684
Services and supplies	511,128	550,833	524,906	25,927
Capital outlay	5,500	5,500	5,460	40
Total Assessor	3,748,790	3,748,790	3,565,139	183,651
Tax Collector				
Salaries and employee benefits	374,539	374,539	344,326	30,213
Services and supplies	587,623	587,623	300,647	286,976
Intrafund and interfund transfers	4,830	4,830		4,830
Total Tax Collector	966,992	966,992	644,973	322,019
Treasurer				
Salaries and employee benefits	833,119	833,119	660,578	172,541
Services and supplies	589,454	586,324	296,025	290,299
Intrafund and interfund transfers	(4,830)	(4,830)		(4,830)
Capital outlay	18,453	21,583	18,195	3,388
Total Treasurer	1,436,196	1,436,196	974,798	461,398

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Administrative Services - Support Services				
Salaries and employee benefits	$ 1,419,450	$ 1,387,700	$ 1,360,203	$ 27,497
Services and supplies	1,405,537	1,437,287	1,277,061	160,226
Intrafund and interfund transfers	(1,219,984)	(1,219,984)	(1,269,245)	49,261
Total Administrative Services - Support Services	1,605,003	1,605,003	1,368,019	236,984
Counsel				
County Counsel				
Salaries and employee benefits	2,627,496	2,627,485	2,482,899	144,586
Services and supplies	719,443	713,922	189,787	524,135
Intrafund and interfund transfers	(488,006)	(482,474)	(449,409)	(33,065)
Total County Counsel	2,858,933	2,858,933	2,223,277	635,656
Personnel				
Human Resources				
Salaries and employee benefits	1,169,887	1,099,887	892,987	206,900
Services and supplies	406,477	406,477	279,805	126,672
Intrafund and interfund transfers	(61,600)	8,400	2,142	6,258
Total Human Resources	1,514,764	1,514,764	1,174,934	339,830
Elections				
Registrar of Voters				
Salaries and employee benefits	565,464	565,464	547,056	18,408
Services and supplies	220,825	220,825	155,046	65,779
Total Registrar of Voters	786,289	786,289	702,102	84,187
Elections				
Salaries and employee benefits	94,971	94,971	80,173	14,798
Services and supplies	646,198	640,818	527,952	112,866
Capital outlay		5,380	4,305	1,075
Total Elections	741,169	741,169	612,430	128,739

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Property Management				
DPW - Building Services Division				
Salaries and employee benefits	$ 1,432,272	$ 1,432,272	$ 1,298,547	$ 133,725
Services and supplies	3,538,612	3,179,739	2,741,963	437,776
Intrafund and interfund transfers	(3,201,178)	(3,201,178)	(2,684,568)	(516,610)
Capital outlay	3,800	5,000	3,926	1,074
Total DPW - Building Services Division	1,773,506	1,415,833	1,359,868	55,965
Taxes and Assessments				
Salaries and employee benefits	135,000	140,800	143,771	(2,971)
Services and supplies	7,000	1,200		1,200
Other charges	100	100		100
Total Taxes and Assessments	142,100	142,100	143,771	(1,671)
Plant Acquisition				
Capital Improvement Program				
Services and supplies	2,030,011	2,030,011	117,858	1,912,153
Intrafund and interfund transfers		(951,519)	(924,363)	(27,156)
Capital outlay	6,024,982	7,227,501	3,596,377	3,631,124
Total Capital Improvement Program	8,054,993	8,305,993	2,789,872	5,516,121
District Projects				
Services and supplies	166,930	166,930	29,367	137,563
Other charges	428,502	428,502	101,000	327,502
Intrafund and interfund transfers	135,353	134,853	30,467	104,386
Capital outlay	11,820	11,820	5,507	6,313
Total District Projects	742,605	742,105	166,341	575,764

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
Promotion				
Advertising				
Other charges	$ 176,777	$ 176,777	$ 26,361	$ 150,416
Total Advertising	176,777	176,777	26,361	150,416
Commerce, Aviation and Economic Development				
Salaries and employee benefits	835,942	835,942	738,433	97,509
Services and supplies	163,503	163,503	86,094	77,409
Total Commerce, Aviation and Economic Development	999,445	999,445	824,527	174,918
Other General Government				
Risk Management				
Salaries and employee benefits	770,568	770,568	573,319	197,249
Services and supplies	477,477	477,477	422,241	55,236
Total Risk Management	1,248,045	1,248,045	995,560	252,485

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Public Works Administration				
Salaries and employee benefits	$ 1,787,471	$ 1,787,471	$ 1,680,809	$ 106,662
Services and supplies	139,599	139,599	86,234	53,365
Intrafund and interfund transfers	(271,029)	(271,029)	(258,968)	(12,061)
Total Public Works Administration	1,656,041	1,656,041	1,508,075	147,966
Total General Government	48,172,179	48,065,006	27,248,215	20,816,791
Public Protection				
Judicial				
County Court Operations				
Other charges	1,848,518	1,787,518	1,760,493	27,025
Total County Court Operations	1,848,518	1,787,518	1,760,493	27,025
Grand Jury				
Services and supplies	25,000	54,350	47,594	6,756
Total Grand Jury	25,000	54,350	47,594	6,756
District Attorney				
Salaries and employee benefits	9,677,942	9,677,942	9,103,408	574,534
Services and supplies	1,268,951	1,430,785	1,153,129	277,656
Intrafund and interfund transfers	(569,737)	(569,737)	(561,951)	(7,786)
Capital outlay	4,375	4,375		4,375
Total District Attorney	10,381,531	10,543,365	9,694,586	848,779
Public Defender				
Salaries and employee benefits	3,330,165	3,277,979	2,975,578	302,401
Services and supplies	474,362	542,121	459,729	82,392
Capital outlay		14,927	14,373	554
Total Public Defender	3,804,527	3,835,027	3,449,680	385,347

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Indigent Defense				
Salaries and employee benefits	$ 159,360	$ 159,360	$ 143,805	$ 15,555
Services and supplies	1,714,425	1,714,425	1,655,404	59,021
Total Indigent Defense	1,873,785	1,873,785	1,799,209	74,576
Sheriff				
Salaries and employee benefits	19,903,158	19,415,534	18,523,857	891,677
Services and supplies	4,313,004	4,339,804	3,425,001	914,803
Other charges	5,000	5,000		5,000
Intrafund and interfund transfers	(849,825)	(789,825)	(936,059)	146,234
Capital outlay	743,812	1,157,707	525,707	632,000
Total Sheriff	24,115,149	24,128,220	21,538,506	2,589,714
Detention and Correction				
Sheriff's Correctional Facilities				
Salaries and employee benefits	11,006,971	12,120,787	11,359,377	761,410
Services and supplies	8,482,137	8,835,137	8,323,235	511,902
Intrafund and interfund transfers	(1,849,463)	(1,849,463)	(1,779,467)	(69,996)
Capital outlay		50,000	37,280	12,720
Total Sheriff's Correctional Facilities	17,639,645	19,156,461	17,940,425	1,216,036
Juvenile Hall				
Salaries and employee benefits	7,078,228	7,078,228	6,035,355	1,042,873
Services and supplies	1,797,661	1,792,661	1,633,116	159,545
Other charges	470,716	470,716	401,501	69,215
Capital outlay	25,000	30,000	29,791	209
Total Juvenile Hall	9,371,605	9,371,605	8,099,763	1,271,842

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Probation				
Salaries and employee benefits	$ 9,332,352	$ 9,332,352	$ 8,467,401	$ 864,951
Services and supplies	2,630,265	2,640,265	1,947,022	693,243
Intrafund and interfund transfers	1,897,853	1,897,853	1,921,511	(23,658)
Capital outlay	59,697	59,697	16,947	42,750
Total Probation	13,920,167	13,930,167	12,352,881	1,577,286
State Institutions				
Other charges	350,000	350,000		350,000
Total State Institutions	350,000	350,000		350,000
Flood Control				
DPW - Creek Projects Division				
Services and supplies	482,623	482,623	131,813	350,810
Capital outlay	3,423	3,423		3,423
Total DPW - Creek Projects Division	486,046	486,046	131,813	354,233
Protection Inspection				
Agricultural Commissioner				
Salaries and employee benefits	2,976,734	2,976,734	2,679,975	296,759
Services and supplies	328,029	328,029	294,112	33,917
Intrafund and interfund transfers	(104,782)	(104,782)	(61,459)	(43,323)
Total Agricultural Commissioner	3,199,981	3,199,981	2,912,628	287,353
Special Pest Control				
Services and supplies	85,275	85,275	45,831	39,444
Intrafund and interfund transfers	65,000	65,000	30,000	35,000
Total Special Pest Control	150,275	150,275	75,831	74,444
Sealer of Weights and Measures				
Salaries and employee benefits	439,665	439,665	265,661	174,004
Services and supplies	51,996	51,996	38,504	13,492
Capital outlay	230,000	230,000		230,000
Total Sealer of Weights and Measures	721,661	721,661	304,165	417,496

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
DPW - Building Division				
Salaries and employee benefits	$ 876,809	$ 876,809	$ 672,586	$ 204,223
Services and supplies	313,149	353,149	270,773	82,376
Capital outlay		8,900	8,813	87
Total DPW - Building Division	1,189,958	1,238,858	952,172	286,686
DPW - Professional Services Division				
Services and supplies	204	204		204
Total DPW - Professional Services Division	204	204		204
Other Protection				
Recorder				
Salaries and employee benefits	697,550	697,917	664,245	33,672
Services and supplies	415,211	409,867	278,742	131,125
Capital outlay	54,042	69,371	91,156	(21,785)
Total Recorder	1,166,803	1,177,155	1,034,143	143,012
Coroner				
Salaries and employee benefits	762,325	761,875	741,524	20,351
Services and supplies	298,803	318,603	182,713	135,890
Capital outlay	13,218	13,218		13,218
Total Coroner	1,074,346	1,093,696	924,237	169,459
Planning and Community Development				
Salaries and employee benefits	1,832,887	1,832,887	1,456,356	376,531
Services and supplies	847,107	1,363,874	549,702	814,172
Intrafund and interfund transfers	(125,000)	(125,000)		(125,000)
Capital outlay	10,895	10,895	10,895	
Total Planning and Community Development	2,565,889	3,082,656	2,016,953	1,065,703
Local Agency Formation Commission				
Services and supplies	5,400	5,400	719	4,681
Other charges	56,200	56,200	11,454	44,746
Total Local Agency Formation Commission	61,600	61,600	12,173	49,427

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Animal Control				
Salaries and employee benefits	$ 1,220,679	$ 1,220,679	$ 1,137,432	$ 83,247
Services and supplies	538,203	580,203	519,591	60,612
Total Animal Control	1,758,882	1,800,882	1,657,023	143,859
Predatory Animal Control				
Services and supplies	56,646	56,646	56,646	
Total Predatory Animal Control	56,646	56,646	56,646	
Merced County Association of Governments				
Services and supplies	10,000	10,000		10,000
Other charges	46,139	46,139	46,139	
Total Merced County Association of Governments	56,139	56,139	46,139	10,000
Airport Land Use Commission				
Services and supplies	103,397	103,397	8,580	94,817
Total Airport Land Use Commission	103,397	103,397	8,580	94,817
County Clerk				
Salaries and employee benefits	106,335	106,335	79,234	27,101
Services and supplies	70,596	70,596	48,486	22,110
Capital outlay			7,500	(7,500)
Total County Clerk	176,931	176,931	135,220	41,711
Total Public Protection	96,098,685	98,436,625	86,950,860	11,485,765
Health and Sanitation				
Health Department				
Salaries and employee benefits	12,782,270	12,779,092	11,112,326	1,666,766
Services and supplies	4,657,424	4,745,477	2,103,873	2,641,604
Other charges	378,790	436,291	304,371	131,920
Intrafund and interfund transfers	(158,120)	(158,120)	(531,912)	373,792
Capital outlay	19,769	51,265	18,404	32,861
Total Health Department	17,680,133	17,854,005	13,007,062	4,846,943

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Mental Health				
Salaries and employee benefits	$ 23,180,141	$ 22,106,427	$ 19,324,929	$ 2,781,498
Services and supplies	7,396,223	8,446,160	6,550,607	1,895,553
Other charges	5,636,589	6,005,346	5,642,894	362,452
Intrafund and interfund transfers	(1,539,750)	(1,539,750)	(1,235,743)	(304,007)
Capital outlay	594,829	612,529	132,921	479,608
Total Mental Health	35,268,032	35,630,712	30,415,608	5,215,104
Total Health and Sanitation	52,948,165	53,484,717	43,422,670	10,062,047
Public Assistance				
Administration				
Human Services Agency				
Salaries and employee benefits	52,054,953	50,956,151	49,334,170	1,621,981
Services and supplies	14,606,573	16,130,108	13,736,852	2,393,256
Other charges	5,857,714	5,857,714	5,319,002	538,712
Intrafund and interfund transfers	(491,450)	(147,450)	150,006	(297,456)
Capital outlay	35,000	800,776	747,348	53,428
Total Human Services Agency	72,062,790	73,597,299	69,287,378	4,309,921
IHSS Public Authority				
Salaries and employee benefits	233,487	233,487	161,582	71,905
Services and supplies	99,639	87,633	75,201	12,432
Other charges	1,297,336	1,297,336	1,216,451	80,885
Intrafund and interfund transfers	(94,655)	(82,649)	(48,910)	(33,739)
Total IHSS Public Authority	1,535,807	1,535,807	1,404,324	131,483
Aid Programs				
Assistance to the Needy				
Services and supplies	80,000	80,000	65,893	14,107
Other charges	70,058,417	70,058,417	65,867,735	4,190,682
Total Assistance to the Needy	70,138,417	70,138,417	65,933,628	4,204,789
General Relief				
Aid to Indigents				
Other charges	277,064	277,064	157,478	119,586
Total Aid to Indigents	277,064	277,064	157,478	119,586

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Other Assistance				
Department of Workforce Investment				
Salaries and employee benefits	$ 3,582,237	$ 3,582,237	$ 3,106,083	$ 476,154
Services and supplies	1,399,467	1,399,467	1,019,421	380,046
Intrafund and interfund transfers			(100,938)	100,938
Total Department of Workforce Investment	4,981,704	4,981,704	4,024,566	957,138
Area Agency on Aging				
Salaries and employee benefits	418,741	432,269	392,331	39,938
Services and supplies	626,738	730,652	515,489	215,163
Other charges	883,059	866,548	700,138	166,410
Intrafund and interfund transfers	(362,645)	(396,487)	(232,696)	(163,791)
Total Area Agency on Aging	1,565,893	1,632,982	1,375,262	257,720
Total Public Assistance	150,561,675	152,163,273	142,182,636	9,980,637
Education				
Library Services				
County Library				
Salaries and employee benefits	1,889,495	1,926,110	1,721,675	204,435
Services and supplies	814,195	971,079	645,538	325,541
Intrafund and interfund transfers	(157,577)	(255,211)	(230,623)	(24,588)
Capital outlay	105,728	105,728	21,547	84,181
Total County Library	2,651,841	2,747,706	2,158,137	589,569
Agricultural Extension				
Salaries and employee benefits	260,393	259,793	257,059	2,734
Services and supplies	41,370	41,970	41,233	737
Total Agricultural Extension	301,763	301,763	298,292	3,471
Total Education	2,953,604	3,049,469	2,456,429	593,040

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Recreation and Cultural Services				
Recreation Facilities				
DPW - Recreation Division				
Salaries and employee benefits	$ 254,171	$ 254,183	$ 248,764	$ 5,419
Services and supplies	13,415	13,403	10,755	2,648
Intrafund and interfund transfers			977	(977)
Total DPW - Recreation Division	267,586	267,586	260,496	7,090
DPW - Special Recreation Division				
Services and supplies	280,589	284,894	22,253	262,641
Capital outlay	103,546	103,546		103,546
Total DPW - Special Recreation Division	384,135	388,440	22,253	366,187
DPW - Parks Division				
Salaries and employee benefits	1,282,407	1,282,407	1,209,730	72,677
Services and supplies	513,455	523,455	417,425	106,030
Other charges	2,846	2,846	1	2,845
Capital outlay	195,085	195,085	8,179	186,906
Total DPW - Parks Division	1,993,793	2,003,793	1,635,335	368,458
Total Recreation and Cultural Services	2,645,514	2,659,819	1,918,084	741,735

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
Debt Service				
Interest on Tax Anticipation Notes				
Services and supplies	$ 80,000	$ 80,000	$ 55,714	$ 24,286
Total Debt Service	80,000	80,000	55,714	24,286
Miscellaneous				
Contingencies	3,500,000	3,470,650		3,470,650
Total Miscellaneous	3,500,000	3,470,650		3,470,650
Total expenditures	356,959,822	361,409,559	304,234,608	57,174,951
Excess (deficiency) of revenues over (under) expenditures	(41,267,872)	(41,253,757)	(4,564,802)	36,688,955
OTHER FINANCING SOURCES (USES)				
Transfers in	4,618,919	4,968,569	2,837,390	(2,131,179)
Transfers out	(1,628,804)	(1,992,569)	(1,544,392)	448,177
Resources from capital leases			61,669	61,669
Total other financing sources (uses)	2,990,115	2,976,000	1,354,667	(1,621,333)
Net change in fund balance	(38,277,757)	(38,277,757)	(3,210,135)	35,067,622
Fund balance - beginning	59,438,767	59,438,767	77,051,547	17,612,780
Fund balance - ending	$ 21,161,010	$ 21,161,010	$ 73,841,412	$ 52,680,402

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes and assessments				
Licenses, permits and franchise fees	$ 67,040	$ 67,040	$ 54,913	$ (12,127)
Fines, forfeitures and penalties			1,691	1,691
Revenue from use of money and property	95,000	95,000	1	(94,999)
Aid from other governmental agencies	14,246,550	18,586,550	18,983,641	397,091
Charges for current services	3,189,400	3,189,400	2,497,239	(692,161)
Other revenues	345,500	345,500	1,849,328	1,503,828
Total revenues	17,943,490	22,283,490	23,386,813	1,103,323
EXPENDITURES				
Public ways and facilities				
Salaries and employee benefits	6,860,702	6,860,702	5,541,613	1,319,089
Services and supplies	8,822,975	6,156,975	4,724,357	1,432,618
Other charges	23,651	23,651	36,164	(12,513)
Capital outlay	17,655,189	24,661,189	16,774,559	7,886,630
Total expenditures	33,362,517	37,702,517	27,076,693	10,625,824
Excess (deficiency) of revenues over (under) expenditures	(15,419,027)	(15,419,027)	(3,689,880)	11,729,147
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,902)	(4,902)	(4,902)	
Total other financing sources (uses)	(4,902)	(4,902)	(4,902)	
Net change in fund balance	(15,423,929)	(15,423,929)	(3,694,782)	11,729,147
Fund balance - beginning	15,970,701	15,970,701	10,282,206	(5,688,495)
Fund balance - ending	$ 546,772	$ 546,772	$ 6,587,424	$ 6,040,652

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Major Fund			
	Castle Airport Development Center	Other Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Equity in pooled cash and investments	$ 141,408	$ 12,907,840	$ 13,049,248	$ 26,943,407
Prepaid items				27,091
Receivables, net	224,271	5,545	229,816	1,592,590
Due from other funds	3,431	2,338	5,769	775,500
Inventories	3,276		3,276	163,647
Restricted assets	79,439		79,439	3,858,602
Total current assets	451,825	12,915,723	13,367,548	33,360,837
Noncurrent assets:				
Capital assets:				
Land	41,650,055	1,688,740	43,338,795	
Land improvements	1,714,208	525,530	2,239,738	
Buildings and improvements	108,249,357	17,066,852	125,316,209	1,249,256
Infrastructure	13,189,592		13,189,592	219,279
Equipment	1,532,861	19,495	1,552,356	11,368,643
Construction in progress	462,861		462,861	402,462
Less accumulated depreciation	(40,376,167)	(16,363,216)	(56,739,383)	(9,256,024)
Total noncurrent assets	126,422,767	2,937,401	129,360,168	3,983,616
Total assets	126,874,592	15,853,124	142,727,716	37,344,453
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows of resources				
LIABILITIES				
Current liabilities:				
Accrued liabilities	146,637	21,663	168,300	869,520
Due to other funds	6,507	63	6,570	52,192
Compensated absences	19,188		19,188	97,170
Unearned revenue	77,405		77,405	
Liability for self-insurance				4,325,980
Total current liabilities	249,737	21,726	271,463	5,344,862
Noncurrent liabilities:				
Compensated absences	66,957		66,957	357,384
Long-term self-insurance debt				13,665,949
Other post employment benefits (OPEB) obligations	172,189		172,189	847,667
Total noncurrent liabilities	239,146		239,146	14,871,000
Total liabilities	488,883	21,726	510,609	20,215,862
DEFERRED INFLOWS OF RESOURCES				
Total deferred inflows of resources				
NET POSITION				
Net investment in capital assets	126,422,767	2,937,401	129,360,168	3,983,615
Restricted	79,439		79,439	3,858,602
Unrestricted	(116,497)	12,893,997	12,777,500	9,286,374
Total net position	$ 126,385,709	$ 15,831,398	$ 142,217,107	$ 17,128,591

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Major Fund			
	Castle Airport Development Center	Other Enterprise Funds	Total	Internal Service Funds
Operating revenues:				
Charges for services	$ 1,748,277	$ 271,848	$ 2,020,125	$ 62,652,852
Other operating revenues		6,936	6,936	
Total operating revenues	1,748,277	278,784	2,027,061	62,652,852
Operating expenses:				
Salaries and benefits	1,188,796		1,188,796	5,697,695
Materials and supplies				1,831,072
Insurance	58,468		58,468	37,324,896
Professional and specialized services	161,971	214,074	376,045	1,490,392
Special departmental expense	203,466	628	204,094	1,992,295
General and administrative	277,006	123,969	400,975	1,953,695
Repairs and maintenance	154,977	20,065	175,042	538,974
Rents and leases				39,915
Depreciation and amortization	6,319,480	275,734	6,595,214	887,596
Claims				12,789,440
Total operating expenses	8,364,164	634,470	8,998,634	64,545,970
Operating income (loss)	(6,615,887)	(355,686)	(6,971,573)	(1,893,118)
Non-operating revenues (expenses):				
State and federal grants	80,159		80,159	
Gain (loss) on disposition of capital assets				(191,406)
Interest expense	(535)	(87,037)	(87,572)	(201,285)
Total non-operating revenues (expenses)	79,624	(87,037)	(7,413)	(392,691)
Income (loss) before capital contributions and transfers	(6,536,263)	(442,723)	(6,978,986)	(2,285,809)
Capital contributions				27,835
Transfers in	18,000		18,000	49,686
Change in net position	(6,518,263)	(442,723)	(6,960,986)	(2,208,288)
Total net position - beginning	132,903,972	16,274,121	149,178,093	18,971,482
Prior period adjustment				365,397
Total net position (deficit) - beginning, as restated	132,903,972	16,274,121	149,178,093	19,336,879
Total net position - ending	$ 126,385,709	$ 15,831,398	$ 142,217,107	$ 17,128,591

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Major Fund			
	Castle Airport Development Center	Other Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 1,748,024	$ 266,945	$ 2,014,969	
Receipts from interfund services provided				$ 62,805,107
Payments to suppliers	(900,498)	(361,800)	(1,262,298)	(45,220,569)
Payments to employees	(1,149,415)		(1,149,415)	(5,529,888)
Claims paid				(12,370,436)
Other receipts	15,365	6,936	22,301	18,648
Net cash provided by (used in) operating activities	(286,524)	(87,919)	(374,443)	(297,138)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	18,000		18,000	49,686
Net cash provided by (used in) noncapital financing activities	18,000		18,000	49,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions from other governments	17,984		17,984	
Purchase of capital assets	(305,251)		(305,251)	(718,207)
Proceeds from sale of capital assets				23,824
Net cash provided by (used in) capital and related financing activities	(287,267)		(287,267)	(694,383)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	(535)	(87,038)	(87,573)	(201,285)
Net cash provided by investing activities	(535)	(87,038)	(87,573)	(201,285)
Net increase (decrease) in cash and cash equivalents	(556,326)	(174,957)	(731,283)	(1,143,120)
Cash and cash equivalents - beginning	777,173	13,082,797	13,859,970	31,945,129
Cash and cash equivalents - ending	$ 220,847	$ 12,907,840	$ 13,128,687	$ 30,802,009
Reconciliation to Statement of Fund Net Assets:				
Equity in pooled cash and investments	$ 141,408	$ 12,907,840	$ 13,049,248	$ 26,943,407
Restricted assets	79,439		79,439	3,858,602
Total cash and cash equivalents	$ 220,847	$ 12,907,840	$ 13,128,687	$ 30,802,009

The notes to the financial statements are an integral part of this statement.

(continued)

COUNTY OF MERCED
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Major Fund			
	Castle Airport Development Center	Other Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (6,615,887)	$ (355,686)	$ (6,971,573)	$ (1,893,118)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	6,319,480	275,734	6,595,214	887,596
Decrease (increase) in:				
Prepaid items				(27,091)
Receivables	6,156	(4,269)	1,887	85,593
Due from other funds	460	(634)	(174)	85,310
Inventories	(107)		(107)	(11,673)
Increase (decrease) in:				
Accrued liabilities	(33,727)	(3,048)	(36,775)	73,784
Due to other funds	1,937	(16)	1,921	3,471
Compensated absences	1,340		1,340	(35,582)
Unearned revenue	(6,789)		(6,789)	
Other post employment benefits (OPEB) obligation	40,613		40,613	209,687
Liability for self insurance				324,885
Net cash provided by (used in) operating activities	$ (286,524)	$ (87,919)	$ (374,443)	$ (297,138)
Noncash investing, capital, and financing activities:				
Capital contributions	$	$	$	$ 27,835
Disposal of capital assets				106,366
Total noncash investing, capital, and financing activities			$	$ 134,201

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	MCERA Pension Trust	PARS OPEB Trust	Investment Trust	RDA Successor Agency	Agency
ASSETS					
Equity in pooled cash and investments	$ 2,320,207	$ 587,835	$ 289,816,954	$ 13	$ 18,715,767
Receivables (net):					
Taxes					12,736,250
Securities sold	1,047,035				
Interest and dividends	1,669,301				
Contributions	2,227,202				
Other	4,008				
Investments, at fair value:					
Short-term investment funds	15,598,907				
Securities lending collateral	8,859,257				
Fixed income securities					
U.S. government and agency obligations	67,201,713				
Mutual funds		10,097,007			
Domestic	82,944,970				
Equities					
Common stocks (Individual equities)	40,861,971				
Mutual funds		14,113,142			
Bonds					
Index fund	142,050,349				
International equity fund	143,111,618				
Real estate separate account	38,783,498				
Alternative investments	24,940,316				
Direct real estate investment	475,000				
Prepaid items	7,863				
Capital assets, net of accumulated depreciation of $71,835	1,614,596				
Total assets	573,717,811	24,797,984	289,816,954	13	$ 31,452,017
DEFERRED OUTFLOWS OF RESOURCES					
Total deferred outflows of resources					
LIABILITIES					
Accounts payable	$ 558,755			$ 1,151,469	
Securities lending obligation	8,859,257				
Securities purchased	1,279,439				
Unclaimed contributions	24,885				
Agency obligations					$ 31,452,017
Total liabilities	10,722,336			1,151,469	$ 31,452,017
DEFERRED INFLOWS OF RESOURCES					
Total deferred inflows of resources					
NET POSITION					
Held in trust for pension and post employment health benefits/ investment pool participants	$ 562,995,475	$ 24,797,984	$ 289,816,954	$ (1,151,456)	

The notes to the financial statements are an integral part of this statement.

COUNTY OF MERCED
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2013

	MCERA Pension Trust	PARS OPEB Trust	Investment Trust	RDA Successor Agency
ADDITIONS				
Contributions				
Employer	$ 43,783,663			
Plan members	9,927,749			
Contributions to investment pool		$ 0	$ 1,003,355,074	$ 0
Total contributions	53,711,412	0	1,003,355,074	0
Investment income				
Net increase/(decrease) in fair value of investments	52,053,576	1,332,620	0	
Investment income	11,299,922	1,334,539	(1,898,975)	
Other revenue	44,398			
Less investment expense	(2,471,537)			
Net investment (loss)/income	60,926,359	2,667,159	(1,898,975)	0
Securities lending activities				
Securities lending income	132,442			
Net securities lending income	132,442	0		
Total net investment income/(loss)	61,058,801	2,667,159		
Total additions	114,770,213	2,667,159	1,001,456,099	0
DEDUCTIONS				
Benefits	54,257,547			
Refunds of contributions	1,082,050			
Distributions from investment pool		94,706	1,008,807,952	73,656
Administrative expenses	1,570,789			
Depreciation	1,325			
Total deductions	56,911,711	94,706	1,008,807,952	73,656
Change in net position	57,858,502	2,572,453	(7,351,853)	(73,656)
Net position - beginning of the year	505,136,973	22,225,531	297,168,807	(1,077,800)
Net position - end of the year	$ 562,995,475	$ 24,797,984	$ 289,816,954	$ (1,151,456)

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County of Merced (County) is a political subdivision organized under the general laws of the State of California, and as such can exercise the powers specified by the constitution and laws of the State. The County is governed by an elected five member Board of Supervisors (Board).

The accounting methods and procedures adopted by the County conform to accounting principles generally accepted in the United States of America as applied to governmental entities. These financial statements present the County and its component units, entities for which the Board is considered to be financially accountable. Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Blended component units are an extension of the County and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each component unit has a June 30th year-end.

Blended Component Units:

The *Merced County Employees' Retirement Association* (MCERA) is governed by a nine-member board (4 elected, 4 appointed by the Board of Supervisors, and the County Treasurer is Ex Officio). The County establishes benefit levels and approves actuarial assumptions used in the determination of contribution levels. It is reported as a Pension Trust Fund in these statements. The MCERA issues a publicly available financial report that includes financial statements and the required supplementary information. The financial report may be obtained by contacting the MCERA at 3199 "M" Street, Merced, California 95340.

The *Other Post Employment Benefit Retirement Investment Trust* is governed by the Board of Supervisors Chairperson and Vice-Chairperson, County Executive Officer, County Counsel, Auditor-Controller and the Treasurer. The County establishes benefit levels, and approves actuarial assumptions used in the determination of contribution levels. It is reported as a Retirement Investment Trust Fund in these statements.

The *Merced County Tobacco Funding Corporation* (Corporation) is a non-profit public benefit corporation organized under California Law for the sole purpose of handling Merced County's tobacco securitization. The Corporation is governed by three directors, two of which are officials of the County. Transactions related to the Corporation have been included in these financial statements as a blended component unit of the County, including a liability for the 2005 Tobacco Settlement Asset - Backed Refunding Bond debt in the amount of $34,930,727 as of June 30, 2013. However, in the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the tobacco bonds, neither the California County Tobacco Securitization Agency, the County nor the Corporation has any liability to make up any such shortfall.

The *First 5 Merced County Children & Families Commission* (First 5) has been established to promote, support and improve the early development of children from prenatal stage to five years of age. Revenues consist primarily of funds generated by a State tax increase on cigarettes and tobacco products as mandated by Proposition 10. First 5 is also a legally separate entity from the County and is reported as a Special Revenue Fund in these statements. Additional detailed information and separately issued financial statements can be obtained from First 5 at 676 Loughborough Drive, Merced, California 95348.

Discretely Presented Component Units:

There are no component units of the County which meet the criteria for discrete presentation.

B. Basis of Presentation

Government - Wide Financial Statements

The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units.

Eliminations have been made to minimize the double counting of internal activities**.** These statements report governmental activities, which normally are supported by taxes and intergovernmental revenues, separately from business-type activities which rely, to a significant extent, on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each segment of the County's business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and thus are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are instead reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis on fund financial statements is on major governmental and enterprise funds, each of which are displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

- The *General Fund* is used to account for all financial transactions of the County not accounted for in other specialized funds. Fund revenues include taxes and assessments; licenses, permits and franchises; fines, forfeitures and penalties; revenue from the use of money and property; aid from other governmental agencies; charges for current services; and other revenue. Expenditures are classified by function: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services, and debt service expenditures to pay interest charges on short-term debt.
- The *Dairy Loan Program Fund* is used to account for the resources accumulated and payments made on two separate long-term debt obligations with the State Water Resources Control Board (SWRCB). The SWRCB made available up to $15 million dollars to the County. The County, in turn, enters into loan agreements with dairy and other confined animal facility operators to construct source control structures to reduce drainage runoff into ground and surface water. Payments received from these operators are used to make the County's principal and interest payments to the SWRCB.
- The *Road Fund* provides for planning, design, construction, maintenance and administration of County roads. Revenues consist primarily of the County's share of State highway use taxes and are supplemented by Federal grants.
- The *Tobacco Securitization Fund* is used to account for the proceeds received when the County securitized its future tobacco settlement funds. The proceeds are held by a third-party trustee and interest earned on these funds is periodically transferred to the General Fund.

The County reports the following major enterprise fund:

- The *Castle Airport Development Center Fund* is used to account for the operation of activities associated with the civilian reuse of the former Castle Air Force Base.

The County also reports the following additional fund types:

- *Internal Service Funds* are used to account for the financing of goods and services provided by one department or agency to another department or agency of the County, or to other governments, on a cost reimbursement basis. The County uses separate internal service funds to account for its fleet service management and administrative services operations. In addition, the County uses a separate internal service fund to account for both its self-insurance and other insurance activities.
- The *MCERA Pension Trust Fund* is used to account for activities of the MCERA.
- The *Other Post Employment Benefit (OPEB) Retirement Trust Fund* is used to account for activities of the Public Agency Retirement Services (PARS).
- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts; other special districts governed by local boards, regional boards and authorities; and pass through funds for tax collections for cities. These funds represent the assets, primarily cash, and the related liability of the County to disburse these monies on demand.

- *Agency Funds* are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to entities at some future time. These funds account for assets held by the County as an agent for various local governments and individuals.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, proprietary and pension trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange 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 the 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 eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are 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. Also, in governmental funds, general capital asset acquisitions are reported as expenditures while proceeds from the issuance of long-term debt and capital leases are reported as other financing sources.

Revenues susceptible to accrual include real and personal property taxes, sales taxes, interest, charges for current services, and certain state and federal grants. Revenues which are not measurable and available for accrual include licenses and permits, fines and forfeitures, and penalties and, as such, are recognized as revenue when they are received.

For its business-type activities and enterprise funds, the County has elected to follow only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, which have been incorporated into Governmental Accounting Standards Board (GASB) Statement #62, which was issued in December 2010.

Proprietary funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other transactions not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgeting

In accordance with provisions of Section 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 31 of each fiscal year (except when extended by legislative authority). Until the adoption of this final balanced budget, operations are governed by the adopted proposed budget approved by the Board of Supervisors.

An operating balanced budget is adopted each fiscal year for the General, Special Revenue (except for Tobacco Securitization and the Business Loan Program), Debt Service (except for the Merced County Tobacco Funding Corporation), and Capital Projects Funds on the modified accrual basis of accounting. Public hearings are conducted on the adopted proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level except for capital assets which are controlled at the sub-object level. All amendments or transfers of appropriations within the object level (except for capital assets) within the same department are approved by the County Executive Officer. Amendments and transfers of appropriations between object levels, capital assets, departments and supplemental appropriations financed by unanticipated revenues must be approved by the Board of Supervisors. All transfers and amendments in budget appropriations are included in the budgetary schedules. Such amendments were not significant to the originally approved budget.

Appropriations not encumbered at year-end lapse and are available to finance succeeding periods.

The Budget adopted by the County for Fiscal Year 2012-2013 uses the fund balance language of the County Budget Act which has not yet been updated to reflect GASB Statement #54. The County has presented the Statement of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual in conformity with GASB Statement #54.

E. Investments and Cash Equivalents

Investments consist of debt and equity securities. Debt securities consist primarily of bonds, negotiable certificates of deposit, repurchase agreements, U.S. Government Securities, commercial paper, medium term corporate notes and bankers' acceptances. Investments in the pool maintained by the County Treasurer's Office are reported at fair value.

MCERA's investments are maintained in a separate portfolio and are also reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities are valued at the last reported sales price at current exchange rates.

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less at the date of acquisition. In the statement of cash flows for proprietary funds, cash and cash equivalents include all assets in the pool maintained by the County Treasurer. This pool is similar to a demand deposit account for enterprise and internal service funds in that they may deposit and withdraw cash at any time without prior notice or penalty. This treatment is in conformity with GASB Statement #9, which states that deposits in cash management pools that have the general characteristics of demand deposit accounts are appropriately classified as cash.

F. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are included as either "Due from other funds" or "Due to other funds" as appropriate. Noncurrent portions of these interfund loans are equally offset by a reserve of fund balance which indicates that they are not available for appropriation and do not constitute available spendable financial resources. Transfers between funds are also indicative of funding for capital projects, lease or debt service payments; subsidies of various County operations; or reallocation of special revenues. All such outstanding balances between funds at fiscal year-end are also recorded as either Due from other funds or Due to other funds. Balances outstanding between the various governmental or enterprise funds at fiscal year-end are netted and any residual balances are reported in the government-wide financial statements as "internal balances."

G. Inventories

Inventories are stated at cost (first-in, first-out basis) for governmental funds and are charged to expenditures as they are used. Inventories in proprietary funds are stated at the lower of cost (first-in, first-out basis) or market and are charged to expense as they are used, consistent with the consumption method.

H. Restricted Assets

Restricted assets represent cash and investments restricted by donors and other outside sources which are to be used for specific purposes.

I. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

- Restricted fund balance – amounts with constraints placed on their use 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 determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

- Assigned fund balance – amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.

- Unassigned fund balance – the residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are recorded as expenditures in the appropriate governmental fund at the time of purchase or construction and are capitalized in the applicable governmental or business-type activities columns in the government-wide financial statements. These assets are capitalized at cost or estimated cost where costs are not available. In the case of acquisitions through gifts or contributions, such assets are recorded at fair value at the time received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Self-constructed assets are capitalized at cost plus ancillary charges, including interest.

The County capitalizes equipment (including lighting structures) with a cost of at least $2,500 and an estimated useful life in excess of one year; land, buildings and infrastructure (excluding roads) with a cost of at least $10,000 and an estimated useful life in excess of one year; and road costs of at least $20,000 per mile and an estimated useful life in excess of five years. All capitalized assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over their estimated useful lives in the government-wide statements. In addition, the depreciation or amortization of those capitalized assets associated with proprietary funds and pension trust funds are reported in the appropriate fund financial statements. The estimated economic lives used to determine annual rates of depreciation or amortization are subject to periodic review and revision to assure that the cost of the respective assets will be written off over their economic lives.

The following analysis details the estimated useful lives for the various types of assets:

Type of Asset	Estimated Useful Life in Years
Land Improvements	10 to 40
Building & Building Improvements	6 to 50
Leasehold Improvements	5 to 40
Equipment	5 to 30
Infrastructure	15 to 50

K. Liability for Earned Compensated Absences

Unused vacation leave may be accumulated by County employees up to a specified maximum and is paid at the time of termination from County employment. There is no maximum on the amount of unused sick leave which employees may accumulate; however, the County is not obligated to pay for unused sick leave if an employee terminates prior to retirement. Upon retirement, employees are entitled to be paid for up to one half of their unused sick leave, up to a specified maximum, depending on the employee's job classification. The remainder of the accumulated balance will be credited towards time worked for retirement purposes. Earned compensated absences paid upon

termination/retirement are paid out of the respective governmental or proprietary fund for which the employee worked at the time of employment separation.

Because these leave balances do not require the use of financial resources, no liability is recorded within the governmental funds. However, this liability is reflected in the government-wide statement of net position. The accrued liability for these balances relating to the proprietary funds is recorded in those funds in the period incurred.

L. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the obligation using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Encumbrances

Encumbrances are commitments related to executory contracts for goods and services, and recorded for budgetary control purposes in the general, special revenue, debt service and capital projects funds. Encumbrance accounting is utilized to assure effective control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are re-appropriated by the Board of Supervisors for future expenditure and are reported as reservations of fund balance.

N. New Accounting Pronouncements

In June 2011, GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statements for periods beginning after December 15, 2011. This statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The County has reviewed GASB Statement #63 and has implemented the pronouncement within the statements and schedules of the FY 2013 Comprehensive Annual Financial Report.

In March 2012, GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, effective for financial statements for periods beginning after December 15, 2012. This statement clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The County has reviewed GASB Statement #65 and has implemented the pronouncement within the statements and schedules of the FY 2013 Comprehensive Annual Financial Report.

In June 2012, GASB issued Statement #67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, effective for financial statements for fiscal years beginning after June 15, 2013. This statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan, about which information is required to be presented. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In June 2012, GASB issued Statement #68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for financial statements for fiscal years beginning after June 15, 2014. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In January 2013, GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, effective for financial statements for fiscal years beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement also provides guidance for transfers of operations that do not constitute entire legally separated entities and in which no significant consideration is

exchanged. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In April 2013, GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for financial statements for fiscal years beginning after June 15, 2013. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In November 2013, GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement #68.* The provisions of this statement should be applied simultaneously with the provisions of GASB Statement #68. The objective of this statement is to improve accounting and financial reporting by addressing the transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of GASB Statement #68 by employers and nonemployer contributing entities. The County is in the process of evaluating the future impact of this statement on its future financial statements.

O. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. EQUITY IN POOLED CASH AND INVESTMENTS, CASH AND INVESTMENTS

The County of Merced Treasurer's Office maintains a diversified fixed income investment pool that is available for use by all funds. The Treasury Pool participants include the County, schools, college, special districts and independent agencies. Each fund type's portion of this pool is displayed on the statement of net position and combined balance sheet as "Equity in pooled cash and investments". Interest earned on investments held in the Treasurer's pool is apportioned quarterly on an accrual basis based on cost which differs from the fair value basis used in these financial statements. In addition, the Merced County Employee's Retirement Association maintains a separate fixed, equity and alternative investment portfolio to meet the defined benefit plan funding liability.

The Treasurer's pool is accounted for on a cost basis during the year and adjusted to fair value at year-end. The value of pool shares that may be withdrawn is determined on a cost basis, which differs from fair value. The County of Merced has not provided or obtained any legally binding guarantees during the fiscal year to support the value of pool shares. The Treasurer's pool includes both voluntary and involuntary participation from external entities. Statutes of the State of California require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The net asset value of involuntary participation in the pool totaled $224,969,352 at June 30, 2013.

The Treasurer's pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy in order of priority are safety of principal, liquidity and yield. The County has established a Treasury Oversight Committee (Committee) to monitor and review the management of public funds maintained in the pool in accordance with Article 6, Section 27131 of the California Government Code. The Committee and the Board of Supervisors each review and approve the investment policy annually. In addition, the Treasurer prepares a comprehensive investment report in accordance with Section 53646 of the California Government Code. This quarterly report is submitted to the members of the Committee, the County Executive Officer, the County Auditor, and the Board of Supervisors.

Investments - Investments by the County Treasurer are restricted per Government Code Section 53600 et.seq. This Code requires that the investments be made with the prudent investor standard, that is, when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the trustee (Treasurer and staff) will act with care, skill, prudence, and diligence under the circumstances then prevailing.

The Government Code also requires that when following the investing actions cited above, that the primary objective of the trustee be to safeguard the principal, secondarily meet the liquidity needs of depositors, and then achieve a reasonable return on the funds. Further, the intent of the Government Code is to minimize risk of loss on County held investments from:

a. Interest rate risk
b. Custodial credit risk
c. Concentration of credit risk
d. Credit risk

Government Code Section 53601 lists the investments in which the Treasurer may purchase. In addition, the County has self-imposed restrictions outlined in the Investment Policy that surpass the mandated code requirements. The list of investments the County may purchase, per the Investment Policy, is as follows: Permissive fixed income investments include U.S. Treasuries, Federal Agencies (GSE), corporate medium term notes, commercial paper, certificates of deposits, banker acceptances, local agency bonds, state warrants, investment funds and government structured money markets.

The County was in full compliance with its own more restrictive policy, and therefore was also in compliance with the above cited Government Code sections. Accordingly, the County believes it is not at significant risk as to the four risk areas cited above.

- *Interest rate risk* - This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The County Treasurer's Investment Policy Statement has a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Of the County's $572.4 million portfolio, 32.69% of the investments have a maturity of six months or less as of June 30,2013. There are no investments with a maturity of greater than 5 years.

- *Custodial Credit Risk* - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At year-end, the County did not have any uninsured or uncollateralized deposits. The County does not participate in any reverse repurchase agreements or securities lending that would result in any possible risk in this area.

- *Concentration of Credit Risk* - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Nearly 22.8% of the County's investments at year-end are in U.S. Government or Agencies issues. At June 30, 2013 the County had 5.1% of its investment pool in Federal Farm Credit Banks, 3.5% in Federal Home Loan Bank, 4.4% in Federal Home Loan Mortgage Corporation, 3.5% in Federal National Mortgage Association and 6.3% in U.S. Treasury Notes. Of the 48.2% of the portfolio invested in Corporate Medium Term Notes and 7.0% of the portfolio invested in Commercial Papers and Certificates of Deposit, no investment in a single issuer exceeds 5.0% of the total pooled investment portfolio.

- *Credit Risk* - This is the risk that an issuer of other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is often measured by the assignment of a rating by a nationally recognized statistical rating organization. Per Government Code Section 53601.7, the County is permitted to hold investments of issuers with a short-term rating of A-1/P-1 and a minimum long term rating of A by the top two nationally recognized statistical rating organizations (rating agencies). The County holds AAA, AAAm, AA+, AA, AA-, A-1, A-1+, A+, A, A-, BA- and Unrated investments as of June 30, 2013. In addition, the County is permitted to invest in the State's Local Agency Investment Fund (LAIF) which is the authorized State Pool and not rated.

- The County's investment in LAIF was $30 million as of June 30, 2013. The total amount invested by all public agencies in LAIF at June 30, 2013 was $21.2 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2013 was $58.8 billion. The PMIA is not SEC-registered or rated, but is required to invest according to California State Code. The average maturity of PMIA investments was 278 days as of June 30, 2013. The Local Investment Advisory Board has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by state statue. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis.

The following schedule indicates the credit and interest risk at June 30, 2013. The credit ratings listed are for Standard and Poor's Investor Services (S&P).

		Maturity					
Investments	S & P Credit Rating	Under 30 Days	31 - 180 Days	180 - 365 Days	1 - 5 Years	Over 5 Years	Fair Value
Pooled							
Local Agency Investment Fund (LAIF)	Unrated	$ 30,008,196					$ 30,008,196
Certificates of Deposit (CD)	AA-			$ 5,023,375	$ 4,975,845		9,999,220
Certificates of Deposit (CD)	A-1				5,004,390		5,004,390
Certificates of Deposit (CD)	A+				4,999,775		4,999,775
Commercial Paper (CP)	A-1	9,998,950	$ 4,995,206	4,988,705	-		19,982,861
Federal Farm Cr Bks Cons (FFCB)	AA+				29,350,275		29,350,275
Federal Home Ln Bks (FHLB)	AA+				19,906,775		19,906,775
Federal Home Ln Mortgage Corp (FHLMC)	AA+		5,010,650	10,075,660	10,045,330		25,131,640
Federal Natl Mortgage Assn M/T/N (FNMA)	AA+				20,026,360		20,026,360
Corporate Medium Term Note (MTN)	A-				12,233,590		12,233,590
Corporate Medium Term Note (MTN)	A		19,488,511	5,175,050	52,824,356		77,487,917
Corporate Medium Term Note (MTN)	A+				15,051,765		15,051,765
Corporate Medium Term Note (MTN)	AA-		6,806,375	11,664,360	23,831,590		42,302,325
Corporate Medium Term Note (MTN)	AA		5,059,100	10,184,200	19,899,870		35,143,170
Corporate Medium Term Note (MTN)	AA+			5,236,100	64,738,574		69,974,674
Corporate Medium Term Note (MTN)	AAA		10,124,650	5,120,850	8,654,281		23,899,781
Money Market Fund (MMF)	AA-	1,000,044					1,000,044
Money Market Fund (MMF)	AAAm	91,305,998					91,305,998
Money Market Fund (MMF)	Unrated	3,355,775					3,355,775
United States Treasury Notes (USTN)	AA+			2,917,390	33,362,536		36,279,926
Total Investments in Investment Pool		135,668,963	51,484,492	60,385,690	324,905,312		572,444,457
Unpooled							
Municipal Bonds	AA-		2,075,838				2,075,838
Municipal Bonds	AA					$ 1,615,000	1,615,000
Municipal Bonds	AA+					2,970,104	2,970,104
Municipal Bonds	AAA				1,047,660		1,047,660
Mutual Funds-Fixed Income	A				6,704,439		6,704,439
Mutual Funds-Fixed Income	A+					2,956,747	2,956,747
Mutual Funds-Fixed Income*	BA-				435,821		435,821
Mutual Funds-Equity	Unrated		14,113,142				14,113,142
Commercial Paper	A-1+		3,805,221				3,805,221
Money Market Funds	AAAm		774,802				774,802
Money Market Funds	Unrated		567,687				567,687
Money Market Funds (Tax Exempt)	AAAm		2,240,749				2,240,749
Total Investments outside Investment Pool			23,577,439		8,187,920	7,541,851	39,307,210
Total County Investments		$ 135,668,963	$ 75,061,931	$ 60,385,690	$ 333,093,232	$ 7,541,851	$ 611,751,667

*Moody's rating provided, it is not rated by Standard and Poor's.

The Merced County Employees' Retirement Association (MCERA) Board (Retirement Board) has exclusive control over all investments of MCERA and is responsible for establishing investment objectives, strategies and policies. Pursuant to the California Constitution and California Government Code Sections 31594 and 31595, the Retirement Board is authorized to invest in any investment the Retirement Board deems prudent.

The Retirement Board has adopted an investment policy, which provides the framework for the management of MCERA's investments. The investment policy establishes MCERA's investment objectives and defines the principal duties of the Retirement Board, the custodian bank and the investment managers. The asset allocation plan is an integral part of the investment policy and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the investment policy.

Fixed Income Securities	
U.S. Government Agency Obligations	$ 30,358,962
Commercial Mortgage Backed Securities	2,874,522
Asset Backed Securities	2,693,252
U.S. Treasury and TIPS	36,842,751
Corporate and Other Credit	76,365,671
Collateralized Mortgage Obligations	1,011,525
	150,146,683
Equities	
Domestic	40,861,971
International	143,111,618
Index Funds	142,050,349
	326,023,938
Other Investments	
Short-Term Investment Funds	24,458,164
Real Estate	39,258,498
Alternative Investments	24,940,316
	88,656,978
Total Investments	$ 564,827,599

As of June 30, 2013 MCERA had the following fixed income investments:

Investment Type	Value	Weight of Total Fixed Income	Effective Duration (Years)
U.S. Government agency obligations	$ 30,358,962	20.22%	5.08
Commercial Mortgage Backed Securities	2,874,522	1.91%	3.22
Asset Backed Securities	2,693,252	1.79%	1.03
U.S. Treasury and TIPS	36,842,751	24.54%	7.00
Corporate and Other Credit	76,365,671	50.87%	4.47
Collateralized Mortgage Obligations	1,011,525	0.67%	3.76
Total Fair Value	$ 150,146,683	100.00%	
Portfolio Effective Duration			5.12

As of June 30, 2013 MCERA had the following ratings:

Quality	Percentage of Fixed Income
Aaa	18.14%
Aa	2.87%
A	15.69%
Baa	12.64%
Ba	4.03%
B	9.06%
Caa	5.66%
Ca	0.29%
NR*	3.14%
NA**	28.48%
	100.00%

*Represents those securities that are not rated.
**Represents those securities that are not applicable to the rating disclosure requirements.

Credit Concentration/Custodial Risk

MCERA's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the value of a portfolio and no single industry (based on North American Industry Classification System (NAICS) codes) can represent more than 15% of the market value of the account. These single security and single industry restrictions do not apply to U.S. Government issued or guaranteed investments, investments in mutual funds, external investment pools and other pooled investments. As of June 30, 2013, MCERA had no single issuer that exceeds 5% of total investments.

Interest Rate Risk

MCERA's investment policy statement does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. MCERA's bond portfolios are managed duration neutral to their benchmark, the Barclay U.S. Aggregate Bond Index and the Merrill Lynch High Yield Master II. An investment grade security is defined as a security which has been rated investment grade (BBB or higher) by at least one (but preferably two) of the three nationally recognized rating agencies; Fitch Ratings, Moody's Investor Service, and Standard & Poor's.

MCERA requires that no more than 5% of an investment manager's fixed income portfolio may be invested in below investment grade rated securities (BB or B rated bonds). No security rated below single B may be purchased at any time. Securities that have at least a single B but subsequently fall below single B ratings, shall be sold in an orderly manner.

MCERA's High Yield Portfolio may allocate up to 20% in CCC rated securities.

Derivatives

MCERA's investment policy permits the use of derivative instruments to minimize the exposure of certain of its investments to adverse fluctuations in financial and currency markets and enhance yields. MCERA does not use derivatives for speculative use or to create leverage. Derivatives permitted by MCERA's investment policy are financial futures (if exchange traded), currency forward contracts and currency options (exchange and OTC traded), and also derivative instruments which include: interest rate swaps, options (if exchange traded), and caps and floors as they apply to the above stated allowable derivative investments. The investments in futures contracts bear credit risk in that parties to the contracts may fail to perform according to the terms of the contract. Also, the investments may be subject to market risk due to a change in the price of the underlying securities. Floating-rate investments are investments with interest payments that float or adjust periodically based upon a predetermined benchmark. While the market value of a floating-rate security maybe relatively insensitive to changes in interest rates, the income received is highly dependent upon the level of the reference rate over the life of the investment. Total return may be less than anticipated if future interest rate expectations are not met. As with any fixed income investment, there is a risk that the issuer will be unable to meet its payment obligations. MCERA does not have any derivative instruments as defined by GASB Statement No. 53 as of June 30, 2013.

Securities Lending Program

State statutes and the Board of Trustees' policies permit MCERA to participate in a securities lending program. MCERA's custodian, BNY Mellon, and the lending agent, Mellon Global Securities Lending, administer its securities lending program. Securities are lent to brokers and dealers (borrower) in turn, MCERA receives cash as collateral. Collateral received may include cash, letters of credit or securities. The lending agent invests the collateral received in short-term investment funds, money market funds and other similar investments the custodian may select. If securities or letters of credit are received as collateral, MCERA cannot pledge or sell the securities collateral unless the borrower defaults. The contract with the security lending agent requires them to indemnify MCERA if the borrower fails to return the securities (or if the collateral is not sufficient to replace the securities lent) or if the borrower fails to pay MCERA for income distributions by the securities' issuers while the securities are on loan.

As of June 30, 2013 Mellon Global Securities Lending short-term investment pool has a weighted-average maturity of 1 day and the average duration of 103 days. The maturities of investments made with collateral do not match the maturities of loaned securities. There is a mis-match that takes place. The mismatch is averaging about 0 days and Mellon Global Securities Lending monitors continually the traders booking the loans and the reinvestment team using the collateral. Under this borrowing arrangement, the lending agent is responsible for maintaining an adequate level of collateral in an amount equal to approximately 102% of the market value of domestic loaned securities and 105% with respect to foreign securities except in the case of loans of foreign securities which are denominated and payable in U.S. dollars, in which event the required percentage shall be 102%. If the market value of the loaned securities falls below the required percentage, the lending agent shall require that the borrower deliver an amount of additional collateral by the close of the next business day. As of June 30, 2013, MCERA has no credit risk exposure to borrowers because the amounts MCERA owes the borrower exceed the amounts the borrower owes MCERA. MCERA may in its sole and absolute discretion, direct the lending agent to terminate any loan at any time and for any reason.

As of June 30, 2013 the fair value of securities on loan and the total cash and non-cash collateral received for those securities on loan were $18,289,905 and $18,740,386, respectively. MCERA's securities lending cash collateral is invested in pooled funds managed by BNY Mellon Asset Servicing, which is not rated by credit rating agencies. MCERA's income net of expenses from securities lending was $132,442 for the year ended June 30, 2013.

A reconciliation of the carrying value of cash and investments to the sum of the amounts noted as: (1) equity in pooled cash and investments, (2) restricted assets, and (3) investments in the financial statements is as follows:

Carrying Amount of Investments:		Financial Statements:	
Merced County	$ 611,751,667	Governmental Activities	$ 233,019,300
Merced County Employees' Retirement Association	564,827,599	Business-Type Activites	13,128,687
Carrying amount of Cash deposits	(29,952,755)	Fiduciary Funds	900,478,524
Total Investments and cash deposits	$ 1,146,626,511	Total Cash and Investments	$ 1,146,626,511

The following represents a condensed statement of net position and statement of changes in net position for the Treasury pool at June 30, 2013:

Statement of Net Position

Assets	
Cash and investments	$ 572,444,457
Pool deposits	(59,707,369)
Total Assets	512,737,088
Liabilities	
Unfunded checks and warrants	30,638,369
Net Position	
Equity of internal pool participants	192,281,790
Equity of external pool participants	289,816,929
Total Net Position	$ 482,098,719

Statement of Changes in Net Position

Net position at July 1, 2012	$ 570,328,618
Net change in pooled cash and investments	(88,229,899)
Net position as June 30, 2013	$ 482,098,719

3. PROPERTY TAXES

The County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions including schools and special districts within the County. The Board levies property taxes as of September 1, for property values certified on July 1. Property taxes secured by real property are payable in two equal installments, due on November 1 and February 1. They become delinquent with penalties after December 10 and April 10, respectively. The lien date is January 1 of each year. Real property transactions are subject to supplemental assessments for the period beginning the first day of the month following change in ownership or completion of construction and are then part of the next January 1 lien. Property taxes on the unsecured roll are due on the January 1 lien date. They are levied on June 30 and become delinquent if unpaid after August 31. Property taxes are accounted for in the Property Tax Collection Fund, an agency fund, until apportionment and disbursement to taxing jurisdictions.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. The County is permitted by Article XIIIB of the State of California Constitution (commonly referred to as Proposition 13) to levy a maximum tax of $1.00 per $100 of full cash value. Taxes levied to service voter-approved debt are excluded from this limitation. For the fiscal year of 2012-2013, the County recorded $66,259,112 in property taxes that were used to finance general government services.

Property tax receivables are recognized when levied to the extent that they are measurable and available under the alternative method of tax allocation (commonly referred to as the Teeter Plan). The County elected the Teeter Plan effective July 1, 1993, whereby the County purchases, through property tax collection funds, the current secured unpaid taxes remaining at year-end from participating agencies. In return, the property tax collection funds record tax receivable and receive the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including the County, special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the property tax collection funds. In addition, the Teeter Plan requires that a property tax reserve be maintained in an amount of 1% of the current year's secured tax levy which is shown as a reservation of fund balance in the General Fund.

4. RECEIVABLES

Receivables at June 30, 2013 of the County's major individual funds and non-major and internal service funds in the aggregate, including allowances for uncollectible accounts were as follows:

Governmental activities	Accounts	Notes	Taxes and Assessments	Gross Receivables	Allowance for Uncollectibles	Net Receivables
General fund	$ 15,541,286		$ 1,382,700	$ 16,923,986	$	$ 16,923,986
Dairy loan program fund	39,542	$ 1,985,563		2,025,105		2,025,105
Road fund	237			237		237
Tobacco securitization fund						
Other governmental funds	3,038,761	8,302,015	198,781	11,539,557	(1,228,511)	10,311,046
Internal service funds	1,592,590			1,592,590		1,592,590
Total governmental activities	$ 20,212,416	$ 10,287,578	$ 1,581,481	$ 32,081,475	$ (1,228,511)	$ 30,852,964
Business-type activities						
Castle airport development center fund	$ 379,680	$	$	$ 379,680	$ (155,409)	$ 224,271
Other enterprise funds	5,545			5,545		5,545
Total business-type activities	$ 385,225	$	$	$ 385,225	$ (155,409)	$ 229,816

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2013 the various components of deferred revenue and unearned revenue reported were as follows:

	Unavailable	Unearned
Governmental funds		
General fund		
Grant proceeds received prior to meeting all eligibility requirements		$ 63,126,906
Dairy loan program fund		
Notes receivable	$ 1,946,022	
Road fund		
Impact fees received prior to meeting all eligibility requirements		5,995,818
Nonmajor funds		
Impact fees received prior to meeting all eligibility requirements		463,923
Notes receivable	8,794,768	
Total Governmental funds	$ 10,740,790	$ 69,586,647
Proprietary funds		
Castle airport development center fund		
Customer deposits		$ 77,405
Nonmajor funds		
Grant proceeds received prior to meeting all eligibility requirements		
Total Proprietary funds		$ 77,405

5. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 were as follows:

	Accounts Payable	Salaries And Benefits Payable	Interest Payable	Total
Governmental activities				
General fund	$ 3,508,957	$ 6,943,076		$ 10,452,033
Road fund	1,086,238	245,535		1,331,773
Other governmental funds	1,116,122	365,146		1,481,268
Internal service funds	656,551	212,969		869,520
Reconciliation of balances in fund financial statements to government-wide financial statements			$ 998,640	998,640
Total governmental activities	$ 6,367,868	$ 7,766,726	$ 998,640	$ 15,133,234
Business-type activities				
Castle airport development center	104,129	42,508		146,637
Other enterprise funds	21,663			21,663
Total business-type activities	$ 125,792	$ 42,508	$	$ 168,300

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of normal operations, the County has numerous transactions between funds, including expenditures, reimbursements, transfer of resources to provide services, and debt service. The accompanying financial statements reflect such transactions as due from other funds and due to other funds.

Individual interfund receivables (due from other funds and departments) and payables (due to other funds and departments) at June 30, 2013 were as follows:

	Payable Fund						
Receivable Fund	General	Road Fund	Nonmajor Governmental	Castle Airport Development Center	Nonmajor Enterprise	Internal Service	Total
General		$ 26,290	$ 510,883	$ 1,871		$ 48,909	$ 587,953
Road Fund	$ 1,680		6,814			476	8,970
Nonmajor governmental	242,078		137	629			242,844
Castle Airport Development Center	2,170		1,261				3,431
Nonmajor Enterprise	2,338						2,338
Internal Service	724,270	20,069	24,284	4,007	$ 63	2,807	775,500
Total	$ 972,536	$ 46,359	$ 543,379	$ 6,507	$ 63	$ 52,192	$ 1,621,036

Of the $510,883 owed by the Nonmajor Governmental Funds to the General Fund, $300,000 is owed by the Child Support Services Agency Fund and $139,000 is owed by the Spring Fair Fund for advances made. All remaining interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The following schedule briefly summarizes the County's transfer activity for the year ended June 30, 2013:

	Transfers In				
Transfers Out	General	Nonmajor Governmental	Castle Airport Development Center	Internal Services	Total
General		$ 1,476,706	$ 18,000	$ 49,686	$ 1,544,392
Road Fund		4,902			4,902
Tobacco Securitization	$ 2,837,390	2,259,228			5,096,618
Nonmajor governmental		11,032,912			11,032,912
Total	$ 2,837,390	$ 14,773,748	$ 18,000	$ 49,686	$ 17,678,824

Of the transfers made from the General Fund, $1,476,706 was transferred to Nonmajor Governmental Funds to either service the County's various debt obligations ($1,115,418) or support the Capital Projects Funds ($361,288), $18,000 was transferred to support the Castle Airport Development (Castle Airport) Fund and $49,686 was transferred to support the Administrative Services Fund.

Of the transfers made to the General Fund, $2,837,390 was transferred from Tobacco Securitization Fund.

Of the remaining transfers, $4,902 was transferred from the Road Fund to the Fire Fund, $2,259,228 was transferred from the Tobacco Securitization Fund to the Capital Project Fund. Of the $11,032,912 in transfers made among nonmajor governmental funds, $139,369 was transferred from the Fire Fund to the Capital Project Fund, $5,808 from the Spring Fair Fund and $10,887,735 from 2013 Juvenile Hall Debt Service Fund were transferred to the 2002 Juvenile Debt Service Fund, to extinguish the Juvenile Hall 2002 Certificates of Participation.

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

Governmental activities	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Capital assets, not being depreciated					
Land	$ 22,817,732	$ 540,300		$ 577,127	$ 23,935,159
Construction in progress	39,858,281	23,667,574	$ (138,735)	(4,310,415)	59,076,705
Total capital assets, not being depreciated	62,676,013	24,207,874	(138,735)	(3,733,288)	83,011,864
Capital assets, being depreciated					
Buildings and improvements	146,320,671	20,950		252,480	146,594,101
Equipment	63,107,320	2,365,812	(1,959,191)	515,392	64,029,333
Infrastructure	358,382,491	3,748,560		2,957,385	365,088,436
Total capital assets, being depreciated	567,810,482	6,135,322	(1,959,191)	3,725,257	575,711,870
Less accumulated depreciation for:					
Buildings and improvements	(58,025,275)	(4,004,629)			(62,029,904)
Equipment	(37,781,290)	(4,011,405)	1,656,466	8,031	(40,128,198)
Infrastructure	(204,299,283)	(10,776,203)			(215,075,486)
Total accumulated depreciation	(300,105,848)	(18,792,237)	1,656,466	8,031	(317,233,588)
Total capital assets being depreciated, net	267,704,634	(12,656,915)	(302,725)	3,733,288	258,478,282
Governmental activities capital assets, net	$ 330,380,647	$ 11,550,959	$ (441,460)	$	$ 341,490,146

Business-type activities	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Capital assets, not being depreciated					
Land	$ 43,338,796			$	$ 43,338,796
Construction in progress	103,854	$ 359,158	$ (152)		462,860
Total capital assets, not being depreciated	43,442,650	359,158	(152)		43,801,656
Capital assets, being depreciated:					
Buildings and improvements	125,316,209				125,316,209
Equipment	1,544,324			$ 8,031	1,552,355
Land improvements	2,239,738			-	2,239,738
Infrastructure	13,189,592			-	13,189,592
Total capital assets, being depreciated	142,289,863			8,031	142,297,894
Less accumulated depreciation for:					
Buildings and improvements	(44,983,109)	(5,623,177)		-	(50,606,286)
Equipment	(1,503,484)	(124,226)		(8,031)	(1,635,741)
Land improvements	(970,977)	(146,860)		-	(1,117,837)
Infrastructure	(2,678,568)	(700,950)		-	(3,379,518)
Total accumulated depreciation	(50,136,138)	(6,595,213)		(8,031)	(56,739,382)
Total capital assets being depreciated, net	92,153,725	(6,595,213)			85,558,512
Business-type activities capital assets, net	$ 135,596,375	$ (6,236,055)	$ (152)	$	$ 129,360,168

Depreciation expense was charged to governmental functions as follows:

Governmental activities	
General	$ 4,359,442
Public protection	2,018,276
Public ways and facilities	10,991,376
Health and sanitation	155,289
Public assistance	284,801
Education	15,707
Recreation and cultural activities	79,750
Depreciation on capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	887,596
Total depreciation expense – governmental activities	$ 18,792,237
Business-type activities	
Medical Facility Lease Operations	$ 272,949
Castle Airport Development Center	6,319,480
Castle Water and Sewer	2,785
Total depreciation expense – business-type activities	$ 6,595,214

Construction in Progress at June 30, 2013 is comprised of the following:

Governmental activities	Project Authorization	Expended through 06/30/2013
Public Works - Various Road Projects	$ 38,084,021	$ 38,084,021
Hospital Facility Reuse Study	9,529,638	4,565,829
Emergency Operations Center	8,374,400	4,707,487
DA Tenant Improvement Project (550 West Main Street)	6,939,167	4,255,741
New World System Computer Software	2,083,430	1,306,697
SCBA Equipment	1,445,753	14,301
Public Works - Various Bridge Projects	1,254,999	1,254,999
Water Treatment System	1,103,238	1,095,506
Parks - Community and Veterans Halls	948,945	61,552
Fire-Structures & Improvements	733,375	13,885
HSA HVAC System	671,250	596,172
Spring Fair Removed Tank	584,000	575,493
Ag Building - HSA	500,000	491,887
AFIS System Upgrade	483,988	189,873
One Stop Permitting Center	475,720	56,063
Mental Health B Street Administration Building	409,620	5,734
Probation/ Sheriff AB109 Remodel	400,000	228,890
Kronos	365,397	365,397
1 Book Mobile	333,130	196,895
Computer Hardware for Mobile ID	225,000	220,450
Lake Yosemite Main Beach & Concession Area	222,750	45,373
Henderson Park Well Replacement	210,000	11,538
Castle / Winton WWTP EIR	200,000	113,172
Kane Building Remodel	180,000	3,713
3 Live Scan Machines	130,166	37,065
Main Library HVAC Controls	100,000	90,000
Eastside Access for UC Merced	97,677	97,677
EOC Office Equipment	75,964	73,338
Snelling Design System	70,000	10,057
Anasazi Computer Hardware	60,000	57,141
CD Warehouse Remodel - Coroner	60,000	944
CERTNA Software	57,750	42,750
1 Command Vehicle Replacement	50,000	38,382
Merced Legion Floor	44,000	21,858
Electrical System Upgrade - HSA	30,269	24,989

Del Hale Repair/Remodel	25,000	10,999
Surveillance Camera Upgrade	25,000	24,825
IT Infrastructure Project	20,000	18,291
Public Defender Remodel	19,904	19,904
County Admin Remodel – Room 305	17,000	15,153
HSA Door System	15,253	12,733
AB 109 Move	13,000	11,004
Dual Channel – Interop-Intercom	8,930	8,930
Total construction in progress - governmental activities	$ 76,677,734	$ 59,076,708

Business-type activities

Castle Airport Development Center Fund		
FAA #14-Map Project - Castle	580,500	65,030
Structure and Improvements	300,000	285,655
FAA #13-Design/Const Taxiway B	117,800	112,176
Total construction in progress - business-type activities	$ 998,300	$ 462,861

8. LEASES

A. Capital Leases

The County has entered into certain lease agreements as lessee for financing the acquisition of various equipment and buildings. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date of each respective lease. Principal and interest payments on capital leases are budgeted annually and disbursed from the fund acquiring the capital asset under lease. At June 30, 2013 the County included the following amounts that have been capitalized under lease purchase agreements:

	Governmental Activities	Business-type Activities
Buildings and equipment	$ 556,222	$
Less: Accumulated amortization	441,685	
Total	$ 144,537	$

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

Year Ended June 30:	Governmental Activities	Business-type Activities
2014	$ 93,971	$
2015	92,746	
2016	61,769	
2017	22,011	
2018	10,905	
Total future minimum lease payments	281,402	
Less: Amount representing interest	22,448	
Present value of minimum lease payments	$ 258,954	$

B. Operating Leases

The County conducts some operations from leased facilities. Total rent expense for the year ended June 30, 2013 was $88,400. The County does not have any operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013.

Rents collected by the County from various tenants occupying property either owned or controlled by the County for the fiscal year ended June 30, 2013 were approximately $2,962,954.

9. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Governmental activities					
Pension obligation bonds	$ 35,780,000		$ (5,550,000)	$ 30,230,000	$ 6,295,000
2005 Tobacco settlement asset-backed bonds	37,410,000		(1,745,000)	35,665,000	2,420,000
Less: Issuance discounts	(780,165)		45,892	(734,273)	(45,892)
Less: Unamortized deferred amount - 2002 Tobacco refunding					
Juvenile justice 2002 certificates of participation	12,465,000		(12,465,000)		
Less: Issuance discounts	(107,026)		107,026		
Juvenile justice 2013 certificates of participation		$ 10,885,000		10,885,000	445,000
Dairy loan program	6,923,342		(827,761)	6,095,581	849,282
Long-term self-insurance debt (See Note 13)	17,667,044	12,788,393	(12,463,508)	17,991,929	4,325,980
Courthouse construction certificates of participation	8,205,000		(325,000)	7,880,000	335,000
Add: Issuance premiums	987		(55)	932	55
Earned compensated absences	12,410,151	10,000,973	(9,563,192)	12,847,932	2,605,864
Capital lease obligations (See Note 8)	277,184	61,669	(79,899)	258,954	82,583
Energy retrofit loan	191,144		(191,144)		
Other post employment benefits (OPEB) obligation (See Note 12)	21,792,556	6,654,383		28,446,939	
Total long-term debt of governmental activities	$ 152,235,217	$ 40,390,418	$ (43,057,641)	$ 149,567,994	$ 17,312,872
Business-type activities					
Earned compensated absences	$ 84,805	$ 70,434	$ (69,094)	$ 86,145	$ 19,188
Other post employment benefits (OPEB) obligation (See Note 12)	131,577	40,612		172,189	
Total long-term debt of business-type activities	$ 216,382	$ 111,046	$ (69,094)	$ 258,334	$ 19,188

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. All of the long-term self-insurance debt is attributable to internal service funds and the resources needed to liquidate these liabilities have, in the past, come from those funds. In addition, at year-end, $454,553 of the compensated absences is attributable to internal service funds. The balance of capital lease obligations and earned compensated absences have historically been liquidated by the respective County department.

Pension Obligation Bonds

During the 1998/99 fiscal year, the County issued $63,070,000 in pension obligation bonds to pay the unfunded accrued actuarial liability of the County due the MCERA. The issuance consisted of $27,290,000 in serial bonds due in annual installments ranging from $360,000 beginning on August 15, 2000 to $4,870,000 on August 15, 2011, and $35,780,000 in term bonds due on August 15, 2016. Interest rates on the bonds range from 5.1% to 6.1% for the serial bonds and to 6.3% for the term bonds. The net interest cost is 6.2% after amortization of $515,141 in total bond discounts. Pension Obligation Bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2014	$ 6,295,000	$ 1,692,656	$ 7,987,656
2015	7,110,000	1,273,750	8,383,750
2016	7,990,000	801,875	8,791,875
2017	8,835,000	276,094	9,111,094
	$ 30,230,000	$ 4,044,375	$ 34,274,375

Resources to service this obligation have historically been accumulated by imposing a payroll surcharge on all applicable County departments.

2005 Tobacco Settlement Asset-Backed Refunding Bonds

On October 27, 2005, the California County Tobacco Securitization Agency issued bonds on behalf of the Merced County Tobacco Funding Corporation, a blended component unit of the County of Merced, in the amount of $39,690,000. The bonds were issued to refund the County's 2002 Tobacco Bonds and permitted the County to take advantage of market opportunities to generate additional proceeds which were unavailable in 2002. The issuance consisted of $37,490,000 in Series 2005A tax-exempt bonds and $2,200,000 in Series 2005B taxable bonds structured as follows:

Series	Par	Coupon	Yield	Stated Maturity	Expected Turbo Redemption Date	Weighted Average Life
2005B	$ 2,200,000	6.750%	6.770%	June 1, 2018	June 1, 2010	3.14 Years
2005A	6,515,000	5.000%	5.050%	June 1, 2026	June 1, 2016	8.12 Years
2005A	15,160,000	5.125%	5.350%	June 1, 2038	June 1, 2024	15.00 Years
2005A	15,815,000	5.250%	5.450%	June 1, 2045	June 1, 2029	20.83 Years

As of June 30, 2013, the annual debt service requirements of the bonds to maturity are as follows assuming turbo term bonds are redeemed from available funds:

Year Ending June 30	Principal	Interest	Total
2014	$ 2,420,000	$ 1,841,738	$ 4,261,738
2015	1,240,000	1,720,738	2,960,738
2016	1,335,000	1,658,737	2,993,737
2017	1,440,000	1,591,606	3,031,606
2018	1,755,000	1,517,806	3,272,806
2019-2023	11,145,000	6,096,631	17,241,631
2024-2028	16,115,000	2,705,469	18,820,469
2029	215,000	11,288	226,288
	$ 35,665,000	$ 17,144,013	$ 52,809,013

Resources to service this obligation are being maintained by a third-party trustee in the name of the Corporation. The resources are derived from payments required to be made after May 1, 2003, to the State of California under a Master Settlement Agreement entered into by participating cigarette manufacturers, 46 states and 6 other U.S. jurisdictions, in November of 1998 in settlement of certain cigarette smoking-related litigation and made payable to the County pursuant to agreements with the State and other parties.

Juvenile Justice 2002 Certificates of Participation

On July 1, 2002, the County issued $15,705,000 in certificates of participation to assist in financing the construction of a new juvenile justice facility. The 2002 Certificates of Participation were refinanced on June 6, 2013 with the issuance of the Juvenile Justice 2013 Certificates of Participation in order to achieve a strategic cost savings in the repayment of the outstanding principal. The prepayment of the 2002 Certificates of Participation was $12,101,286. The funds from the prior trust agreement were utilized in the pay off of the 2002 Certificates of Participation, in conjunction with the principal from the 2013 Certificates of Participation and the issuance premium.

Juvenile Justice 2013 Certificates of Participation

On June 6, 2013, the County issued $10,885,000 in certificates of participation to assist in the refunding of the 2002 Certificates of Participation (COP) which were used to finance the construction of a juvenile justice facility. The issuance consisted of $9,260,000 in serial bonds due in annual installments ranging from $445,000 beginning on June 1, 2014, to $770,000 on June 1, 2029, a sum total of $1,625,000 in term bonds due annually on June 1, 2030, and June 1, 2031. Interest rates on the bonds range from 2.0% to 3.625% for the serial bonds and for the term bonds. The Juvenile Justice 2013 COP debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2014	$ 445,000	$ 384,485	$ 829,485
2015	445,000	381,000	826,000
2016	460,000	367,650	827,650
2017	475,000	353,850	828,850
2018	490,000	339,600	829,600
2019-2023	2,755,000	1,388,600	4,143,600
2024-2028	3,420,000	794,594	4,214,594
2029-2031	2,395,000	175,813	2,570,813
	$ 10,885,000	$ 4,185,592	$ 15,070,592

Resources to service this obligation are currently being budgeted for in the General Fund.

Dairy Loan Program

The County has entered into two separate agreements with the State Water Resources Control Board (SWRCB) in which the SWRCB will make available up to a total of $15,000,000 to the County. One agreement, entered into on July 1, 1998, makes available up to $5,000,000. The second, entered into on August 1, 1998, makes available up to $10,000,000. The purpose of the funding is to create a mini-loan program to be administered by the County. The County will, in turn, enter into loan agreements, payable at the rate of 5.1%, with dairy and other confined animal facility operators to construct source control structures to reduce drainage runoff into ground and surface water. Terms of each agreement make these funds available to the County for up to four years from the commencement of the agreement. Both agreements require the County to repay any funds utilized over a 20 year period at the rate of 2.6%. As of June 30, 2013, the County had utilized $14,989,422. Dairy Loan Program debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2014	$ 849,282	$ 158,485	$ 1,007,767
2015	871,364	136,404	1,007,768
2016	894,019	113,748	1,007,767
2017	917,264	90,504	1,007,768
2018	941,113	66,655	1,007,768
2019-2020	1,622,539	59,267	1,681,806
	$ 6,095,581	$ 625,063	$ 6,720,644

Repayments to the County of those loans made to the operators have provided the resources necessary to liquidate these obligations.

Courthouse Construction Certificates of Participation

On June 1, 2005, the County issued $10,200,000 in certificates of participation to assist in financing the construction of a new courthouse facility. The full cost of the project was $24.2 million. Of the remaining $12 million, $3.0 million from the State is reimbursement for construction features they requested. The remaining $9.0 million is from assessments imposed on court fines. The issuance consisted of $7,285,000 in serial certificates due in annual installments ranging from $225,000 beginning on June 1, 2006, to $510,000 on June 1, 2025, a sum total of $1,095,000 in term certificates due annually on June 1, 2026, and June 1, 2027, and a sum total of $1,820,000 in term certificates due annually beginning on June 1, 2028, and ending on June 1, 2030. Interest rates on the certificates range from 3.0% to 4.3% for the serial certificates to 4.4% and 4.4% on the term certificates. The net interest cost is 4.2% after amortization of $1,375 in total certificate premiums. Courthouse Construction COP debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2014	$ 335,000	$ 327,851	$ 662,851
2015	345,000	316,126	661,126
2016	360,000	303,706	663,706
2017	370,000	290,206	660,206
2018	385,000	276,146	661,146
2019-2023	2,170,000	1,132,710	3,302,710
2024-2028	2,675,000	630,313	3,305,313
2029-2030	1,240,000	82,031	1,322,031
	$ 7,880,000	$ 3,359,089	$ 11,239,089

Resources to service this obligation will be budgeted for in the Courthouse Construction COP Debt Service Fund.

Energy Retrofit Loan

During the 2001/02 fiscal year, the County of Merced entered into a loan agreement with the California Energy Commission to fund the installation of energy efficient lighting in several of the County's buildings and the installation of an energy efficient heating and cooling system in the County Administration Building. Terms of the agreement called for the County to make semi-annual payments of $97,730 beginning on December 22, 2002, with the final payment due on June 22, 2013. The interest rate on the loan was 3%. As of June 30, 2013, the Energy Retrofit Loan had been extinguished by all payments being made to the loans conclusion.

Defeased Debt Outstanding

On October 27, 2005, the County defeased its 2002 Tobacco Settlement Asset-Backed bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the former. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the County's financial statements. At June 30, 2013, there are no bonds outstanding that are considered defeased.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the yield paid to bond holders. Generally, all interest paid to bondholders can be retroactively considered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds and financing, and at June 30, 2013, does not expect to incur a liability.

10. RESTATEMENT OF BEGINNING NET POSITION

As of July 1, 2012, the County implemented GASB Statement # 65 – *Items Previously Reported as Assets and Liabilities* and restated the beginning net position by $1,115,195 million to write off the unamortized bond issuance costs that were previously reported as assets. These amounts should be an expense in the year they are incurred. The County classified these items as a cumulative effect of changes in accounting principle in the current fiscal year. The County's beginning net position has been restated to reflect the cumulative effect of prior year adjustments. A summary of the restatement as of June 30, 2013 is as follows:

	Primary Government	
	Governmental Activities	Business-Type Activities
Government-wide net position, as of June 30, 2012, as previously reported	$ 374,276,667	$ 149,178,093
Cumulative effect of change in accounting principle	(1,115,195)	-
Net position, as of June 30, 2012, as restated	$ 373,161,472	$ 149,178,093

11. MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

Plan Description

MCERA was established on July 1, 1950 by vote of the County electorate under and subject to the legislative authority of the State of California as enacted and amended in the County Retirement Act of 1937 (1937 Act). Management of MCERA is vested in the Retirement Board, consisting of nine-member and two alternates. Day to day management of MCERA is vested in a Plan Administrator who is appointed by and serves at the direction of the Retirement Board.

MCERA is a cost-sharing multi-employer contributory defined benefit plan covering all permanent full-time and permanent part-time employees of Merced County, Superior Court, the Merced Cemetery District, the Transit Joint Powers Authority and the Merced County Regional Waste Management Authority for Merced County. Plan members are classified as either Safety or General members with different levels of benefits as a result of that classification. Coverage is optional to employees hired after age 60 and elected officials.

MCERA issues a publicly available financial report that includes financial statements and the required supplementary information. The complete Comprehensive Annual Financial Report for MCERA may be obtained by contacting the MCERA at 3199 “M” Street, Merced, California 95340.

Benefit Provisions

The plan provides retirement and disability benefits, annual cost-of-living adjustments (as applicable), post retirement health and dental care benefits, and death benefits to plan members and beneficiaries. Benefits are established in accordance with the 1937 Act while the authority to make changes rests with MCERA and the Board of Supervisors in accordance with the 1937 Act, as amended. Pursuant to the 1937 Act, the Retirement Board makes an annual determination of MCERA’s ability to provide financial assistance to defray the costs of retiree health care. Historically, MCERA has provided some measure of financial support toward such costs; however, the level of such support has varied. Retirees have no vested right to receive such financial support and the availability of such support is not guaranteed. MCERA reserves the right to alter the level of financial support, to alter the method by which it provides such support, or to terminate such support, as permitted by law.

Summary of Significant Accounting Policies

Basis of Accounting - MCERA’s financial statements are prepared on the accrual basis of accounting. As such, income is recognized when earned, and expenses are recognized when the obligations are incurred. Employee and employer contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the plan.

Cash and Investments – The Retirement Board has exclusive control over all investments of MCERA and is responsible for establishing investment objectives, strategies and policies. Pursuant to the California Constitution and California Government Code Sections 31594 and 31595, the Retirement Board is authorized to invest in any investments the Board deems prudent.

MCERA reports investments at fair value based upon the closing sale prices reported on recognized securities exchanges on the last business day of the period. For listed securities having no reported sales price and for unlisted securities, fair value is based upon the last reported sales price. Short-term investments are reported at cost, which approximates fair value.

Funding Policy - Employee contributions are defined in the 1937 Act. Employer contributions are actuarially determined to provide the defined benefit after subtracting employee contributions and are appropriated on an annual basis. Member contribution rates are based on a formula reflecting the age at entry into the system. The basic rates are such as to provide an average annuity that is equal to a fractional part of the highest year(s) salary, based on membership and tier. For members integrated with Social Security, the above contributions are reduced by 1/3 of that portion of such contribution payable with respect to the first $350 of monthly salary. Member contributions are refundable upon termination from the system. The average employee contribution rate for the fiscal year ended June 30, 2013 was 9.08%, which is the most recent information available.

Annual Pension Cost – For fiscal year ended June 30, 2013, the County's annual pension cost was equal to the County's required contributions. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included 7.75% investment rate of return and 3.75%, plus service-based rates, projected salary increase. The actuarial value of MCERA's assets was determined using the techniques that smoothed the effects of short-term volatility in the market value over a 5-year period. MCERA's unfunded actuarial accrued liability is amortized as a level percentage of projected future payroll cost over a closed 17-year period from June 30, 2012.

Schedule of Employer Contributions – The following is a schedule of annual required employer contributions and the percentage actually contributed for the current year and each of the two preceding years:

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed
6/30/11	$ 36,662,121	100%
6/30/12	40,262,881	100%
6/30/13	43,783,663	100%

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The County currently provides post employment benefits including retiree health, dental, life and spousal coverage for health in accordance with County resolutions. The County has not executed a formal plan document that provides for these benefits and the plan does not have a name. Under the accounting rules, GASB Statements No. 43, "*Reporting for Post Employment Benefit Plans Other Than Pension Plans,*" and No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,"* require that the liability related to the substantive plan be determined. The substantive plan is the plan as understood (whether written or unwritten) by the County and its employees. GASB Statements No. 43 and No. 45 are not limited to the reporting of vested benefits.

The benefits are available to general and safety employees who retire from the County with the equivalent of 10 or more years of employment. There are currently 967 retirees receiving either health or health and dental benefits and 321 retirees who are receiving only dental benefits. The County pays approximately 53% of retiree health and dental coverage for employees retiring before the age of 65 and makes spousal coverage available at no cost to the County. At age 65 the retiree is offered a Medicare Supplemental Plan which covers approximately 63.62% of the cost. The retiree can choose from two healthcare plans. Managers are provided reduced management life insurance. Funding of the post employment healthcare is on a pay as go basis with a blended rate as of June 30, 2013, with $24.8 million set aside in an IRS section 401(h) trust. Cost to the County for the fiscal year ended June 30, 2013 was $5.5 million.

Plan Benefits

The County maintains the same medical and dental plans for its retirees as for its active employees, with certain modifications. The maximum annual dental benefit is reduced from $2,000 to $1,000. Vision coverage is not extended to retirees. Once a retiree reaches age 65 or becomes eligible for Medicare before age 65 as a result of a qualifying disability, he or she must select from one of two Medicare options: Blue Cross Assurance 90 Medicare Supplement Plan, or Pacific Care Secure Horizons HMO.

The County's share of retiree premium depends on age, years of service, employment classification (Safety or Miscellaneous) and date of hire, as follows:

Tier 1 employees must be at least age 50 and have at least 10 years of service, or may be any age with at least 30 years of service (20 years for Safety members) at the time of retirement. Tier 1 employees include all Miscellaneous employees hired prior to June 13, 1994 and all Safety Members employed in active law enforcement or as district attorney investigators, probation officers, or juvenile hall counselors.

Tier 2 employees must be at least age 55 and have at least 10 years of service, or may be any age with at least 30 years of service. Tier 2 employees include all Miscellaneous employees hired on or after June 13, 1994.

Employees having attained the required service may receive deferred benefits upon attainment of the applicable age requirement described above. Employees may also qualify for retiree health benefits through either Service-connected or Non-service-connected Disability Retirements.

Funding Policy

The County is required to calculate and record the annual required contributions (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of fifteen years. The current OPEB ARC rate of 5% percent of the County's annual covered payroll has been reflected in these financial statements. The County made direct contributions in the total amount of $0 as of June 30, 2013 into Public Agency Retirement Services (PARS). The County currently plans to suspend funding annually to the PARS trust account until economic conditions improve but will continue making the annual service costs payments for current retirees.

Annual OPEB Cost

For Fiscal Year 2012-2013, the County's annual OPEB cost (expense) of $12,167,270 for the OPEB plan was $277,317 less than the ARC due to Interest and Amortization Adjustments to the ARC. The ARC includes (a) the normal cost for the year for current active employees of $5,472,273 and (b) a component for the amortization of the total Unfunded Actuarial Accrued Liability (UAAL) of the plan consisting of current retirees of $6,972,314. The County made direct contributions during this same period in the total amount of $0 into a tax compliant trust to administer the plan. The net OPEB obligation was comprised of the following components: the ARC of $12,444,587, interest expense on the beginning balance of the net OPEB obligation of $1,315,448, less an adjustment to the ARC to offset, approximately, the amount included in the ARC for amortization of past contribution deficiencies of $1,592,765, less contributions of $0 and current year service costs paid by the County for active retirees in the amount of $5,472,273 and including the prior year Net OPEB Obligation of $21,924,132. The net OPEB obligation increased $6,694,997 resulting in an ending net OPEB obligation balance of $28,619,129 as of June 30, 2013. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2012-2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	$ 12,167,270	44.98%	$ 28,619,129

The quantification of costs set forth above should not be interpreted in any way as vesting such benefits; rather the disclosures are made solely to comply with the County's reporting obligations under GASB Statement No. 45, as the County understands these obligations.

Funded Status and Funding Progress

The funded status of the OPEB plan as of June 30, 2013 is as follows:

Actuarial accrued liability (AAL)	$ 127,452,391
Actuarial value of plan assets	$ 21,888,376
Unfunded actuarial accrued liability (UAAL)	$ 105,564,015

Funded ratio (actuarial value of plan assets/AAL)	17.17%
Covered payroll (active plan members)	$ 106,581,000
UAAL as percentage of covered payroll	99.05%

Actuarial valuations of an ongoing OPEB 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 ARC 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 for the County's Other Post Employment Benefits is presented as required Supplementary information (RSI) following the notes to the financial statements. This schedule will, in subsequent fiscal years, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation as well as 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets (if any), consistent with the long-term perspective of the calculations.

In the County's July 1, 2011 actuarial valuation, an age specific claims cost matrix fitted to the estimated blended claims and premiums of active employees and early retirees combined. The actuarial assumptions included a 6% investment rate of return and separate annual healthcare cost trend rates for medical/prescription drug, and dental. The medical/prescription drug cost trend rate starts at 8% and declines to 5% over 3 years. The dental cost trend rate starts at 4% and does not change over the 3 years listed. These rates include an inflation assumption of 6%. The OPEB plan's unfunded AAL is being amortized on a straight lined basis for a period of 30 years.

13. INSURANCE POOL (POOL)

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. Effective July 1, 2000, the County established the Pool (an internal service fund) to account for and finance its uninsured risks of loss. In addition, the Pool also accounts for the other insurance activities of the County. The County, along with 53 other counties, established CSAC, a Joint Powers Authority, to pay excess liability claims against counties under a risk sharing liability coverage program. The lower coverage limits vary by entity with a maximum limit of $35 million. The County's coverage ranges from $100,000 to $25 million. The County has several programs for which it is completely self-insured or for which it is self-insured for the deductible amount of certain programs as follows:

Workers' Compensation Excess Insurance

Workers' Compensation benefits are paid by the County according to California statutory requirements governing temporary or permanent disabilities, death benefits, medical expenses and rehabilitation for employees' occupational injuries or illness. The County's self-insured retention is $300,000 per claim. Excess coverage is purchased from the CSAC Excess Insurance Authority with full statutory benefits per occurrence. The primary layer from $300,000 to $5,000,000 is pooled, and the coverage above that level is insured or reinsured by commercial insurance carriers.

General, Automobile, and Public Officials Liability Insurance

The County's self-insured retention is $100,000 per claim. Excess coverage up to $5,000,000 is purchased from a pool operated by the CSAC Excess Insurance Authority (CSAC EIA), and an additional $20,000,000 in excess of $5,000,000 is purchased through CSAC EIA from commercial carriers. There is optional excess catastrophic coverage of $10,000,000 in excess of $25,000,000, purchased from commercial carriers through CSAC EIA.

Medical Malpractice

The County's health care functions are currently insured on a "claims made basis" for medical malpractice losses up to $1,500,000 per occurrence subject to a $5,000 deductible. On October 1, 2004, coverage for medical malpractice losses was reduced from $21,500,000 per occurrence to $11,500,000 and restored effective October 1, 2009. Claims incurred prior to January 1, 2003 are covered under an "occurrence basis" with a previous carrier subject to individual claim deductibles of $200 plus 50% of each claim to a maximum $5,200 with no aggregate limitations. Effective October 1, 2010, Excess and Reinsurance coverage is on an "Occurrence basis". The health and mental health functions make quarterly contributions to the Pool to cover insurance policy premiums. The health functions charge the quarterly contributions to expense and record no liability for unpaid claims asserted against them.

Auto Physical Damage

The County's self-insured retention is $20,000 per occurrence. Excess coverage up to the amount of actual damages is purchased from a commercial carrier.

County Dental Plan

The dental plan is totally self-insured and pays 80% of usual and customary dental costs for employees and enrolled dependents with a maximum payment of $2,000 in any calendar year to any one participant for the active employee program and a maximum payment of $1,000 in any calendar year to any one participant under the retiree program.

Unemployment Insurance

The County, in order to comply with State legislation extending unemployment insurance benefits to local government employees, established a fund to provide reimbursement to the State Unemployment Fund for benefits paid.

Fiduciary Insurance

Fiduciary liability exposure for the County has changed over the last several years due to court decisions extending fiduciary liability to public entities, under certain circumstances. As a part of the set-up of the Other Post Employment Benefits (OPEB) Trust in June 2008, fiduciary liability insurance with limits of $10,000,000 was obtained including defense specialist costs and investment loss endorsement. This policy was specifically designed to cover individuals that make recommendations or decisions on the Deferred Compensation Plan, the OPEB Trust, and the Post Employment Health Plan Trust (PEHP).

There have been no settlements in excess of insurance coverage in any of the past three fiscal years and there has not been a significant reduction in insurance coverage from the prior year.

Liabilities for self-insurance are reported in the Pool based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the 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. The following tables represent the estimated claims balances, claims incurred and claims paid during the fiscal year, for the fiscal years ended June 30, 2013 and 2012, respectively:

	Estimated Claim Balance July 1, 2012	Claims Incurred	Claims Paid	Estimated Claim Balance June 30, 2013
Workers' Compensation	$ 15,584,195	$ 4,005,839	$ 3,667,939	$ 15,922,095
General and Auto Liability	1,586,482	5,526,210	5,502,800	1,609,892
Auto-Physical Damage	2,737	91,198	93,073	862
County Dental Plan	308,624	2,606,086	2,576,999	337,711
Unemployment Insurance	185,006	559,060	622,697	121,369
Totals	$ 17,667,044	$ 12,788,393	$ 12,463,508	$ 17,991,929

	Estimated Claim Balance July 1, 2011	Claims Incurred	Claims Paid	Estimated Claim Balance June 30, 2012
Workers' Compensation	$ 14,888,946	$ 4,030,805	$ 3,335,556	$ 15,584,195
General and Auto Liability	2,364,478	1,307,640	2,085,636	1,586,482
Auto-Physical Damage	38,549	87,069	122,881	2,737
County Dental Plan	339,226	2,472,218	2,502,820	308,624
Unemployment Insurance	267,090	1,026,557	1,108,641	185,006
Totals	$ 17,898,289	$ 8,924,289	$ 9,155,534	$ 17,667,044

14. NET POSITION/FUND BALANCES

A. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, including infrastructure, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position

This component consists of the net position whose use is restricted by constraints imposed by creditors, grantors, contributors, laws or regulations of other governments, or those imposed by law through constitutional provisions or enabling legislation. Included in governmental activities restricted net position at June 30, 2013 is net position restricted by enabling legislation of $4,505,125**.**

Unrestricted Net Position

This component represents that net position which is neither net investment in capital assets, nor restricted.

B. Fund Balances

GASB Statement #54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type and permanent fund type are also clarified by the provisions in this statement. These classifications are described in the schedule below.

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2013 is as follows:

	General	Dairy Loan	Road	Tobacco Securi-tization	Other Govern-mental Funds	Total Govern-mental Funds
Nonspendable:						
Inventory	$ 153,866		$ 653,000		$ 465,833	$ 1,272,699
Long-Term Receivable	1,022,299					1,022,299
Permanent Fund					258,251	258,251
Prepaid Items	205,577					205,577
Total nonspendable fund balance	1,381,742	-	653,000	-	724,084	2,758,826
Restricted for:						
Purpose of Fund			5,847,324	$ 12,247,200	5,265,724	23,360,248
Debt Service		$ 5,474,981			14,623,887	20,098,868
Fire Facilities Maintenance					2,750,000	2,750,000
Allocated for Capital Outlay					2,255,141	2,255,141
Fire Equipment Replacement					805,202	805,202
Sunset Pit Financial Assurance			87,100			87,100
Household Hazardous Waste Facility Closure	59,812					59,812
Total restricted fund balance	59,812	5,474,981	5,934,424	12,247,200	25,699,954	49,416,371
Committed to:						
Purpose of Fund					9,312,580	9,312,580
County Payroll Reserve	7,645,000					7,645,000
Strategic Reserve	7,039,865					7,039,865
Facilities Maintenance					2,707,615	2,707,615
Allocated for Capital Outlays	1,000,000				874,887	1,874,887
Purpose of Fund						-
Litigation Reserve	675,000					675,000
Total committed fund balance	16,359,865	-	-	-	12,895,082	29,254,947
Assigned to:						
Auditor Systems Maintenance and Development	5,500,000					5,500,000
Castle Sewer Project	3,070,000					3,070,000
Capital Improvement Program	2,507,906					2,507,906
General Services Projects	1,917,259					1,917,259
Public Assistance Programs	1,528,419					1,528,419
First Five Programs					758,615	758,615
District Projects	587,561					587,561
Parks Projects	555,333					555,333
County Counsel Programs	421,786					421,786
Fire Prevention					236,664	236,664

	General	Dairy Loan	Road	Tobacco Securi-tization	Other Govern-mental Funds	Total Govern-mental Funds
Public Works - Creek Projects	194,451					194,451
Law Enforcement Activities	188,050					188,050
Fire Fighting Equipment Replacement					176,600	176,600
Castle Development Programs	131,824					131,824
Health Care Programs	130,444					130,444
Office of Emergency Services					124,708	124,708
One Stop Permitting Center	122,845					122,845
County Executive Programs	101,330					101,330
Facilities Maintenance	50,000				13,781	63,781
Festival Security	50,351					50,351
Systems Maintenance and Development	30,000					30,000
Fish and Game Propogation Program					17,883	17,883
Library Projects	16,283					16,283
Sheriff Inmate Welfare - Jail Ministry					15,000	15,000
Graffiti Abatement	12,640					12,640
Purpose of Fund					4,992	4,992
Coroner - Cemetary Care	4,500					4,500
Sheriff Inmate Welfare - Fleet					2,092	2,092
Total assigned fund balance	17,120,982	-	-	-	1,350,335	18,471,317
Unassigned fund balance:	38,919,011	-	-	-	(1,595)	38,917,416
Total fund balance:	$ 73,841,412	$ 5,474,981	$ 6,587,424	$ 12,247,200	$ 40,667,860	$ 138,818,877

15. HOSPITAL AFFILIATION

In November of 1996, the County of Merced entered into a lease agreement which provided for Sutter Health/California Healthcare System (Sutter) to lease the land and buildings used in the operation of the hospital for a base term of twenty years with four separate ten-year renewal options exercisable by Sutter. Sutter was to make monthly rent payments to the County in the amount of $10,000 plus a percentage of hospital profits, as defined in the agreement. Sutter was to be responsible for all taxes, operating expenses, maintenance, repairs, and insurance costs arising during the term of the lease. The agreement also required Sutter to make certain community contributions and capital improvements, as defined in the agreement.

An operating agreement provided for Sutter to assume the day-to-day operations of the hospital, known as Sutter Merced Medical Center, and defined the minimum services which were to be provided during the term of the lease. The agreement required Sutter to continue to provide charity care and care to the medically indigent in full compliance with state laws and regulations. In return, the County made certain reimbursements to Sutter for providing indigent care.

Effective November 21, 2000, the lease and operating agreements between the County and Sutter were assigned to Mercy Hospital/Catholic Healthcare West (Mercy) for the remainder of the base term. A major provision of this assignment states that Mercy would continue to operate the facility until completion of a new North Merced facility. The new facility was completed and opened for patients in May 2010. Upon its completion, Mercy closed and returned the County hospital facility to the County. Mercy continues to maintain an outpatient facility in South Merced through leasing a much smaller portion of the former hospital facility. Another major provision of the assignment states that Mercy will continue to provide all indigent care until December 2031 and will receive 22% of the County's health realignment funds.

16. CONTINGENCIES

Grant/Public Assistance Programs

The County participates in a number of state and federally assisted grant and public assistance programs. The programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for the year ended June 30, 2013, have not yet been conducted. Accordingly, the County's compliance with applicable program requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the program agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Litigation

There are various lawsuits and claims filed against the County which, in the opinion of the County Counsel, will be resolved with no material adverse effect on the County's financial condition at June 30, 2013.

17. DETAIL OF RESTRICTED ASSETS

Of the $8,664,097 in restricted assets noted for governmental activities, $1,753 is recorded in the Capital Projects Fund to cover costs associated with the construction of the new courthouse facility, $87,100 is recorded in the Road department to cover the costs associated with potential pit claims, $59,812 is recorded in the General Fund to cover the claims after the authorized household hazardous waste disposal site close down and $3,858,602 is recorded in the internal service funds to cover the replacement costs of the vehicles in the Fleet Service Management. The remaining $4,656,830 is recorded in the various Debt Service Funds. Of this amount, $3,871,718 is recorded in the Merced County Tobacco Funding Corporation Debt Service Fund as a condition of the debt issuance. The remaining amounts are recorded in the Juvenile Hall COP Fund ($12,063) and the Courthouse Construction COP Fund ($773,049), all to establish a debt service reserve required as a condition of the debt issuance.

The $79,439, noted for business - type activities, is recorded in the Castle Airport Development Center Fund. Of this amount, $56,803 represents Castle Airport Development Center tenant's security deposits which can only be used for the reimbursement of the damages caused by the tenants upon the expiration of the lease agreement, the balance is subject to being returned to the tenants; $19,790 represents the sale of capital assets and insurance proceeds which can only be used for the improvements to the infrastructure and facilities at the Castle Airport Development Center; $2,846 represents fees collected from tenants which can only be used to maintain and/or expand publicly-owned infrastructure or for the creation of jobs, pursuant to applicable grant agreements.

18. EXCESS/DEFICIT OF EXPENDITURES/INTRAFUND AND INTERFUND TRANSFERS OVER/UNDER BUDGET IN INDIVIDUAL FUNDS

The following budgetary units had a deficit of intrafund and interfund transfers within the service department and thereby less cost to be transferred to the user department. As such, the departmental budget as a whole is unaffected:

General Fund

Board of Supervisors	$ 61,779
County Executive Office	92,097
Special Auditing	1,500
Revenue and Reimbursement	10,492
Treasurer	4,830
County Counsel	33,065
DPW – Building Services Division	516,610
Capital Improvement Program	27,156
Public Works Administration	12,061
District Attorney	7,786
Sheriff's Correctional Facility	69,996
Probation	23,658
Agricultural Commissioner	43,323
Planning and Community Development	125,000

Mental Health	304,007
Human Services Agency	297,456
IHSS Public Authority	33,739
Area Agency on Aging	163,791
County Library	24,588
DPW – Special Recreation Division	977
Special Revenue Funds	
Medical Assistance Program	75,861

The County Clerk and the Recorder's Office had capital asset expenditures which exceeded their budgeted amount by $7,500 and $21,785, respectively, due to the reclassification of certain expenditures from services and supplies.

The Juvenile Hall had debt service costs which exceeded its budgeted amount by $12,101,286, due to the early debt paid off by refinancing.

The Spring Fair and Taxes and Assessments had costs of salaries and employee benefits which exceeded their budget amount by $78,752 and $2,971, respectively, due to extra help used in the Spring Fair and more retirees exceeded 415 benefit limitations.

The Dairy Loan Program had debt administration costs which exceeded its budgeted amount by $48,000, due to the reclassification of transfer out to debt administration. The Pension Obligation Bonds had debt administration costs which exceeded their budgeted amount by $89,470, due to the reclassification of unrealized investment loss to debt administration.

The Capital Projects Fund had services and supplies expenditures which exceeded its budgeted amount by $24,337, due to the reclassification of unrealized investment loss and capital asset expenditures not capitalized, to services and supplies.

The following departments exceeded their object line items due to the reclassification of unrealized investment loss to other charges.

	Excess Expenditures
Special Revenue Funds	
Road	
Other charges	$ 12,513
Fire	
Other charges	43,572
Fish and Game	
Other charges	119
Medical Assistance Program	
Other charges	2,343
First Five Merced County	
Other charges	31,349
Light and Drainage	
Other charges	29,479
Child Support Services Agency	
Other charges	5,978

The above disclosure is based on appropriations as of June 30, 2013. Intrafund and interfund transfers are utilized to record transactions between departments based on costs incurred. If a department incurred less than anticipated expenditures, which would ultimately mean a lower amount billable to other departments and did not adjust its appropriation accordingly, the positive effect on the departmental budget would not be reflected in the above. Likewise, if a department received unanticipated revenue during the fiscal year and did not increase estimated revenue and appropriations, the positive effect on the departmental budget would not be reflected in the above.

19. MERCED COUNTY REDEVELOPMENT AGENCY

On June 29, 2011, the California Legislature adopted and the Governor signed ABX1 26 (2011) and ABX1 27 (2011), legislation that would have dissolved the Redevelopment Agency (RDA) effective as of October 1, 2011, unless the County agreed to make certain payments to the State Department of Finance and the County Auditor-Controller.

As a result, the Board of Supervisors adopted Resolution No. 2011-150 on August 23, 2011, stating the intent of the County to make the required remittances required by ABX1 27 in order to avoid dissolution of the Merced County Redevelopment Agency. The Board then adopted Ordinance No. 1890 on October 18, 2011, to comply with the Voluntary Alternative Redevelopment Program (VARP) pursuant to Part 1.9 of Division 24, Section 34193 of the California Health and Safety Code in order to permit the continued existence and operation of the Merced County Redevelopment Agency to continue efforts to eliminate blight and redevelop the Castle Airport Aviation and Development Center project area.

On July 18, 2011, the League of California Cities and California Redevelopment Association filed suit in the California State Supreme Court challenging the constitutionality of ABX1 26 and ABX1 27. On December 29, 2011, the California State Supreme Court upheld ABX1 26 and invalidated ABX1 27, thus eliminating the redevelopment agencies in California.

Therefore, in order to comply with ABX1 26, all redevelopment agencies were dissolved effective February 1, 2012, and a successor Agency must be named to implement dissolution of the redevelopment agency. The County became the successor agency by default, as it initially formed the redevelopment agency. The successor agency's duties include payment of all enforceable obligations; remittance of all unencumbered RDA funds to the County Auditor-Controller, including the Low-Moderate Income Housing Funds; disposal of any RDA assets; preparation of a Recognized Obligation Payment Schedule (ROPS) for each six-month period; and determine an oversight board pursuant to Section 34179 of the Health and Safety Code.

Unlike other neighboring cities, dissolution of the Merced County RDA will not be as complex or cumbersome as there are no projects in progress nor are there any housing assets or development underway within the Project Area. With regard to payment of "Enforceable Obligations," a draft Enforceable Obligations Payment Schedule was prepared pursuant to ABX1 26 listing a loan received by the RDA from the County of Merced for the water meter and backflow preventer project in 2007 and an Operating Agreement with the County of Merced for administrative costs related to operation of the RDA. Neither of these obligations appear to be enforceable; Section 34178(b)(2) of the Health and Safety Code indicates the loan would have had to have been provided within two years of the formation of the redevelopment agency and the Merced County RDA was established by Ordnance No. 1716 in 2003. The Operating Agreement for administrative cost plan charges is also not enforceable, as per Section 34178(a).

The successor agency shall have an oversight board composed of seven members as outlined in Section 34179 of the Health and Safety Code and shall submit the names to the California Department of Finance.

On January 24, 2012, the Board of Supervisors passed a resolution that called for the five following actions: 1) Rescind Resolution No. 2011-150 and Ordinance No. 1890, based upon the California State Supreme Court ruling which invalidates ABX1 27. 2) As it was determined that the RDA had no enforceable obligations pursuant to ABX1 26, the Board instructed the administrator of the Merced County RDA to prepare a revised draft Enforceable Payment Schedule by January 30, 2012. 3) To return all unencumbered funds in the Low-Moderate Income Housing Fund to the County Auditor-Controller for appropriate dispersal. 4) To determine membership for an oversight board pursuant to Section 34179 of the Health and Safety Code. 5) To continue to monitor and comply with the State's implementation of ABX1 26 and return to the Board for any necessary action.

The successor agency has complied with the State's report mandates for successor agencies, by having the Agreed Upon Procedures performed and submitting that report to the State Controller's Office as per the government code. The successor agency has also had the Due Diligence Reviews performed on both the Capital Projects Fund and the Low-Moderate Income Housing Fund of the successor agency and has forwarded those reports to the State Controller's Office.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 5, 2014, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MERCED
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

MCERA - Schedule of Funding Progress:

The table below shows a six-year analysis of the actuarial value of MCERA's assets as a percentage of the actuarial accrued liability and its unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30. The figures for this fiscal year are not yet available. As such, information for this fiscal year is not reflected in the following six-year analysis:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
06/30/2007	$ 484,450	$ 656,415	$ 171,965	73.80%	$ 100,589	170.96%
06/30/2008	488,347	692,252	203,905	70.54%	109,253	186.64%
06/30/2009	483,145	809,681	326,536	59.67%	114,984	283.98%
06/30/2010	509,561	930,832	421,271	54.74%	115,384	365.10%
06/30/2011	523,980	933,917	409,937	56.11%	111,342	368.18%
06/30/2012	528,728	975,608	446,880	54.19%	106,581	419.29%

COUNTY OF MERCED
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

Other Post Employment Benefits (OPEB) Plan - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
07/01/2007	$ 4,029	$ 111,442	$ 107,413	3.62%	$ 100,589	106.78%
07/01/2009	$ 11,687	$ 109,022	$ 97,335	10.72%	$ 109,253	89.09%
07/01/2011	$ 21,888	$ 127,452	$ 105,564	17.17%	$ 115,384	91.49%

Source: Demsey Filliger & Associates "County of Merced GASB 45 Valuation as of July 1, 2011."

Notes to Required Supplementary Information

1. This information is intended to help users assess the County's OPEB plan's status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.
2. The information presented relates solely to the County and not Merced County Employees' Retirement System as a whole.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

COUNTY OF MERCED
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Permanent Fund Perpetual Conservation Easement	Total Nonmajor Governmental Funds
ASSETS & DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Equity in pooled cash and investments	$ 22,972,000	$ 9,863,751	$ 3,075,584	$ 258,251	$ 36,169,586
Receivables, net					
Accounts	1,325,676	1,713,085			3,038,761
Notes	7,073,504				7,073,504
Taxes and assessments	198,781				198,781
Due from other funds	105,153		137,691		242,844
Prepaid items		103,306			103,306
Inventories	465,833				465,833
Restricted assets		4,656,830	1,753		4,658,583
Total assets	32,140,947	16,336,972	3,215,028	258,251	51,951,198
Deferred outflows of resources:					
Total deferred outflows of resources					
Total assets & deferred outflows of resources	$ 32,140,947	$ 16,336,972	$ 3,215,028	$ 258,251	$ 51,951,198
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	$ 1,481,268				$ 1,481,268
Due to other funds	543,379				543,379
Advances from grantors & third parties	7,545,606	$ 1,713,085			9,258,691
Total liabilities	9,570,253	1,713,085			11,283,338
Deferred inflows of resources:					
Total deferred inflows of resources					
Fund balances:					
Nonspendable	465,833			$ 258,251	724,084
Restricted	8,820,926	14,623,887	$ 2,255,141		25,699,954
Committed	12,020,195		874,887		12,895,082
Assigned	1,265,335		85,000		1,350,335
Unassigned	(1,595)				(1,595)
Total fund balances	22,570,694	14,623,887	3,215,028	258,251	40,667,860
Total liabilities, deferred inflows of resources and fund balances	$ 32,140,947	$ 16,336,972	$ 3,215,028	$ 258,251	$ 51,951,198

COUNTY OF MERCED
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Permanent Fund Perpetual Conservation Easement	Total Nonmajor Governmental Funds
REVENUES					
Taxes and assessments	$ 11,175,788				$ 11,175,788
Licenses, permits and franchise fees	7,600				7,600
Fines, forfeitures and penalties	1,059,404	$ 665,751			1,725,155
Revenue from use of money and property	1,083,656	716,388			1,800,044
Aid from other governmental agencies	19,132,258	3,426,169	$ 88,000		22,646,427
Charges for current services	1,302,608		53,675		1,356,283
Other revenues	2,187,986	8,405,735	482,224		11,075,945
Total revenues	35,949,300	13,214,043	623,899		49,787,242
EXPENDITURES					
Current:					
General	1,771,784				1,771,784
Public protection	23,666,489		25,449	$ 49,720	23,741,658
Public ways and facilities					
Health and sanitation	7,713,777				7,713,777
Public assistance	3,595,248				3,595,248
Education					
Debt service:					
Principal		20,276,144			20,276,144
Interest		4,961,646			4,961,646
Administration		558,127			558,127
Bond issuance costs					
Capital outlay			1,981,260		1,981,260
Total expenditures	36,747,298	25,795,917	2,006,709	49,720	64,599,644
Excess (deficiency) of revenues over (under) expenditures	(797,998)	(12,581,874)	(1,382,810)	(49,720)	(14,812,402)
OTHER FINANCING SOURCES (USES)					
Transfers in	4,902	12,008,962	2,759,884		14,773,748
Transfers out	(145,177)	(10,887,735)			(11,032,912)
Long-term debt proceeds		10,885,000			10,885,000
Total other financing sources (uses)	(140,275)	12,006,227	2,759,884		14,625,836
Net change in fund balances	(938,273)	(575,647)	1,377,074	(49,720)	(186,566)
Fund balances - beginning	23,508,967	15,199,534	1,837,954	307,971	40,854,426
Fund balances - ending	$ 22,570,694	$ 14,623,887	$ 3,215,028	$ 258,251	$ 40,667,860

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to finance particular governmental activities and are financed by receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities of a continuing nature. The County reports the following Special Revenue Funds:

MAJOR FUNDS

Tobacco Securitization Fund - This fund is used to account for the proceeds received when the County securitized its future tobacco settlement funds. The proceeds are held by a third-party trustee and interest earned on these funds is periodically transferred to the General Fund.

Road Fund - This fund provides for planning, design, construction, maintenance and administration of County roads. Revenues consist primarily of the County's share of State highway use taxes and are supplemented by Federal grants.

NONMAJOR FUNDS

Fire Fund - This fund accounts for fire prevention, suppression and rescue operations; emergency medical responses; and public service education activities for the entire County with the exception of the cities of Merced and Atwater. Revenue is primarily from County taxes.

First Five Merced County Fund - This fund accounts for the receipt and disbursement of Proposition 10 monies received from the State. Use of these funds are restricted to programs and services related to early childhood development.

Child Support Services Agency Fund - This fund was created on February 26, 2002, by resolution of the Board of Supervisors and became effective July 1, 2002. The fund accounts for those activities associated with the establishment, collection and distribution of child support obligations. It receives all of its funding from the State and the Federal government.

Sheriff-Inmate Welfare Fund - This fund accounts for those activities authorized under Section 4025 of the California Penal Code. It is funded by inmate commissary sales and telephone commissions paid by the provider of an automated collect inmate calling system at each of Merced County’s two adult correctional facilities. Expenditures are restricted to those items which are for the benefit, education, and welfare of the inmates confined within these facilities. Any funds not needed for the welfare of the inmates may be expended for the maintenance of the facilities themselves.

Light and Drainage Districts Funds - These funds account for light and drainage districts governed by the Board of Supervisors. These districts are located in specific geographic areas of the County and are supported by property taxes and property owner assessments within each service area.

Medical Assistance Program Fund - This fund is used to account for the County's contract with the State Department of Health Services to provide medical assistance to the indigent population. It receives most of its funds from the State.

SPECIAL REVENUE FUNDS

Workforce Investment Act Fund - Formerly known as the Job Training Partnership Act Fund, this fund is used to account for the Merced County Workforce Investment Act Program. The County serves as the grant recipient and administrator. The program is funded by the federal government through the state for the purposes of providing employment and training services to youth and adults who are unskilled, economically disadvantaged, unemployed or underemployed.

Spring Fair Fund - This fund is used to account for the County owned fair in Los Banos. It is funded through state apportionments from the California State Fair Board and from rental fees.

Fish and Game Fund - This fund was established to receive the County's share of fines levied for violations of fish and game laws within its boundaries. Expenditures are made from time to time for purposes of improving the habitat for wildlife propagation and for incidental administrative matters.

Housing Loan Program Fund - This fund was established to account for the activities of the various housing loan programs administered by the Planning and Community Development Department. Revenues are derived from State and Federal grants and from program income generated when loans are repaid. The use of program income is restricted, depending on the terms and conditions of the granting agency.

Business Loan Program Fund - This fund was established to account for the activities of the various business loan programs administered by the Business Economic Opportunity Department. Revenues are derived from State and Federal grants and from income generated when loans are repaid. The use of program income is restricted, depending on the terms and conditions of the granting agency.

COUNTY OF MERCED
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013

	Fire	First Five Merced County	Child Support Services Agency	Sheriff - Inmate Welfare	Light and Drainage Districts	Medical Assistance Program
ASSETS & DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Equity in pooled cash and investments	$ 9,225,947	$ 5,469,254	$ 807,096	$ 1,144,746	$ 4,528,696	$ 238,472
Receivables, net						
Accounts	6,892	732,084		53,186	4,711	136,911
Notes						
Taxes and assessments	198,781					
Due from other funds		1,107				103,417
Inventories						
Total assets	9,431,620	6,202,445	807,096	1,197,932	4,533,407	478,800
Deferred outflows of resources						
Total deferred outflows of resources						
Total assets & deferred outflows of resources	$ 9,431,620	$ 6,202,445	$ 807,096	$ 1,197,932	$ 4,533,407	$ 478,800
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accrued liabilities	$ 424,981	$ 90,494	$ 279,888	$ 25,432	$ 21,468	$ 315,845
Due to other funds	19,552	61,753	311,623	1,221	6,814	2,543
Advances from grantors & third parties	463,923					
Total liabilities	908,456	152,247	591,511	26,653	28,282	318,388
Deferred inflows of resources						
Total deferred inflows of resources						
Fund balances:						
Nonspendable						
Restricted	2,327,278	2,232,227	37,490	808,936	1,793,368	160,412
Committed	5,809,134	2,966,405	177,112	359,929	2,707,615	
Assigned	386,752	851,566	983	2,414	4,142	
Unassigned						
Total fund balances	8,523,164	6,050,198	215,585	1,171,279	4,505,125	160,412
Total liabilities, deferred inflows of resources and fund balances	$ 9,431,620	$ 6,202,445	$ 807,096	$ 1,197,932	$ 4,533,407	$ 478,800

COUNTY OF MERCED
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013

	Workforce Investment Act	Spring Fair	Fish and Game	Housing Loan Program	Business Loan Program	Total
ASSETS & DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Equity in pooled cash and investments	$ 2,780	$ 103,934	$ 17,695	$ 623,990	$ 809,390	$ 22,972,000
Receivables, net						
Accounts	135,504	176,751	558	78,579	500	1,325,676
Notes				6,996,314	77,190	7,073,504
Taxes and assessments						198,781
Due from other funds					629	105,153
Inventories				465,833		465,833
Total assets	138,284	280,685	18,253	8,164,716	887,709	32,140,947
Deferred outflows of resources						
Total deferred outflows of resources						
Total assets & deferred outflows of resources	$ 138,284	$ 280,685	$ 18,253	$ 8,164,716	$ 887,709	$ 32,140,947
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accrued liabilities	$ 138,103	$ 38,889		$ 146,168		$ 1,481,268
Due to other funds	181	139,668		24		543,379
Advances from grantors & third parties		10,992		6,994,001	$ 76,690	7,545,606
Total liabilities	138,284	189,549		7,140,193	76,690	9,570,253
Deferred inflows of resources						
Total deferred inflows of resources						
Fund balances:						
Nonspendable				465,833		465,833
Restricted		91,136	$ 370	558,690	811,019	8,820,926
Committed						12,020,195
Assigned	1,595		17,883			1,265,335
Unassigned	(1,595)					(1,595)
Total fund balances		91,136	18,253	1,024,523	811,019	22,570,694
Total liabilities, deferred inflows of resources and fund balances	$ 138,284	$ 280,685	$ 18,253	$ 8,164,716	$ 887,709	$ 32,140,947

COUNTY OF MERCED
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013

	Fire	First Five Merced County	Child Support Services Agency	Sheriff - Inmate Welfare	Light and Drainage Districts	Medical Assistance Program
REVENUES						
Taxes and assessments	$ 11,135,595				$ 40,193	
Licenses, permits and franchise fees	7,600					
Fines, forfeitures and penalties						$ 1,051,726
Revenue from use of money and property				$ 296,958		
Aid from other governmental agencies	1,985,266	$ 3,683,767	$ 8,114,734			3,086,918
Charges for current services	224,759		747	1,294	974,449	72,929
Other revenues	58,045	38,354	6,703	231,009	17,407	259,803
Total revenues	13,411,265	3,722,121	8,122,184	529,261	1,032,049	4,471,376
EXPENDITURES						
Current:						
General						
Public protection	14,172,866		8,139,572	355,916	991,469	
Health and sanitation		3,095,267				4,618,510
Public assistance						
Total expenditures	14,172,866	3,095,267	8,139,572	355,916	991,469	4,618,510
Excess (deficiency) of revenues over (under) expenditures	(761,601)	626,854	(17,388)	173,345	40,580	(147,134)
OTHER FINANCING SOURCES (USES)						
Transfers in	4,902					
Transfers out	(139,369)					
Total other financing sources (uses)	(134,467)					
Net change in fund balances	(896,068)	626,854	(17,388)	173,345	40,580	(147,134)
Fund balances (deficit) - beginning	9,419,232	5,423,344	232,973	997,934	4,464,545	307,546
Fund balances (deficit) - ending	$ 8,523,164	$ 6,050,198	$ 215,585	$ 1,171,279	$ 4,505,125	$ 160,412

COUNTY OF MERCED
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013

	Workforce Investment Act	Spring Fair	Fish and Game	Housing Loan Program	Business Loan Program	Total
REVENUES						
Taxes and assessments						$ 11,175,788
Licenses, permits and franchise fees						7,600
Fines, forfeitures and penalties			$ 7,678			1,059,404
Revenue from use of money and property	$ 24	$ 784,784		$ 1,642	$ 248	1,083,656
Aid from other governmental agencies	1,676,664	131,812		453,097		19,132,258
Charges for current services		19,569			8,861	1,302,608
Other revenues	71	806,321		770,273		2,187,986
Total revenues	1,676,759	1,742,486	7,678	1,225,012	9,109	35,949,300
EXPENDITURES						
Current:						
General		1,771,784				1,771,784
Public protection			6,666			23,666,489
Health and sanitation						7,713,777
Public assistance	1,676,759			1,911,277	7,212	3,595,248
Total expenditures	1,676,759	1,771,784	6,666	1,911,277	7,212	36,747,298
Excess (deficiency) of revenues over (under) expenditures		(29,298)	1,012	(686,265)	1,897	(797,998)
OTHER FINANCING SOURCES (USES)						
Transfers in						4,902
Transfers out		(5,808)				(145,177)
Total other financing sources (uses)		(5,808)				(140,275)
Net change in fund balances		(35,106)	1,012	(686,265)	1,897	(938,273)
Fund balances (deficit) - beginning		126,242	17,241	1,710,788	809,122	23,508,967
Fund balances (deficit) - ending	$	$ 91,136	$ 18,253	$ 1,024,523	$ 811,019	$ 22,570,694

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes and assessments	$ 11,616,572	$ 11,616,572	$ 11,135,595	$ (480,977)
Licenses, permits and franchise fees			7,600	7,600
Revenue from use of money and property	165,000	165,000		(165,000)
Aid from other governmental agencies	2,436,482	2,966,593	1,985,266	(981,327)
Charges for current services	284,902	284,902	224,759	(60,143)
Other revenues	17,000	17,000	58,045	41,045
Total revenues	14,519,956	15,050,067	13,411,265	(1,638,802)
EXPENDITURES				
Public protection				
Salaries and employee benefits	1,325,475	1,372,774	1,055,675	317,099
Services and supplies	24,093,705	24,215,536	12,157,967	12,057,569
Other charges			43,572	(43,572)
Capital outlay	1,995,872	2,257,203	915,652	1,341,551
Total expenditures	27,415,052	27,845,513	14,172,866	13,672,647
Excess (deficiency) of revenues over (under) expenditures	(12,895,096)	(12,795,446)	(761,601)	12,033,845
OTHER FINANCING SOURCES (USES)				
Transfers in	184,307	184,307	4,902	(179,405)
Transfers out	(115,569)	(215,219)	(139,369)	75,850
Total other financing sources (uses)	68,738	(30,912)	(134,467)	(103,555)
Net change in fund balance	(12,826,358)	(12,826,358)	(896,068)	11,930,290
Fund balance - beginning	19,648,947	19,648,947	9,419,232	(10,229,715)
Fund balance - ending	$ 6,822,589	$ 6,822,589	$ 8,523,164	$ 1,700,575

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRST FIVE MERCED COUNTY
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	$ 85,760	$ 85,760		$ (85,760)
Aid from other governmental agencies	4,748,286	4,748,286	$ 3,683,767	(1,064,519)
Other revenues	25,000	25,000	38,354	13,354
Total revenues	4,859,046	4,859,046	3,722,121	(1,136,925)
EXPENDITURES				
Health and sanitation				
Salaries and employee benefits	891,819	879,772	704,703	175,069
Services and supplies	6,661,542	6,673,589	2,359,215	4,314,374
Other charges			31,349	(31,349)
Total expenditures	7,553,361	7,553,361	3,095,267	4,458,094
Excess (deficiency) of revenues over (under) expenditures	(2,694,315)	(2,694,315)	626,854	3,321,169
Net change in fund balance	(2,694,315)	(2,694,315)	626,854	3,321,169
Fund balance - beginning	5,660,720	5,660,720	5,423,344	(237,376)
Fund balance - ending	$ 2,966,405	$ 2,966,405	$ 6,050,198	$ 3,083,793

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CHILD SUPPORT SERVICES AGENCY
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	$ 4,000	$ 4,000	$	$ (4,000)
Aid from other governmental agencies	9,120,809	9,120,809	8,114,734	(1,006,075)
Charges for current services			747	747
Other revenues			6,703	6,703
Total revenues	9,124,809	9,124,809	8,122,184	(1,002,625)
EXPENDITURES				
Public protection				
Salaries and employee benefits	7,779,889	7,781,389	6,731,754	1,049,635
Services and supplies	1,684,248	1,587,748	1,320,508	267,240
Other charges			5,978	(5,978)
Capital outlay		95,000	81,332	13,668
Total expenditures	9,464,137	9,464,137	8,139,572	1,324,565
Excess (deficiency) of revenues over (under) expenditures	(339,328)	(339,328)	(17,388)	321,940
Net change in fund balance	(339,328)	(339,328)	(17,388)	321,940
Fund balance (deficit) - beginning	534,128	534,128	232,973	(301,155)
Fund balance (deficit) - ending	$ 194,800	$ 194,800	$ 215,585	$ 20,785

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SHERIFF - INMATE WELFARE
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	$ 113,582	$ 113,582	$ 296,958	$ 183,376
Charges for current services			1,294	1,294
Other revenues	194,992	194,992	231,009	36,017
Total revenues	308,574	308,574	529,261	220,687
EXPENDITURES				
Public protection				
Salaries and employee benefits	267,129	267,129	215,424	51,705
Services and supplies	689,902	689,902	140,492	549,410
Total expenditures	957,031	957,031	355,916	601,115
Excess (deficiency) of revenues over (under) expenditures	(648,457)	(648,457)	173,345	821,802
Net change in fund balance	(648,457)	(648,457)	173,345	821,802
Fund balance - beginning	1,030,534	1,030,534	997,934	(32,600)
Fund balance - ending	$ 382,077	$ 382,077	$ 1,171,279	$ 789,202

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIGHT AND DRAINAGE DISTRICTS
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes and assessments			$ 40,193	$ 40,193
Revenue from use of money and property	$ 39,753	$ 39,753		(39,753)
Charges for current services	1,043,988	1,043,988	974,449	(69,539)
Other revenues	17,800	17,800	17,407	(393)
Total revenues	1,101,541	1,101,541	1,032,049	(69,492)
EXPENDITURES				
Public protection				
Services and supplies	2,181,901	2,181,901	959,990	1,221,911
Other charges	2,000	2,000	31,479	(29,479)
Contingencies	618,896	618,896		618,896
Capital outlay	25,000	25,000		25,000
Total expenditures	2,827,797	2,827,797	991,469	1,836,328
Excess (deficiency) of revenues over (under) expenditures	(1,726,256)	(1,726,256)	40,580	1,766,836
Net change in fund balance	(1,726,256)	(1,726,256)	40,580	1,766,836
Fund balance - beginning	4,433,869	4,433,869	4,464,545	30,676
Fund balance - ending	$ 2,707,613	$ 2,707,613	$ 4,505,125	$ 1,797,512

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MEDICAL ASSISTANCE PROGRAM
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Fines, forfeitures and penalties	$ 1,093,000	$ 1,334,000	$ 1,051,726	$ (282,274)
Revenue from use of money and property	1,200	1,200		(1,200)
Aid from other governmental agencies	3,569,800	3,569,800	3,086,918	(482,882)
Charges for current services	297,908	297,908	72,929	(224,979)
Other revenues	127,519	191,519	259,803	68,284
Total revenues	5,089,427	5,394,427	4,471,376	(923,051)
EXPENDITURES				
Health and sanitation				
Salaries and employee benefits	940,331	934,196	804,881	129,315
Services and supplies	4,538,983	4,850,118	3,811,286	1,038,832
Other charges			2,343	(2,343)
Intrafund and interfund transfers	(75,861)	(75,861)		(75,861)
Total expenditures	5,403,453	5,708,453	4,618,510	1,089,943
Excess (deficiency) of revenues over (under) expenditures	(314,026)	(314,026)	(147,134)	166,892
Net change in fund balance	(314,026)	(314,026)	(147,134)	166,892
Fund balance - beginning	314,026	314,026	307,546	(6,480)
Fund balance - ending	$	$	$ 160,412	$ 160,412

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
WORKFORCE INVESTMENT ACT
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property			$ 24	$ 24
Aid from other governmental agencies	$ 2,539,162	$ 2,539,162	1,676,664	(862,498)
Other revenues			71	71
Total revenues	2,539,162	2,539,162	1,676,759	(862,403)
EXPENDITURES				
Public assistance				
Salaries and employee benefits	96,894	69,509	17,166	52,343
Services and supplies	1,036,175	956,044	798,000	158,044
Other charges	1,423,653	1,531,169	861,593	669,576
Total expenditures	2,556,722	2,556,722	1,676,759	879,963
Excess (deficiency) of revenues over (under) expenditures	(17,560)	(17,560)		17,560
Net change in fund balance	(17,560)	(17,560)		17,560
Fund balance - beginning	17,560	17,560		(17,560)
Fund balance - ending	$	$	$	$

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPRING FAIR
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	$ 735,000	$ 735,000	$ 784,784	$ 49,784
Aid from other governmental agencies	165,000	263,812	131,812	(132,000)
Charges for current services			19,569	19,569
Other revenues	260,000	860,000	806,321	(53,679)
Total revenues	1,160,000	1,858,812	1,742,486	(116,326)
EXPENDITURES				
General				
Salaries and employee benefits	473,951	473,951	552,703	(78,752)
Services and supplies	596,023	1,294,835	1,218,781	76,054
Other charges	6,000	6,000	300	5,700
Capital outlay	205,400	205,400		205,400
Total expenditures	1,281,374	1,980,186	1,771,784	208,402
Excess (deficiency) of revenues over (under) expenditures	(121,374)	(121,374)	(29,298)	92,076
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,808)	(5,808)	(5,808)	
Total other financing sources (uses)	(5,808)	(5,808)	(5,808)	
Net change in fund balance	(127,182)	(127,182)	(35,106)	92,076
Fund balance (deficit) - beginning	127,483	127,483	126,242	(1,241)
Fund balance (deficit) - ending	$ 301	$ 301	$ 91,136	$ 90,835

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FISH AND GAME
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Fines, forfeitures and penalties	$ 7,840	$ 7,840	$ 7,678	$ (162)
Revenue from use of money and property	160	160		(160)
Total revenues	8,000	8,000	7,678	(322)
EXPENDITURES				
Public protection				
Services and supplies	24,573	24,573	6,547	18,026
Other charges			119	(119)
Total expenditures	24,573	24,573	6,666	17,907
Excess (deficiency) of revenues over (under) expenditures	(16,573)	(16,573)	1,012	17,585
Net change in fund balance	(16,573)	(16,573)	1,012	17,585
Fund balance - beginning	16,573	16,573	17,241	668
Fund balance - ending	$	$	$ 18,253	$ 18,253

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING LOAN PROGRAM
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	$ 3,500	$ 3,500	$ 1,642	$ (1,858)
Aid from other governmental agencies	1,787,195	1,787,195	453,097	(1,334,098)
Other revenues	603,938	603,938	770,273	166,335
Total revenues	2,394,633	2,394,633	1,225,012	(1,169,621)
EXPENDITURES				
Public assistance				
Services and supplies	2,394,633	2,394,633	1,911,277	483,356
Total expenditures	2,394,633	2,394,633	1,911,277	483,356
Excess (deficiency) of revenues over (under) expenditures			(686,265)	(686,265)
Net change in fund balance			(686,265)	(686,265)
Fund balance - beginning	129,211	129,211	1,710,788	1,581,577
Fund balance - ending	$ 129,211	$ 129,211	$ 1,024,523	$ 895,312

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The County reports the following Debt Service Funds:

MAJOR FUND

Dairy Loan Program Fund - This fund is used 1) to record drawdowns of funds received from the State Water Resources Control Board, 2) to record the disbursements of those proceeds to participants in the program, and 3) to accumulate resources for the payment of principal and interest on each of the loans.

NONMAJOR FUNDS

Juvenile Hall 2013 COP Fund - This fund is used to accumulate resources for the payment of principal and interest on the 2013 Certificates of Participation issued to refinance the 2002 Certificates of Participation. The 2002 Certificates of Participation were utilized in the construction of the juvenile justice correctional facility.

Pension Obligation Bonds Fund - This fund is used to accumulate resources for the payment of principal and interest on bonds issued to pay to the Merced County Employees' Retirement Association the County's unfunded actuarial accrued liability.

Energy Retrofit Loan Fund - This fund is used to accumulate resources for the payment of principal and interest on a loan agreement with the California Energy Commission. The County utilized the loan proceeds to install energy efficient lighting in several of the County's buildings and to install an energy efficient heating and cooling system in the County Administration Building.

Courthouse Construction COP Fund - This fund is used to accumulate resources for the payment of principal and interest on the Certificates of Participation issued to assist in financing the construction of a new courthouse facility.

Juvenile Hall 2002 COP Fund - This fund was used to accumulate resources for the payment of principal and interest on the 2002 Certificates of Participation issued to assist in financing the construction of the juvenile justice correctional facility. The fund has been closed and is no longer utilized due to the refunding of the debt with the 2013 Certificates of Participation.

Merced County Tobacco Funding Corporation Fund - This fund is used to accumulate resources for the payment of principal and interest on Tobacco Bonds issued during the 2001/02 fiscal year.

COUNTY OF MERCED
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2013

	Juvenile Hall 2013 COP	Pension Obligation Bonds	Energy Retrofit Loan	Courthouse Construction COP	Juvenile Hall 2002 COP	Merced County Tobacco Funding Corporation	Total
ASSETS & DEFERRED OUTFLOWS OF RESOURCES							
Assets:							
Equity in pooled cash and investments	$ 200	$ 9,863,551	$		$		$ 9,863,751
Receivables, net							
Accounts						$ 1,713,085	1,713,085
Prepaid items	103,306						103,306
Restricted assets	12,063			$ 773,049		3,871,718	4,656,830
Total assets	115,569	9,863,551		773,049		5,584,803	16,336,972
Deferred outflows of resources							
Total deferred outflows of resources							
Total assets & deferred outflows of resources	$ 115,569	$ 9,863,551	$	$ 773,049	$	$ 5,584,803	$ 16,336,972
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Advances from grantors & third parties						$ 1,713,085	$ 1,713,085
Total liabilities						1,713,085	1,713,085
Deferred inflows of resources							
Total deferred inflows of resources							
Fund balances:							
Restricted	$ 115,569	$ 9,863,551	$	$ 773,049	$	$ 3,871,718	14,623,887
Total fund balances	115,569	9,863,551		773,049		3,871,718	14,623,887
Total liabilities and fund balances	$ 115,569	$ 9,863,551	$	$ 773,049	$	$ 5,584,803	$ 16,336,972

COUNTY OF MERCED
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2013

	Juvenile Hall 2013 COP	Pension Obligation Bonds	Energy Retrofit Loan	Courthouse Construction COP	Juvenile Hall 2002 COP	Merced County Tobacco Funding Corporation	Total
REVENUES							
Fines, forfeitures and penalties				$ 665,751			$ 665,751
Revenue from use of money and property	$ 576,972		$ 8	1,354	$ 2,251	$ 135,803	716,388
Aid from other governmental agencies						3,426,169	3,426,169
Other revenues		$ 8,405,735					8,405,735
Total revenues	576,972	8,405,735	8	667,105	2,251	3,561,972	13,214,043
EXPENDITURES							
Debt service:							
Principal		5,550,000	191,144	325,000	12,465,000	1,745,000	20,276,144
Interest		2,062,813	4,315	338,901	626,630	1,928,987	4,961,646
Administration	458,668	97,070	50	50	2,253	36	558,127
Total expenditures	458,668	7,709,883	195,509	663,951	13,093,883	3,674,023	25,795,917
Excess (deficiency) of revenues over (under) expenditures	118,304	695,852	(195,501)	3,154	(13,091,632)	(112,051)	(12,581,874)
OTHER FINANCING SOURCES (USES)							
Transfers in			194,681		11,814,281		12,008,962
Transfers out	(10,887,735)						(10,887,735)
Long-term debt proceeds	10,885,000						10,885,000
Total other financing sources (uses)	(2,735)		194,681		11,814,281		12,006,227
Net change in fund balances	115,569	695,852	(820)	3,154	(1,277,351)	(112,051)	(575,647)
Fund balances - beginning		9,167,699	820	769,895	1,277,351	3,983,769	15,199,534
Fund balances - ending	$ 115,569	$ 9,863,551	$	$ 773,049	$	$ 3,871,718	$ 14,623,887

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DAIRY LOAN PROGRAM
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	$ 173,045	$ 173,045	$ 91,781	$ (81,264)
Other revenues	635,020	635,020	786,413	151,393
Total revenues	808,065	808,065	878,194	70,129
EXPENDITURES				
Debt service				
Principal	827,761	827,761	827,761	
Interest	180,007	180,007	180,007	
Administration			48,000	(48,000)
Total expenditures	1,007,768	1,007,768	1,055,768	(48,000)
Excess (deficiency) of revenues over (under) expenditures	(199,703)	(199,703)	(177,574)	22,129
OTHER FINANCING SOURCES (USES)				
Transfers out	(48,000)	(48,000)		48,000
Total other financing sources (uses)	(48,000)	(48,000)		48,000
Net change in fund balance	(247,703)	(247,703)	(177,574)	70,129
Fund balance - beginning	5,132,510	5,132,510	5,652,555	520,045
Fund balance - ending	$ 4,884,807	$ 4,884,807	$ 5,474,981	$ 590,174

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
JUVENILE HALL 2013 COP
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Revenue from use of money and property			$ 576,972	$ 576,972
Total revenues			576,972	576,972
EXPENDITURES				
Debt service				
Administration			458,668	(458,668)
Total expenditures			458,668	(458,668)
Excess of revenues over expenditures			118,304	118,304
expenditures				
OTHER FINANCING SOURCES (USES)				
Transfers out			(10,887,735)	(10,887,735)
Long-term debt proceeds			10,885,000	10,885,000
Total other financing sources (uses)			(2,735)	(2,735)
Net change in fund balance			115,569	115,569
Fund balance - beginning				
Fund balance - ending	$	$	$ 115,569	$ 115,569

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PENSION OBLIGATION BONDS
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	$ 40,000	$ 40,000		$ (40,000)
Other revenues	8,216,000	8,216,000	$ 8,405,735	189,735
Total revenues	8,256,000	8,256,000	8,405,735	149,735
EXPENDITURES				
Debt service				
Principal	5,550,000	5,550,000	5,550,000	
Interest	2,062,813	2,062,813	2,062,813	
Administration	7,600	7,600	97,070	(89,470)
Total expenditures	7,620,413	7,620,413	7,709,883	(89,470)
Excess (deficiency) of revenues over (under) expenditures	635,587	635,587	695,852	60,265
Net change in fund balance	635,587	635,587	695,852	60,265
Fund balance - beginning	9,133,386	9,133,386	9,167,699	34,313
Fund balance - ending	$ 9,768,973	$ 9,768,973	$ 9,863,551	$ 94,578

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ENERGY RETROFIT LOAN
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	$ 12	$ 12	$ 8	$ (4)
Total revenues	12	12	8	(4)
EXPENDITURES				
Debt service				
Principal	191,144	191,144	191,144	
Interest	4,316	4,316	4,315	1
Administration	100	100	50	50
Total expenditures	195,560	195,560	195,509	51
Excess (deficiency) of revenues over (under) expenditures	(195,548)	(195,548)	(195,501)	47
OTHER FINANCING SOURCES				
Transfers in	195,460	195,460	194,681	(779)
Total other financing sources	195,460	195,460	194,681	(779)
Net change in fund balance	(88)	(88)	(820)	(732)
Fund balance - beginning	817	817	820	3
Fund balance - ending	$ 729	$ 729	$	$ (729)

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COURTHOUSE CONSTRUCTION COP
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Fines, forfeitures and penalties	$ 669,002	$ 669,002	$ 665,751	$ (3,251)
Revenue from use of money and property			1,354	1,354
Total revenues	669,002	669,002	667,105	(1,897)
EXPENDITURES				
Debt service				
Principal	325,000	325,000	325,000	
Interest	338,902	338,902	338,901	1
Administration	5,100	5,100	50	5,050
Total expenditures	669,002	669,002	663,951	5,051
Excess (deficiency) of revenues over (under) expenditures			3,154	3,154
Net change in fund balance			3,154	3,154
Fund balance - beginning			769,895	769,895
Fund balance - ending	$	$	$ 773,049	$ 773,049

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
JUVENILE HALL 2002 COP
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue from use of money and property	$ 1,000	$ 1,000	$ 2,251	$ 1,251
Total revenues	1,000	1,000	2,251	1,251
EXPENDITURES				
Debt service				
Principal	385,000	385,000	12,465,000	(12,080,000)
Interest	605,344	605,344	626,630	(21,286)
Administration	7,600	7,600	2,253	5,347
Total expenditures	997,944	997,944	13,093,883	(12,095,939)
Excess (deficiency) of revenues over (under) expenditures	(996,944)	(996,944)	(13,091,632)	(12,094,688)
OTHER FINANCING SOURCES				
Transfers in	996,152	996,152	11,814,281	10,818,129
Total other financing sources	996,152	996,152	11,814,281	10,818,129
Net change in fund balance	(792)	(792)	(1,277,351)	(1,276,559)
Fund balance - beginning	67,352	67,352	1,277,351	1,209,999
Fund balance - ending	$ 66,560	$ 66,560	$	$ (66,560)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. The County has chosen to report all such activities in one Capital Projects Fund.

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Aid from other governmental agencies		$ 88,000	$ 88,000	
Charges for current services			53,675	$ 53,675
Other revenues	$ 415,321	415,321	482,224	66,903
Total revenues	415,321	503,321	623,899	120,578
EXPENDITURES				
Services and supplies	1,112	1,112	25,449	(24,337)
Contingencies	1,240,000	1,220,000		1,220,000
Capital outlay	3,316,903	3,536,191	1,981,260	1,554,931
Total expenditures	4,558,015	4,757,303	2,006,709	2,750,594
Excess (deficiency) of revenues over (under) expenditures	(4,142,694)	(4,253,982)	(1,382,810)	2,871,172
OTHER FINANCING SOURCES (USES)				
Transfers in	2,732,933	3,094,221	2,759,884	(334,337)
Transfers out	(179,405)	(429,405)		429,405
Total other financing sources (uses)	2,553,528	2,664,816	2,759,884	95,068
Net change in fund balance	(1,589,166)	(1,589,166)	1,377,074	2,966,240
Fund balance - beginning	2,464,053	2,464,053	1,837,954	(626,099)
Fund balance - ending	$ 874,887	$ 874,887	$ 3,215,028	$ 2,340,141

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 (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County reports the following Enterprise Funds:

MAJOR FUNDS

Castle Airport Development Center - This fund accounts for the operation of activities associated with the civilian re-use of the former Castle Air Force Base.

NONMAJOR FUNDS

Medical Facility Lease Operations - Accounted for within this fund are hospital lease activities.

Castle Water and Sewer - Accounted for within this fund is the cost to provide a community water system for commercial and residential use.

COUNTY OF MERCED
COMBINING STATEMENT OF FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2013

	Medical Facility Lease Operations	Castle Water and Sewer	Total
ASSETS			
Current assets:			
Equity in pooled cash and investments	$ 12,881,486	$ 26,354	$ 12,907,840
Receivables, net		5,545	5,545
Due from other funds		2,338	2,338
Total current assets	12,881,486	34,237	12,915,723
Noncurrent assets:			
Capital assets:			
Land	1,688,740		1,688,740
Land improvements	525,530		525,530
Buildings and improvements	17,066,852		17,066,852
Equipment		19,495	19,495
Less accumulated depreciation	(16,355,789)	(7,427)	(16,363,216)
Total noncurrent assets	2,925,333	12,068	2,937,401
Total assets	15,806,819	46,305	15,853,124
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows of resources	0	0	0
LIABILITIES			
Current liabilities:			
Accrued liabilities	6,923	14,740	21,663
Due to other funds		63	63
Total current liabilities	6,923	14,803	21,726
Total liabilities	6,923	14,803	21,726
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources	0	0	0
NET POSITION			
Net investment in capital assets	2,925,333	12,068	2,937,401
Unrestricted	12,874,563	19,434	12,893,997
Total net position	$ 15,799,896	$ 31,502	$ 15,831,398

COUNTY OF MERCED
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2013

	Medical Facility Lease Operations	Castle Water and Sewer	Totals
Operating revenues:			
Charges for services		$ 271,848	$ 271,848
Other operating revenues	$ 6,936		6,936
Total operating revenues	6,936	271,848	278,784
Operating expenses:			
Professional and specialized services	84,420	129,654	214,074
Special departmental expense		628	628
General and administrative		123,969	123,969
Repairs and maintenance		20,065	20,065
Depreciation and amortization	272,949	2,785	275,734
Total operating expenses	357,369	277,101	634,470
Operating income (loss)	(350,433)	(5,253)	(355,686)
Non-operating revenues (expenses):			
Interest expense	(86,893)	(144)	(87,037)
Total non-operating revenues (expenses)	(86,893)	(144)	(87,037)
Net income (loss) before capital contributions and transfers	(437,326)	(5,397)	(442,723)
Change in net position	(437,326)	(5,397)	(442,723)
Total net position - beginning	16,237,222	36,899	16,274,121
Total net position - ending	$ 15,799,896	$ 31,502	$ 15,831,398

COUNTY OF MERCED
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2013

	Medical Facility Lease Operations	Castle Water and Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		$ 266,945	$ 266,945
Payments to suppliers	$ (90,221)	(271,579)	(361,800)
Other receipts (payments)	6,936		6,936
Net cash provided by (used in) operating activities	(83,285)	(4,634)	(87,919)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net cash provided by (used in) noncapital financing activities	0	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Net cash provided by (used in) capital and related financing activities	0	0	0
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	(86,894)	(144)	(87,038)
Net cash provided by (used in) investing activities	(86,894)	(144)	(87,038)
Net increase (decrease) in cash and cash equivalents	(170,179)	(4,778)	(174,957)
Cash and cash equivalents - beginning of the year	13,051,665	31,132	13,082,797
Cash and cash equivalents - end of the year	$ 12,881,486	$ 26,354	$ 12,907,840
Reconciliation to Statement of Fund Net Position:			
Equity in pooled cash and investments	$ 12,881,486	$ 26,354	$ 12,907,840
Total cash and cash equivalents	$ 12,881,486	$ 26,354	$ 12,907,840

(continued)

COUNTY OF MERCED
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2013

	Medical Facility Lease Operations	Castle Water and Sewer	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (350,433)	$ (5,253)	$ (355,686)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	272,949	2,785	275,734
Decrease (increase) in:			
Receivables		(4,269)	(4,269)
Due from other funds		(634)	(634)
Increase (decrease) in:			
Accrued liabilites	(5,801)	2,753	(3,048)
Due to other funds		(16)	(16)
Net cash provided by (used in) operating activities	$ (83,285)	$ (4,634)	$ (87,919)

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and 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 reports the following Internal Service Funds:

Fleet Service Management - This fund provides for fuel and maintenance, except major engine and transmission overhauls, to the County automobiles and light trucks. Ownership of vehicles purchased after July 1, 1982, is placed with the fleet service fund, with the exception of those purchased with subvented funds.

Administrative Services - Accounted for in this fund are the electronic data processing functions and, beginning on July 1, 2005, the communication services provided to County departments.

Insurance Pool - Accounted for in this fund are the both the self-insurance and other insurance activities of the County.

COUNTY OF MERCED
COMBINING STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

	Fleet Service Management	Administrative Services	Insurance Pool	Total
ASSETS				
Current assets:				
Equity in pooled cash and investments	$ 706,664	$ 745,637	$ 25,491,106	$ 26,943,407
Prepaid items		27,091		27,091
Receivables, net	50,217	47,041	1,495,332	1,592,590
Due from other funds	132,348	630,549	12,603	775,500
Inventories	125,659	37,988		163,647
Restricted assets	3,858,602			3,858,602
Total current assets	4,873,490	1,488,306	26,999,041	33,360,837
Noncurrent assets:				
Capital assets:				
Land				
Buildings and improvements	757,116	492,140		1,249,256
Infrastructure		219,279		219,279
Equipment	7,211,384	4,157,259		11,368,643
Construction in progress		402,462		402,462
Less accumulated depreciation	(5,214,073)	(4,041,951)		(9,256,024)
Total noncurrent assets	2,754,427	1,229,189		3,983,616
Total assets	7,627,917	2,717,495	26,999,041	37,344,453
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows of resources				
LIABILITIES				
Current liabilities:				
Accrued liabilities	127,991	491,691	249,838	869,520
Due to other funds	4,486	1,305	46,401	52,192
Compensated absences	11,078	86,092		97,170
Liability for self-insurance			4,325,980	4,325,980
Total current liabilities	143,555	579,088	4,622,219	5,344,862
Noncurrent liabilities:				
Compensated absences	45,490	311,894		357,384
Long-term self-insurance debt			13,665,949	13,665,949
Other post employment benefits (OPEB) obligation	89,151	758,516		847,667
Total noncurrent liabilities	134,641	1,070,410	13,665,949	14,871,000
Total liabilities	278,196	1,649,498	18,288,168	20,215,862
DEFERRED INFLOWS OF RESOURCES				
Total deferred inflows of resources				
NET POSITION				
Net investment in capital assets	2,754,427	1,229,188		3,983,615
Restricted	3,858,602			3,858,602
Unrestricted	736,692	(161,191)	8,710,873	9,286,374
Total net position	$ 7,349,721	$ 1,067,997	$ 8,710,873	$ 17,128,591

COUNTY OF MERCED
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2013

	Fleet Service Management	Administrative Services	Insurance Pool	Total
Operating revenues:				
Charges for services	$ 3,210,182	$ 8,714,025	$ 50,728,645	$ 62,652,852
Total operating revenues	3,210,182	8,714,025	50,728,645	62,652,852
Operating expenses:				
Salaries and benefits	586,764	5,110,931		5,697,695
Materials and supplies	1,831,072			1,831,072
Insurance	146,865	17,766	37,160,265	37,324,896
Professional and specialized services	226,138	111,614	1,152,640	1,490,392
Special departmental expense	18,921	1,170,117	803,257	1,992,295
General and administrative	43,147	1,910,392	156	1,953,695
Repairs and maintenance	8,756	439,019	91,199	538,974
Rents and leases	227	39,688		39,915
Depreciation and amortization	550,265	337,331		887,596
Claims			12,789,440	12,789,440
Total operating expenses	3,412,155	9,136,858	51,996,957	64,545,970
Operating income (loss)	(201,973)	(422,833)	(1,268,312)	(1,893,118)
Non-operating revenues (expenses):				
Gain (loss) on disposition of capital assets	(72,452)	(118,954)		(191,406)
Interest expense	(29,459)	(6,793)	(165,033)	(201,285)
Total non-operating revenues (expenses)	(101,911)	(125,747)	(165,033)	(392,691)
Income (loss) before capital contributions and transfers	(303,884)	(548,580)	(1,433,345)	(2,285,809)
Capital contributions	27,835			27,835
Transfers in		49,686		49,686
Change in net position	(276,049)	(498,894)	(1,433,345)	(2,208,288)
Total net position - beginning	7,625,770	1,201,494	10,144,218	18,971,482
Prior period adjustment		365,397		365,397
Total net position (deficit) - beginning, as restated	7,625,770	1,566,891	10,144,218	19,336,879
Total net position - ending	$ 7,349,721	$ 1,067,997	$ 8,710,873	$ 17,128,591

COUNTY OF MERCED
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2013

	Fleet Service Management	Administrative Services	Insurance Pool	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	$ 3,363,226	$ 8,695,294	$ 50,746,587	$ 62,805,107
Payments to suppliers	(2,218,868)	(3,749,096)	(39,252,605)	(45,220,569)
Payments to employees	(565,820)	(4,964,068)		(5,529,888)
Claims paid			(12,370,436)	(12,370,436)
Other receipts (payments)	18,648			18,648
Net cash provided by (used in) operating activities	597,186	(17,870)	(876,454)	(297,138)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in		49,686		49,686
Net cash provided by noncapital financing activities		49,686		49,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(536,579)	(181,628)		(718,207)
Proceeds from sale of capital assets	22,298	1,526		23,824
Net cash used in capital and related financing activities	(514,281)	(180,102)		(694,383)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest expense on investments	(29,459)	(6,793)	(165,033)	(201,285)
Net cash provided by (used in) investing activities	(29,459)	(6,793)	(165,033)	(201,285)
Net increase (decrease) in cash and cash equivalents	53,446	(155,079)	(1,041,487)	(1,143,120)
Cash and cash equivalents - beginning of the year	4,511,820	900,716	26,532,593	31,945,129
Cash and cash equivalents - end of the year	$ 4,565,266	$ 745,637	$ 25,491,106	$ 30,802,009
Reconciliation to Statement of Fund Net Position:				
Equity in pooled cash and investments	$ 706,664	$ 745,637	$ 25,491,106	$ 26,943,407
Restricted assets	3,858,602			3,858,602
Total cash and cash equivalents	$ 4,565,266	$ 745,637	$ 25,491,106	$ 30,802,009

(continued)

COUNTY OF MERCED
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2013

	Fleet Service Management	Administrative Services	Insurance Pool	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (201,973)	$ (422,833)	$ (1,268,312)	$ (1,893,118)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	550,265	337,331		887,596
Decrease (increase) in:				
Prepaid items		(27,091)		(27,091)
Receivables	83,603	(1,472)	3,462	85,593
Due from other funds	88,089	(17,259)	14,480	85,310
Inventories	(13,822)	2,149		(11,673)
Increase (decrease) in:				
Accrued liabilities	79,443	(41,467)	35,808	73,784
Due to other funds	(8,685)	(1,067)	13,223	3,471
Compensated absences	79	(35,661)		(35,582)
Liability for self-insurance			324,885	324,885
Other post employment benefits (OPEB) obligation	20,187	189,500		209,687
Net cash provided by (used in) operating activities	$ 597,186	$ (17,870)	$ (876,454)	$ (297,138)
Noncash investing, capital, and financing activities:				
Capital contributions	$ 27,835	$	$	$ 27,835
Disposal of capital assets	106,366			106,366
Total noncash investing, capital, and financing activities	$ 134,201	$	$	$ 134,201

FIDUCIARY FUNDS

TRUST FUNDS

Pension Trust - This fund is used to account for the County contributory retirement plan covering past and present permanent employees.

Investment Trust - This fund accounts for the assets of those legally separate entities which deposit cash with the County Treasurer.

AGENCY FUNDS

Property Tax Collection Fund - To account for the property taxes collected for all taxing jurisdictions, including the schools and special districts within the County.

Trial Courts - To account for Trial Court funds held by the County in a fiduciary capacity.

Local Agency Formation Commission (LAFCO) - To account for LAFCO funds held by the County in a fiduciary capacity.

Public Guardian/Administrator/Conservator - To account for all of the Public Guardian/Administrator/Conservator's monies held by the County in a fiduciary capacity.

COUNTY OF MERCED
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
PROPERTY TAX COLLECTION				
Assets:				
Equity in pooled cash and investments	$ 15,709,400	$ 217,729,693	$ 215,619,703	$ 17,819,390
Taxes receivable	18,057,870	12,736,250	18,057,870	12,736,250
Total assets	$ 33,767,270	$ 230,465,943	$ 233,677,573	$ 30,555,640
Liabilities:				
Agency obligations	$ 33,767,270	$	$ 3,211,630	$ 30,555,640
Total liabilities	$ 33,767,270	$	$ 3,211,630	$ 30,555,640
TRIAL COURTS				
Assets:				
Equity in pooled cash and investments	$ 37,546	$ 5,286,283	$ 5,323,480	$ 349
Accounts receivable	388,131		388,131	
Total assets	$ 425,677	$ 5,286,283	$ 5,711,611	$ 349
Liabilities:				
Agency obligations	425,677	$	425,328	$ 349
Total liabilities	$ 425,677	$	$ 425,328	$ 349

(continued)

COUNTY OF MERCED
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2013

LOCAL AGENCY FORMATION COMMISSION	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets:				
Equity in pooled cash and investments	$ 183,522	$ 44,206	$ 96,758	$ 130,970
Total assets	$ 183,522	$ 44,206	$ 96,758	$ 130,970
Liabilities:				
Agency obligations	183,522	$	52,552	$ 130,970
Total liabilities	$ 183,522	$	$ 52,552	$ 130,970
PUBLIC GUARDIAN/ADMINISTRATOR/CONSERVATOR				
Assets:				
Equity in pooled cash and investments	$ 1,308,703	$ 2,889,031	$ 3,432,676	$ 765,058
Total assets	$ 1,308,703	$ 2,889,031	$ 3,432,676	$ 765,058
Liabilities:				
Agency obligations	$ 1,308,703	$	$ 543,645	$ 765,058
Total liabilities	$ 1,308,703	$	$ 543,645	$ 765,058

(continued)

COUNTY OF MERCED
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2013

TOTAL ALL AGENCY FUNDS	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets:				
Equity in pooled cash and investments	$ 17,239,171	$ 225,949,213	$ 224,472,617	$ 18,715,767
Accounts receivable	388,131		388,131	
Taxes receivable	18,057,870	12,736,250	18,057,870	12,736,250
Total assets	$ 35,685,172	$ 238,685,463	$ 242,918,618	$ 31,452,017
Liabilities:				
Agency obligations	35,685,172	$	4,233,155	$ 31,452,017
Total liabilities	$ 35,685,172	$	$ 4,233,155	$ 31,452,017

STATISTICAL SECTION

This part of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

CONTENTS

Financial Trends	**Pages**
This segment contains trend information to help the reader understand how the County's financial performance and well-being have changed over time.	123 - 129
Revenue Capacity	
This segment contains information to help the reader assess the County's most significant local revenue source, the property tax.	130 - 133
Debt Capacity	
This segment contains present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	134 - 137
Demographic and Economic Information	
This segment contains demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	138 - 139
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	140- 144

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	$ 284,168,997	$ 279,795,407	$ 281,049,849	$ 280,779,540	$ 290,265,561	$ 301,103,956	$ 310,405,482	$ 316,349,380	$ 311,333,561	$ 334,137,124
Restricted	53,708,818	30,262,244	38,796,514	40,394,378	40,155,192	45,277,373	43,866,234	39,099,384	47,893,405	43,835,354
Unrestricted	(11,844,271)	33,947,237	64,454,989	94,181,376	97,157,406	86,801,417	51,655,598	32,139,511	15,049,701	(5,050,174)
Total governmental activities net position	$ 326,033,544	$ 344,004,888	$ 384,301,352	$ 415,355,294	$ 427,578,159	$ 433,182,746	$ 405,927,314	$ 387,588,275	$ 374,276,667	$ 372,922,304
Business-type activities										
Net investment in capital assets	$ 28,007,964	$ 29,019,913	$ 36,608,958	$ 206,770,650	$ 182,902,361	$ 179,274,001	$ 174,483,066	$ 156,269,910	$ 135,596,376	$ 129,360,168
Restricted	1,151,821	1,236,210	1,467,416	563,063	4,194,116	7,609,738	7,227,293	10,661,801	84,527	79,439
Unrestricted	20,704,581	20,984,865	22,985,513	20,212,038	24,392,304	18,871,005	18,515,362	13,515,796	13,497,190	12,777,500
Total business-type activities net position	$ 49,864,366	$ 51,240,988	$ 61,061,887	$ 227,545,751	$ 211,488,781	$ 205,754,744	$ 200,225,721	$ 180,447,507	$ 149,178,093	$ 142,217,107
Primary government										
Net investment in capital assets	$ 312,176,961	$ 308,815,320	$ 317,658,807	$ 487,550,190	$ 473,167,922	$ 480,377,957	$ 484,888,548	$ 472,619,290	$ 446,929,937	$ 463,497,292
Restricted	54,860,639	31,498,454	40,263,930	40,957,441	44,349,308	52,887,111	51,093,527	49,761,185	47,977,932	43,914,793
Unrestricted	8,860,310	54,932,102	87,440,502	114,393,414	121,549,710	105,672,422	70,170,960	45,655,307	28,546,891	7,727,326
Total primary government net position	$ 375,897,910	$ 395,245,876	$ 445,363,239	$ 642,901,045	$ 639,066,940	$ 638,937,490	$ 606,153,035	$ 568,035,782	$ 523,454,760	$ 515,139,411

COUNTY OF MERCED
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	$ 26,421,903	$ 26,126,438	$ 29,404,860	$ 29,976,604	$ 32,131,457	$ 35,484,452	$ 36,097,602	$ 34,608,193	$ 36,273,963	$ 31,403,707
Public protection	76,756,138	83,290,780	89,791,715	100,136,938	106,819,781	119,365,045	119,328,257	120,615,253	119,342,431	114,776,068
Public ways and facilities	18,768,400	20,252,788	22,484,948	22,154,764	21,426,715	21,080,639	21,297,725	20,204,378	22,765,096	21,614,446
Health and sanitation	41,281,773	41,604,969	43,020,215	50,155,629	50,494,787	52,896,845	48,886,890	50,113,738	52,397,777	52,697,318
Public assistance	151,748,439	163,263,067	160,128,126	168,143,099	183,243,000	200,965,534	225,517,132	151,064,814	143,000,892	147,570,494
Education	11,466,422	11,479,800	2,092,632	2,511,619	2,879,863	3,198,645	3,066,038	2,994,690	2,873,434	2,478,600
Recreation and cultural services	1,269,481	1,287,577	1,497,745	1,864,855	1,988,594	2,347,335	2,478,768	2,119,557	2,014,859	2,041,973
Interest on long-term debt	6,096,600	6,641,831	6,758,387	7,717,217	7,493,372	7,206,929	6,861,186	6,528,263	6,157,458	5,305,114
Total governmental activities expenses	333,809,156	353,947,250	355,178,628	382,660,725	406,477,569	442,545,424	463,533,598	388,248,886	384,825,910	377,887,720
Business-type activities:										
Medical Facilities Lease Operations	514,602	313,270	272,949	272,949	272,950	272,950	272,950	437,825	429,800	444,262
Solid Waste Operations	6,599,294	7,044,457	8,351,223	10,139,620	10,349,122	10,799,567	8,216,414	9,201,537		
Castle Airport Development Center	1,475,516	2,836,422	1,871,354	5,626,817	21,998,813	8,385,611	9,144,950	9,238,082	9,060,282	8,364,699
County-wide transit system	4,678,113	7,251,704	7,543,445	9,224,312	9,359,096	9,441,865	9,638,884			
Castle Water and Sewer					286,161	370,678	374,192	508,747	284,428	277,245
Total business-type activities expenses	13,267,525	17,445,853	18,038,971	25,263,698	42,266,142	29,270,671	27,647,390	19,386,191	9,774,510	9,086,206
Total primary government expenses	$ 347,076,681	$ 371,393,103	$ 373,217,599	$ 407,924,423	$ 448,743,711	$ 471,816,095	$ 491,180,988	$ 407,635,077	$ 394,600,420	$ 386,973,926
Program revenues										
Governmental activities:										
Charges for services										
General government	$ 16,518,624	$ 16,055,494	$ 17,791,114	$ 22,984,154	$ 16,665,477	$ 19,656,448	$ 16,840,697	$ 21,516,723	$ 17,163,746	$ 18,508,027
Public protection	18,031,752	17,558,338	23,011,384	18,834,579	17,600,607	18,764,317	18,498,362	16,599,827	17,231,284	16,497,116
Public ways and facilities	2,520,566	3,893,385	4,143,820	3,932,615	5,515,645	4,268,945	3,410,628	3,414,838	3,745,223	4,451,184
Health and sanitation	5,000,434	4,250,358	4,169,725	3,917,251	4,378,310	4,177,011	4,817,259	5,030,536	8,435,482	5,958,507
Public assistance	1,320,778	679,710	312,213	247,175	261,916	265,137	343,784	471,149	447,241	766,541
Education	107,527	125,846	89,004	80,349	108,468	154,632	174,657	65,615	70,489	69,871
Recreation and cultural services	302,757	373,576	402,181	843,912	1,038,989	1,157,509	1,237,949	1,053,824	1,181,794	1,091,147
Operating grants and contributions	245,555,555	247,579,868	248,351,454	254,552,084	256,284,322	296,726,367	297,855,343	235,597,183	235,749,446	238,404,695
Capital grants and contributions	3,188,519	2,773,077	12,325,514	3,443,836	12,409,571	7,732,523	11,572,886	6,507,682	4,698,652	5,603,565
Total governmental activities program revenues	$ 292,546,512	$ 293,289,652	$ 310,596,409	$ 308,835,955	$ 314,263,305	$ 352,902,889	$ 354,751,565	$ 290,257,377	$ 288,723,357	$ 291,350,653

COUNTY OF MERCED
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program revenues (con't)										
Business-type activities:										
Charges for services										
Medical facilities lease operations	$ 130,000	$ 120,000	$ 120,000	$ 120,000	$ 120,000	$ 120,000	$ 120,000	$	$ 839	$ 6,936
Solid waste enterprise	7,354,911	7,760,506	9,424,472	10,493,074	9,358,613	7,858,035	8,152,584	9,747,808		
Castle airport development	1,449,910	1,363,801	1,739,996	1,979,633	1,978,557	978,716	2,123,875	1,990,369	1,761,862	1,748,277
Transit operation	845,230	909,875	980,236	1,009,529	1,250,624	1,446,197	1,539,581			
Castle Water and Sewer					242,770	265,948	246,786	214,652	245,926	271,848
Operating grants and contributions	4,922,877	1,886,194	5,572,106	7,191,660	8,251,192	6,523,718	6,506,280	10,000	265,536	
Capital grants and contributions	1,149,651	5,957,099	8,230,258	168,985,749	2,475,933	4,390,894	2,356,810	935,130		
Total business-type activities program revenues	15,852,579	17,997,475	26,067,068	189,779,645	23,677,689	21,583,508	21,045,916	12,897,959	2,274,163	2,027,061
Total primary government program revenues	$ 308,399,091	$ 311,287,127	$ 336,663,477	$ 498,615,600	$ 337,940,994	$ 374,486,397	$ 375,797,481	$ 303,155,336	$ 290,997,520	$ 293,377,714
Net revenue/(expense)										
Governmental activities	$ (41,262,644)	$ (60,657,598)	$ (44,582,219)	$ (73,824,770)	$ (92,214,264)	$ (89,642,535)	$ (108,782,033)	$ (97,991,509)	$ (96,102,553)	$ (86,537,067)
Business-type activities	2,585,054	551,622	8,028,097	164,515,947	(18,588,453)	(7,687,163)	(6,601,474)	(6,488,232)	(7,500,347)	(6,978,986)
Total primary government net revenue/(expense)	$ (38,677,590)	$ (60,105,976)	$ (36,554,122)	$ 90,691,177	$ (110,802,717)	$ (97,329,698)	$ (115,383,507)	$ (104,479,741)	$ (103,602,900)	$ (93,516,053)
General revenues and other changes in net position										
Governmental activities:										
Taxes										
Property taxes	$ 29,669,109	$ 34,183,304	$ 64,558,096	$ 76,165,932	$ 78,817,755	$ 76,519,682	$ 65,605,897	$ 64,069,182	$ 63,364,518	$ 66,259,112
Sales and use taxes	5,447,475	4,425,907	5,240,130	5,164,179	5,232,773	4,770,136	4,163,246	4,548,149	5,376,938	5,671,642
Other taxes	2,069,003	2,670,898	2,608,985	1,461,090	1,271,019	1,072,934	841,405	924,722	1,381,364	1,045,535
Proceeds from securitization of tobacco settlement funds										
Unrestricted investment earnings	2,936,338	6,790,966	8,364,467	14,544,405	15,057,488	8,759,659	5,514,597	3,060,882	4,325,799	1,108,793
Intergovernmental in-lieu VLF		16,636,071								
Intergovernmental revenues not restricted to specific programs		4,264,229								
Other	8,938,457	9,786,869	7,036,868	7,753,124	4,175,103	4,691,430	6,050,314	7,135,523	7,363,927	12,230,817
Tobacco settlement funds										
Forgiveness of debt										
Transfers in/(out)		(129,302)	(416,000)	(210,018)	(117,009)	(566,719)	(648,858)	(85,988)	978,399	(18,000)
Gain on sale of capital assets										
Total governmental activities	49,060,382	78,628,942	87,392,546	104,878,712	104,437,129	95,247,122	81,526,601	79,652,470	82,790,945	$ 86,297,899
Business-type activities:										
Unrestricted investment earnings	218,301	675,968	1,177,106	1,735,099	2,394,476	1,363,944	399,598	332,426	175,410	----
Other	298,775	19,730	199,696	22,800	19,998	22,463	23,994	8,505	347,581	----
Transfers in/(out)	----	129,302	416,000	210,018	117,009	566,719	648,858	(13,630,913)	(24,292,058)	18,000
Total business-type activities	517,076	825,000	1,792,802	1,967,917	2,531,483	1,953,126	1,072,450	(13,289,982)	(23,769,067)	18,000
Total primary government	$ 49,577,458	$ 79,453,942	$ 89,185,348	$ 106,846,629	$ 106,968,612	$ 97,200,248	$ 82,599,051	$ 66,362,488	$ 59,021,878	$ 86,315,899
Change in net position										
Governmental activities	$ 7,797,738	$ 17,971,344	$ 42,810,327	$ 31,053,942	$ 12,222,865	$ 5,604,587	$ (27,255,432)	$ (18,339,039)	$ (13,311,608)	$ (239,168)
Business-type activities	3,102,130	1,376,622	9,820,899	166,483,864	(16,056,970)	(5,734,037)	(5,529,024)	(19,778,214)	(31,269,414)	(6,960,986)
Total primary government	$ 10,899,868	$ 19,347,966	$ 52,631,226	$ 197,537,806	$ (3,834,105)	$ (129,450)	$ (32,784,456)	$ (38,117,253)	$ (44,581,022)	$ (7,200,154)

COUNTY OF MERCED
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)
Fiscal Year Ending June 30,

	2004	2005	2006	2007	2008
General fund					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Reserved	$ 17,917,506	$ 21,642,739	$ 34,830,950	$ 35,888,516	$ 35,195,503
Unreserved	45,611,295	56,524,103	66,266,624	81,621,843	85,305,893
Total general fund	63,528,801	78,166,842	101,097,574	117,510,359	120,501,396
All other governmental funds					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Reserved	41,867,375	65,409,355	67,780,039	77,059,028	84,850,255
Unreserved, reported in:					
Special revenue funds	8,227,992	10,330,634	21,314,965	14,195,723	1,505,261
Capital projects funds	(3,116,271)	(7,795,844)	(6,593,191)	(6,215,073)	(5,728,178)
Debt service funds	16,691,846	12,362,311	11,476,956	11,064,926	12,529,504
Permanent funds	4,918		1,668	8,739	
Total all other governmental funds	63,675,860	80,306,456	93,980,437	96,113,343	93,156,842
Total all governmental funds	$ 127,204,661	$ 158,473,298	$ 195,078,011	$ 213,623,702	$ 213,658,238

COUNTY OF MERCED
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)
Fiscal Year Ending June 30,

	2009	2010	2011	2012	2013
General fund					
Nonspendable			1,462,168	$ 1,550,405	$ 1,381,742
Restricted			59,658	60,215	59,812
Committed			39,379,252	37,450,274	16,359,865
Assigned					17,120,982
Unassigned			45,924,967	37,990,653	38,919,011
Reserved	$ 38,782,729	$ 22,933,666	$		
Unreserved	76,356,898	74,183,240			
Total general fund	115,139,627	97,116,906	86,826,045	77,051,547	73,841,412
All other governmental funds					
Nonspendable			872,965	2,111,464	1,377,084
Restricted			57,253,454	66,829,040	49,356,559
Committed			14,363,300	5,005,948	12,895,082
Assigned					1,350,335
Unassigned			(1,919,740)	(73,754)	(1,595)
Reserved	72,059,024	63,475,145			
Unreserved, reported in:					
Special revenue funds	12,655,858	7,885,841			
Capital projects funds	(1,334,917)	(80,063)			
Debt service funds	11,465,941	12,952,407			
Permanent funds					
Total all other governmental funds	94,845,906	84,233,330	70,569,979	73,872,698	64,977,465
Total all governmental funds	$ 209,985,533	$ 181,350,236	$ 157,396,024	$ 150,924,245	$ 138,818,877

COUNTY OF MERCED
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(Modified accrual basis of accounting)
Fiscal Year Ending June 30,

	2004	2005	2006	2007	2008
Revenues					
Taxes and assessments	$ 37,752,526	$ 41,258,840	$ 72,678,011	$ 82,437,026	$ 87,169,324
Licenses, permits and franchise fees	4,665,358	4,755,178	4,966,735	4,430,649	4,328,970
Fines, forfeitures and penalties	8,375,739	7,088,813	8,625,884	10,383,130	5,967,198
Revenues from use of money and property	4,070,118	7,834,689	8,736,703	14,838,968	14,616,765
Aid from other governmental agencies	238,678,965	258,780,745	248,291,629	252,543,873	257,809,958
Charges for current services	34,116,618	34,051,775	34,854,393	35,135,646	34,041,524
Other revenues	12,735,497	17,017,343	14,004,121	12,264,366	11,699,230
Total revenues	340,394,821	370,787,383	392,157,476	412,033,658	415,632,969
Expenditures					
General	26,906,372	24,149,929	26,247,258	28,768,634	29,893,091
Public protection	79,757,765	83,472,180	91,526,689	101,620,408	109,964,497
Public ways and facilities	10,258,990	11,669,172	14,873,177	14,630,288	19,615,150
Health and sanitation	41,682,852	41,308,617	43,431,011	50,621,875	50,942,439
Public assistance	154,001,258	165,009,186	162,172,206	170,339,941	183,620,540
Education	11,468,344	11,564,986	2,127,075	2,659,074	2,923,242
Recreation and cultural services	1,321,814	1,256,906	2,173,695	2,168,127	2,908,787
Retirement past service cost					
Debt service					
Principal	2,811,350	3,256,722	3,272,662	3,909,472	4,477,681
Interest	6,648,184	6,476,969	6,207,968	6,906,194	6,708,549
Administration	160,981	616,016	261,022	151,993	162,206
Bond issuance costs			1,111,696		
Capital outlay	8,886,235	1,505,333	7,334,299	11,668,896	4,410,794
Total expenditures	343,904,145	350,286,016	360,738,758	393,444,902	415,626,976
Excess (deficiency) of revenues over (under) expenditures	(3,509,324)	20,501,367	31,418,718	18,588,756	5,993
Other financing sources (uses)					
Transfers in	3,110,209	3,406,572	7,839,207	12,317,580	2,356,609
Transfers (out)	(3,110,209)	(3,532,572)	(8,255,207)	(12,527,598)	(2,473,618)
Proceeds from refunding debt			39,690,000		
Discount on refunded bond debt			(1,082,287)		
Payment to refunded debt escrow agent			(32,111,416)		
Resources from capital leases	3,489,317	108,191	482,161	166,953	145,552
Bond premiums (discounts)		1,375			
Long-term debt proceeds	439,724	10,783,704			
Transfer to other governments					
Total other financing sources and uses	3,929,041	10,767,270	6,562,458	(43,065)	28,543
Net changes in fund balances	$ 419,717	$ 31,268,637	$ 37,981,176	$ 18,545,691	$ 34,536
Debt service as a percentage of noncapital expenditures	2.87%	2.83%	2.72%	2.89%	2.82%

COUNTY OF MERCED
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(Modified accrual basis of accounting)
Fiscal Year Ending June 30,

	2009	2010	2011	2012	2013
Revenues					
Taxes and assessments	$ 81,875,313	$ 70,056,149	$ 68,387,379	$ 69,463,610	$ 72,307,162
Licenses, permits and franchise fees	5,285,526	4,168,624	4,139,215	4,326,564	4,426,688
Fines, forfeitures and penalties	7,694,787	5,340,677	10,332,249	6,996,000	7,205,022
Revenues from use of money and property	9,135,520	6,350,276	4,140,159	5,311,837	2,399,172
Aid from other governmental agencies	295,192,046	300,316,486	236,716,795	236,325,851	238,626,613
Charges for current services	33,806,475	35,669,375	33,357,348	32,711,096	32,237,383
Other revenues	13,399,047	13,351,821	12,820,384	15,503,699	16,780,322
Total revenues	446,388,714	435,253,408	369,893,529	370,638,657	373,982,362
Expenditures					
General	31,768,814	39,400,426	39,317,191	33,625,747	29,019,999
Public protection	118,988,941	114,738,658	120,725,489	116,563,941	110,692,518
Public ways and facilities	20,232,576	21,219,765	16,540,501	15,693,096	27,076,693
Health and sanitation	51,874,308	47,673,182	49,145,669	51,018,634	51,136,447
Public assistance	199,840,894	222,297,121	150,058,281	140,845,038	145,777,884
Education	3,117,951	2,912,006	2,914,439	2,946,752	2,456,429
Recreation and cultural services	3,003,737	2,311,923	2,515,192	1,879,403	1,918,084
Retirement past service cost					
Debt service					
Principal	5,402,148	5,441,222	6,296,432	7,012,297	21,103,905
Interest	6,473,938	6,178,219	5,879,371	5,524,302	5,141,653
Administration	220,121	138,090	107,853	99,410	661,841
Bond issuance costs					
Capital outlay	8,032,254	994,031	307,109	2,897,339	1,981,260
Total expenditures	448,955,682	463,304,643	393,807,527	378,105,959	396,966,713
Excess (deficiency) of revenues over (under) expenditures	(2,566,968)	(28,051,235)	(23,913,998)	(7,467,302)	(22,984,351)
Other financing sources (uses)					
Transfers in	5,815,609	14,686,735	11,379,225	7,989,002	17,611,138
Transfers (out)	(6,686,381)	(15,351,093)	(11,465,213)	(8,038,852)	(17,678,824)
Proceeds from refunding debt					
Discount on refunded bond debt					
Payment to refunded debt escrow agent					
Resources from capital leases		80,296	45,774	37,124	61,669
Bond premiums (discounts)					
Long-term debt proceeds					10,885,000
Transfer to other governments				1,008,249	
Total other financing sources and uses	(870,772)	(584,062)	(40,214)	995,523	10,878,983
Net changes in fund balances	$ (3,437,740)	$ (28,635,297)	$ (23,954,212)	$ (6,471,779)	$ (12,105,368)
Debt service as a percentage of noncapital expenditures	2.80%	2.65%	3.28%	3.46%	7.06%

COUNTY OF MERCED
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	(1) Secured	(2) Unsecured	(3) Unitary	(4) Exempt	Total Taxable Assessed Value	Total Direct Tax Rate
2003-04	$ 10,962,350,273	$ 824,516,960	$ 314,209,427	$ 392,720,480	$ 11,708,356,180	1.00%
2004-05	12,290,959,556	871,193,456	326,854,720	500,820,938	12,988,186,794	1.00%
2005-06	14,295,730,105	951,546,184	388,503,647	549,156,927	15,086,623,009	1.00%
2006-07	17,404,362,513	1,031,843,871	387,818,163	556,097,714	18,267,926,833	1.00%
2007-08	19,411,507,637	1,118,683,309	408,401,951	584,402,698	20,354,190,199	1.00%
2008-09	18,859,313,068	1,178,595,275	449,357,557	620,665,224	19,866,600,676	1.00%
2009-10	16,181,071,733	1,245,284,704	468,178,393	718,742,129	17,175,792,701	1.00%
2010-11	15,428,528,741	1,252,030,245	468,219,816	773,717,122	16,375,061,680	1.00%
2011-12	15,369,771,704	1,268,886,030	509,109,681	803,406,454	16,344,360,961	1.00%
2012-13	15,525,112,557	1,257,346,806	512,308,376	815,802,947	16,478,964,792	1.00%

Notes:

(1) Secured property is generally real property defined as land, mines, minerals, timber, and improvements such as buildings, structures, crops, trees, and vines.

(2) Unsecured property is generally personal property, including machinery, equipment, office tools, and supplies.

(3) Unitary properties are railroads and utility crossing the County and are assessed by the State Board of Equalization.

(4) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.

Due to the 1978 passage of the property tax initiative Proposition 13, the County does not track the estimated actual value of all County properties. Under Proposition 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the Consumer Price Index on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Proposition 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.

COUNTY OF MERCED
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

				Property Tax Rate Among Overlapping Governments					
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct Rate	County	County Fire	Cities	School Districts	Special Districts	Total
03-04	$1.00	0.6125	$1.6125	15.89	7.08	12.95	60.20	3.88	100.00
04-05	$1.00	0.6250	$1.6250	16.03	7.08	13.04	60.34	3.51	100.00
05-06	$1.00	0.4402	$1.4402	16.00	6.88	13.06	60.22	3.84	100.00
06-07	$1.00	0.4777	$1.4777	16.29	6.75	13.29	60.17	3.50	100.00
07-08	$1.00	0.4542	$1.4542	16.33	6.68	13.55	59.82	3.62	100.00
08-09	$1.00	0.4158	$1.4158	16.19	6.81	14.03	59.40	3.57	100.00
09-10	$1.00	0.5172	$1.5172	15.89	6.90	14.59	59.01	3.61	100.00
10-11	$1.00	0.7307	$1.7307	16.00	7.00	13.98	59.40	3.62	100.00
11-12	$1.00	0.7325	$1.7325	16.12	7.07	13.44	59.78	3.59	100.00
12-13	$1.00	0.7891	$1.7891	16.24	7.17	12.90	60.11	3.58	100.00

Notes: The basic property tax rate may be increased only by a majority vote of the residents.
Rates for debt service are set based on each year's requirements.

COUNTY OF MERCED
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

		2013			2004		
Taxpayer	Type of Business	Property Taxes Levied	Rank	Percentage of Total County Tax Levee	Property Taxes Levied	Rank	Percentage of Total County Tax Levee
Pacific Gas and Electric Company	Utility	$ 4,346,459	1	2.18%	$ 1,620,584	1	1.21%
Gallo Winery E & J	Agricultural	3,247,470	2	1.63%	926,317	3	0.69%
Liberty Packing Co., LLC	Agricultural	1,552,820	3	0.78%	396,616	8	0.30%
World Color LLC	Industrial	999,111	4	0.50%	926,322	2	0.69%
Foster Poultry Farms	Agricultural	884,585	5	0.50%	605,107	4	0.45%
Pacific Bell Telephone Co	Utility	817,250	6	0.44%	508,726	5	0.38%
Gallo Vineyards, Inc.	Agricultural	555,214	7	0.41%	324,551	10	0.24%
Ingomar Packing Company	Agricultural	534,970	8	0.28%	475,619	6	0.36%
Morning Star Packing Co LP	Agricultural	513,770	9	0.27%			
Morning Star Food LLC	Agricultural	479,863	10	0.26%			
Conopco Incorporated	Commercial				420,200	7	0.31%
HCC Properties LTD A Partnership	Commercial				337,433	9	0.25%
Atlantic Path 15, LLC	Commercial						
		13,931,512		7.25%	6,541,475		4.88%

Source: Auditor's Property Tax Roll

COUNTY OF MERCED
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years *
		Amount	Percentage of Levy	
03-04	$ 133,647,492	$ 127,585,128	95.46%	$ 6,062,364
04-05	150,141,205	143,818,410	95.79%	6,322,795
05-06	172,392,643	166,251,349	96.44%	6,141,294
06-07	208,850,020	194,734,558	93.24%	14,115,462
07-08	233,753,983	211,305,001	90.40%	22,448,982
08-09	227,866,274	209,155,011	91.79%	18,711,263
09-10	201,407,394	189,011,701	93.85%	12,395,693
10-11	196,342,199	186,912,123	95.20%	9,430,076
11-12	198,111,579	189,557,824	95.68%	8,553,755
12-13	199,494,595	192,427,553	96.46%	7,067,042

* Collections in subsequent years are the uncollected amounts for that one year that will be collected in subsequent years.
Delinquent collections by year of levy are not available.

Source: Merced County Auditor-Controller

COUNTY OF MERCED
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
Fiscal Year Ended June 30,

	2004	2005	2006	2007	2008
Governmental Activities					
Pension Obligation Bonds	$ 60,055,000	$ 58,555,000	$ 56,690,000	$ 54,430,000	$ 51,740,000
Tobacco Settlement Asset-Backed Bonds	29,363,468	28,746,957	34,464,526	35,005,411	35,446,296
State of California Certificates of Participation					
Juvenile Justice	14,940,164	14,650,514	14,355,866	14,051,217	13,736,569
Courthouse Construction		10,201,370	9,946,315	9,676,260	9,401,205
Term Loans Payable					
Dairy Loan Program	12,452,868	12,165,480	11,468,001	10,758,402	10,030,345
Energy Retrofit Loan	1,531,550	1,380,920	1,225,737	1,065,865	901,241
Commercial Mortgage Loan		210,000			
IBM Financing Agreement	48,111				
Capital Lease Obligations	4,012,104	2,952,836	2,732,260	2,229,039	1,890,426
Total governmental activities	122,403,265	128,863,077	130,882,705	127,216,194	123,146,082
Business-Type Activities					
Solid Waste Bond					33,415,000
Transit Facility Certificates of Participation	2,040,154	1,854,747	1,660,164	1,455,950	1,241,628
Capital Lease Obligations	1,292,751	745,299	2,280,314	2,527,617	2,643,509
Total business-type activities	3,332,905	2,600,046	3,940,478	3,983,567	37,300,137
Total Primary Government	$ 125,736,170	$ 131,463,123	$ 134,823,183	$ 131,199,761	$ 160,446,219
Percentage of Personal Income (1)	2.22%	2.26%	2.18%	1.88%	2.27%
Per Capita	545	551	549	525	632

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
(1) See the Schedule of Demographic and Economic Statistics on page **138** for personal income and population data.

COUNTY OF MERCED
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
Fiscal Year Ended June 30,

	2009	2010	2011	2012	2013
Governmental Activities					
Pension Obligation Bonds	$ 48,580,000	$ 44,900,000	$ 40,650,000	$ 35,780,000	$ 30,230,000
Tobacco Settlement Asset-Backed Bonds	35,477,180	36,038,065	36,358,950	36,629,835	34,929,727
State of California Certificates of Participation					
Juvenile Justice	13,411,920	13,072,271	12,722,623	12,357,974	10,885,000
Courthouse Construction	9,116,151	8,821,096	8,516,041	8,205,987	7,880,932
Term Loans Payable					
Dairy Loan Program	9,282,878	8,516,466	7,730,126	6,923,342	6,095,581
Energy Retrofit Loan	731,560	556,750	376,657	191,144	
Commercial Mortgage Loan					
IBM Financing Agreement					
Capital Lease Obligations	878,687	390,328	309,823	277,184	258,954
Total governmental activities	117,478,376	112,294,976	106,664,220	100,365,466	90,280,194
Business-Type Activities					
Solid Waste Bond	32,205,000	30,950,000	29,650,000		
Transit Facility Certificates of Participation	1,016,698	780,635			
Capital Lease Obligations	5,545,214	3,998,742	2,697,125		
Total business-type activities	38,766,912	35,729,377	32,347,125		
Total Primary Government	$ 156,245,288	$ 148,024,353	$ 139,011,345	$ 100,365,466	$ 90,280,194
Percentage of Personal Income (1)	2.20%	2.06%	1.97%	1.42%	1.12%
Per Capita	612	576	542	388	344

COUNTY OF MERCED
SCHEDULE OF DIRECT AND OVERLAPPING DEBT
FISCAL YEAR 2012-2013

ASSESSED VALUATION $ 37,348,473,776

Overlapping Tax and Assessment Debt	Net Bonded Debt Outstanding	Percentage Applicable to Merced County	Estimated Share of Direct and Overlapping Debt
Atwater Elementary School (2004 Series)	$ 8,486,228	100.00%	$ 8,486,228
Planada Elementary School District (1993 Series)	3,209,939	100.00%	3,209,939
Delhi Unified School District (1994 Series)	939,626	100.00%	3,209,939
Dos Palos Oro Loma Jt Unif (2002, 2003A Series)	3,231,243	56.53%	939,626
Le Grand Union High School (2002 Series)	1,789,305	100.00%	1,789,305
Livingston School District (2005A GO Bond)	4,420,000	100.00%	4,420,000
Los Banos Unified School District (1996, 2002 Series)	45,393,317	100.00%	45,393,317
Merced Union High School District (1999 Series)	57,401,005	100.00%	57,401,005
Merced River Elementary School District (1999 Series)	180,000	100.00%	180,000
Merced City School District (2004 & 2005 Series)	21,749,571	100.00%	21,749,571
Weaver Union Elem School District (2000, 2002)	11,164,225	100.00%	11,164,225
Hilmar Unified School District (2003 Series)	1,332,943	100.00%	1,332,943
Merced Community College (03,06 series) SFID #1	35,405,000	89.75%	31,775,988
Merced Community College (03,05 series) SFID #2	10,375,000	96.69%	10,031,588
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$ 205,077,402		

Direct and Overlapping General Fund Obligation Debt	Net Bonded Debt Outstanding	Percentage Applicable to Merced County	
Merced County 1915 Act Bonds	$ 3,770,000	100.00%	$ 3,770,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	$ 3,883,000		
GROSS COMBINED TOTAL DEBT			$ 203,470,356

RATIO OF 2012-2013 ASSESSED VALUATION
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT 0.5491%

RATIO TO ADJUSTED ASSESSED VALUATION
GROSS COMBINED TOTAL DEBT 0.5448%

Notes:
(1) Excludes tax and revenue anticipation notes.
(2) Debt as of June 30, 2013

Source: Merced County Auditor-Controller

COUNTY OF MERCED, CALIFORNIA
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value	Legal Debt Limit	Debt Applicable To Limit	Legal Debt Margin	Legal Debt Margin/Debt Limit
2003-2004	$ 22,889,370,349	$ 396,854,351	$ 80,627,356	$ 316,226,995	80%
2004-2005	29,122,777,068	447,840,860	112,459,096	335,381,764	75%
2005-2006	33,879,856,098	514,317,285	138,848,528	375,468,757	73%
2006-2007	42,155,342,605	629,524,723	178,294,201	451,230,522	72%
2007-2008	47,060,082,994	693,314,509	207,696,502	485,618,007	70%
2008-2009	45,173,791,011	668,009,655	193,693,478	474,316,177	71%
2009-2010	39,345,939,297	520,948,835	227,045,474	293,903,361	56%
2010-2011	37,336,029,052	490,346,507	218,004,105	272,342,402	56%
2011-2012	37,038,259,982	491,802,461	212,149,884	279,652,577	57%
2012-2013	37,348,473,776	506,251,090	205,077,402	301,173,688	59%

Notes:
(1) Reliable data is available only for the last ten fiscal years.
(2) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value of Taxable Property" schedule.
(3) The legal debt limit is 1.25% or 2.5% of Full Cash Value.
(4) The legal debt margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable to the legal debt from the legal debt limit.

Sources: Merced County Auditor-Controller

COUNTY OF MERCED
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income *	School Enrollment	Unemployment Rate (Avg.)
2004	230,630	$ 5,673,498	24,600	54,541	14.1%
2005	238,589	5,819,424	24,391	55,615	9.3%
2006	245,446	6,186,466	25,205	56,521	8.9%
2007	249,981	6,994,718	27,981	56,743	9.4%
2008	254,056	7,080,795	27,871	57,122	11.8%
2009	255,374	7,117,529	27,871	56,153	17.4%
2010	257,196	7,168,310	27,871	56,258	18.1%
2011	256,688	7,063,284	27,517	55,489	18.6%
2012	258,736	7,070,996	27,329	56,158	17.7%
2013	262,478	8,039,701	30,630	56,349	14.1%

Sources: Population information is obtained from the State Department of Finance. Per capita income information is obtained from the U.S. Department of Commerce - Bureau of Economic Analysis. School enrollment data is obtained from the State Department of Education. Unemployment rate figures were obtained from the Labor Market Information Division of the State Employment Development Department.

* Based on most recent data available and prior years restated for updates.

COUNTY OF MERCED
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2013			2004		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Foster Farms Inc.	3,709	1	3.90%	N/A	N/A	N/A
County of Merced	1,774	2	1.87%			
UC Merced	1,719	3	1.81%			
Merced County Office of Education	1,262	4	1.33%			
Mercy Medical Center	1,233	5	1.30%			
Merced City School District	1,057	6	1.11%			
Hilmar Cheese Company. Inc.	1,000	7	1.05%			
Dole Packaged Foods	987	8	1.04%			
Merced Union High School District	884	9	0.93%			
Merced College	857	10	0.90%			
	14,482		15.24%	N/A		N/A

Note: Reliable data is available only for 2013 from the State Employment Development Department.
Historical data is not available prior to 2013

Sources: State Employment Development Department
City of Merced Website

COUNTY OF MERCED
COUNTY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees as of June 30,									
Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Legislative and administrative	18	18	22	22	25	26	25	25	18	18
Finance	115	116	116	117	121	122	119	109	96	94
Counsel	12	12	11	12	13	13	13	13	13	13
Personnel	11	11	14	14	13	13	12	12	9	8
Elections	4	4	5	5	5	6	6	5	6	6
Property management	13	14	14	14	14	14	14	14	14	14
Promotion	13	12	12	13	13	14	13	12	10	9
Other general	27	27	29	31	32	32	32	24	18	18
Public protection										
Judicial	95	91	88	90	106	110	108	97	86	84
Police protection	133	131	119	134	150	150	152	146	134	141
Detention and correction	242	253	262	271	280	281	280	267	216	237
Fire protection	5	5	5	5	6	6	6	6	6	6
Protective inspection	67	70	73	73	73	71	71	51	38	37
Other protection	52	53	57	60	67	65	64	55	43	43
Public ways and facilities	54	54	54	56	60	60	59	56	64	65
Health and sanitation										
Health	154	144	156	159	159	160	141	116	116	117
Mental health	235	220	222	227	174	185	181	155	157	158
Hospital care	16	16	16	21	21	17	13	10	10	10
Public assistance										
Administration	536	566	599	610	630	620	531	561	559	559
Other assistance	79	76	76	76	76	77	64	56	32	38
Education										
Library services	24	22	22	25	26	26	26	26	24	22
Agricultural extension	4	4	5	5	5	4	4	3	3	3
Recreation and cultural services	15	15	15	17	19	19	19	17	13	14
Internal service departments										
Fleet service management	7	7	7	7	7	7	7	7	7	6
Administrative services	45	41	46	46	46	46	46	44	43	41
Communications	2	2	0	0	0	0	0	0	0	0
Enterprise fund departments										
Solid waste enterprise	44	44	48	48	48	50	49	36	0	0
Castle airport development	9	10	10	12	12	13	12	13	13	13
Castle water and sewer	0	0	0	0	1	0	0	0	0	0
Total	2,031	2,038	2,103	2,170	2202	2207	2067	1,936	1,748	1774

Source: County Budget Book

COUNTY OF MERCED
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Legislative and administrative										
Finance										
Payroll Checks Issued	71,783	68,770	64,805	66,066	63,531	66,963	66,274	56,836	54,184	51,532
Claims Paid	59,545	63,000	60,000	52,800	54,485	64,507	64,828	55,687	50,754	47,486
Warrants Issued	388,133	360,000	360,000	250,745	246,758	239,187	224,106	209,618	197,092	186,004
Counsel										
Board Agenda Items/Agreements Reviewed	1,900	1,900	1,950	2,000	2,250	2,217	2,260	2,281	2,140	2,195
Cases Handled (Juvenile, Probate, Civil, Personnel)	2,016	2,216	2,225	3,093	3,224	2,690	3,440	3,488	3,246	3,544
Personnel										
Applications processed	10,000	6,000	6,500	6,540	8,160	11,703	8,468	5,939	9,226	11,175
Elections										
Registered Voters	96,000	90,000	99,000	85,171	91,741	97,210	92,517	90,476	92,759	95,362
Property management										
Facility Maint. Work Requests	3,078	4,670	5,636	6,540	6,176	6,432	6,732	5,825	5,450	5,401
Procurement										
Purchase Orders	1,548	1,595	2,008	1,392	1,613	1,112	1,291	1,236	1,199	1,097
Blanket Purchase Orders	569	586	607	1,030	526	527	436	503	389	395
Bids/Request for Proposals	58	60	80	108	98	87	71	69	61	48
Contracts Issued	90	90	90	91	187	98	121	465	397	368
Public protection										
Judicial										
Referrals/Reviews									11,234	7,106 *
Felony Filings	3,684	3,552	3,907	3,600	3,378	3,357	2,804	2,980	2,799	2,550
Misdemeanor Filings	9,516	8,256	9,081	7,635	8,579	8,803	6,956	6,252	4,132	3,701
Juvenile Filings	1,426	1,620	1,782	1,109	1,237	1,122	1,510	1,053	1,154	745
Police protection										
Call for Service	46,700	47,000	47,500	48,500	49,400	42,693	39,407	44,558	42,004	42,055
Arrests	4,980	5,067	5,100	5,200	5,300	5,096	5,050	4,811	1,879	1,997
Citations	2,450	2,455	2,300	2,350	2,400	2,652	2,820	1,114	639	664
Detention and correction										
Bookings	11,741	12,000	12,000	13,224	15,000	15,775	15,699	10,179	10,798	10,179
Fire protection										
Total number of incidents	8,278	8,027	9,632	8,023	8,112	11,688	8,475	8,393	8,538	12,097
Public ways and facilities										
Centerline miles of road maintained	1,736	1,743	1,747	1,749	1,753	1,761	1,761	1,761	1,761	1,756
Health and sanitation										
Health										
TB Clinic Visits	1,800	1,650	1,650	1,797	1,091	1,027	404	2,307	2,837	3,480
Flu Immunization	2,845	3,000	3,000	2,921	4,072	5,034	5,997	5,051	2,002	1,748
Mental health										
IMD (Institution Mental Disease) bed days	5,073	5,100	5,100	1,950	3,659	1,932	1,702	2,047	1,909	1,330
Acute inpatient days	3,667	3,700	3,700	3,488	5,186	3,586	3,137	2,453	2,118	2,162

Source: County Budget Book and various County Departments
* Case Management System installed in 2012 that tracks referrals/reviews

(continued)

COUNTY OF MERCED
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function (con't)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public assistance										
Administration										
CalWorks cases	6,303	6,966	7,060	7,084	7,298	7,853	8,223	8,429	8,298	8,236
Food Stamps cases	9,627	10,299	10,555	10,830	11,873	14,168	17,338	19,550	21,850	22,987
Medi-Cal cases	15,980	16,700	16,846	17,093	17,844	18,317	20,676	21,898	28,086	29,244
Child Welfare/Foster Care/AAP cases	2,001	1,902	2,163	2,284	2,250	2,281	2,614	2,583	2,844	3,024
IHSS/Adult Services	2,780	2,711	2,807	2,940	3,145	3,562	3,561	3,364	3,141	2,700
Education										
Library services										
Volumes in Collection	396,297	406,517	418,967	417,222	396,639	375,929	350,480	346,926	336,131	340,668
Library Materials Borrowed	593,324	581,024	585,816	352,803	546,632	228,207	225,097	300,403	274,841	264,427
Registered Library Borrowers	56,745	58,502	60,437	62,246	44,430	37,836	41,381	43,559	45,668	45,800
Cooperative extension										
Contacts	45,875	45,885	49,239	53,039	53,790	61,333	88,722	54,515	618,966	150,169
Newsletters (mailed/emails began 08-09)	23,600	24,000	21,171	17,287	23,283	60,162	19,460	50,545	52,058	44,898
Research Plots with Local Cooperators	63	65	67	68	72	75	72	133	57	60
4 H Group Members	4,286	3,968	3,068	3,482	3,149	2,474	3,765	1,138	1,095	992
Volunteers	343	332	319	312	307	311	492	330	365	291
Recreation and cultural services										
Courthouse Museum Visitors	10,000	10,000	8,500	7,250	8,000	7,070	7,394	7,394	6,147	7,210
Docent and Volunteer Hours	2,300	3,000	3,000	4,685	2,300	2,092	2,546	3,966	3,982	4,150
County Park Maintenance (acres)	230	230	230	233	233	233	233	228	228	229
Internal service departments										
Fleet service management										
Total vehicles in Fleet	552	570	570	629	629	629	627	566	511	517
Total miles driven	5,400,000	5,500,000	5,500,000	6,059,717	6,100,000	6,152,102	5,327,857	4,896,883	4,778,292	4,734,744
Communications										
Maintenance - Radios/Related Equipment	411	420	420	474	500	507	515	512	516	512
Information Systems										
Programming Hours	28,593	20,900	23,377	25,508	20,883	18,600	21,664	21,664	19,584	20,800
Enterprise fund departments										
Solid waste enterprise										
Tons of refuse received	265,360	274,000	280,000	327,578	304,845	275,649	277,565	311,528	N/A	N/A *
Tons of recycled and diverted materials	49,704	48,000	50,000	64,981	63,999	59,604	55,410	45,607	N/A	N/A *
Castle airport development										
Based aricraft	25	25	74	94	112	96	76	68	69	73
Aircraft Flight Operations	6,000	6,000	110,000	124,727	133,923	125,842	72,150	40,706	67,756	96,710

* Entity no longer part of Merced County

COUNTY OF MERCED
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Occupancy by sq. ft. (Admin. Building)										
Legislative and administrative	5,644	5,644	5,819	5,819	6,130	6,130	6,130	6,130	6130	6130
Finance	23,125	23,169	23,169	23,169	23,169	23,169	23,169	23,169	23169	23169
Counsel	2,401	2,401	2,401	2,401	2,401	2,401	2,401	2,401	2401	2401
Personnel	3,098	3,098	3,234	3,234	2,923	2,923	2,923	2,923	2923	2923
Elections	1,509	1,509	1,509	1,509	1,509	1,509	1,509	1,509	1509	1509
Promotion	0	0	0	0	0	0	0	0	0	0
Other general	808	808	808	808	808	808	808	808	808	808
Public protection										
Judicial										
District Attorney Facilities	5	6	5	5	5	5	5	5	2	2
Police protection										
Stations	2	2	3	3	3	3	3	3	3	3
Patrol Units	47	47	47	46	47	50	50	50	50	50
Detention and correction										
Correction facility capacities										
Main facility	199	199	199	199	191	199	199	199	189	189
Sandy Mush facility	548	608	608	624	620	620	620	620	564	564
Juvenile Hall facility	42	90	120	120	120	120	120	120	120	
Fire protection										
Number of County fire stations	21	21	21	20	20	20	20	20	20	20
Public ways and facilities										
Centerline miles of County roads	1,727	1,743	1,743	1,749	1,753	1,761	1,761	1,761	1761	1756
Pavement miles of County roads	1,572	1,580	1,580	1,586	1,590	1,601	1,601	1,601	1601	1601
Bridges	400	400	400	400	400	404	404	404	404	404
Health and sanitation										
Health										
Public Health Service Locations	4	4	4	4	4	4	4	4	4	4
Other Health Service Locations	2	3	3	3	3	3	3	1	1	1

Source: County Budget Book and various County departments

(continued)

COUNTY OF MERCED
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function (con't)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Mental health										
Mental health treatment facilities	5	5	5	5	4	5	6	6	6	6
Alcohol & Drugs treatment facilities	3	3	3	5	5	5	4	4	4	4
Hospital care										
Lease out facility	1	1	1	1	1	1	1	0	0	0
Public assistance										
Administration										
Public assistance service locations	9	10	11	11	11	10	10	10	10	10
Other assistance										
Service Locations	1	1	1	1	1	1	1	1	1	1
Education										
Library services										
Number of County Libraries	16	16	16	16	16	16	16	16	16	16
Recreation and cultural services										
Number of County Parks	18	18	19	19	19	19	19	19	19	19
County Park (acres)	230	230	231	233	233	228	228	228	228	229
Internal service departments										
Fleet service management										
Total vehicles in Fleet	552	570	570	629	629	629	627	566	511	517
Information systems										
Network Connections	2,307	2,345	2,355	2,478	2,586	2,395	3,238	3,642	2,361	2422
Communications										
Phone Ports	2,213	3,141	3,516	4,009	4,219	3,911	4,440	3,711	4,176	3236
Cell Phones	550	550	550	702	722	728	736	967	703	758
Phone Switches	49	49	30	27	18	14	14	8	14	14
Enterprise fund departments										
Solid waste enterprise										
Number of landfill	2	2	2	2	2	2	2	2	N/A	N/A *
Number of heavy landfill equipment	39	41	43	45	42	46	39	39	N/A	N/A *
Castle airport development										
Number of runways	1	1	1	1	1	1	1	1	1	1

* Entity no longer part of Merced County