

**County of Merced
State of California**

COMPREHENSIVE ANNUAL FINANCIAL REPORT



YEAR ENDED JUNE 30, 2016

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

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INTRODUCTORY SECTION



AUDITOR-CONTROLLER

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

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March 9, 2017

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, 2016, 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, 2016.

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 272,000 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 \$3.6 billion in gross production for the 2015 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 1,956 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 governments mandate certain minimum service levels in areas of public assistance and health services.

Included in operations are various component units which provide specific services Countywide 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, Business Loan Program and the Perpetual Conservation Easement), 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 recovering economy. Merced County continues to show modest improvements in key economic indicators. Indicators for next year show a modest recovery in the local economic base with modest growth and changes in the jobless rate into 2016.

Employment Data

The County's unemployment rate remained constant at 10.4% in June 2016 as compared to June 2015. Merced County's rate is significantly higher than the State of California's unemployment rate of 5.4% or the United States' rate of 4.9% as of June 2016. 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 2015/2016 ranged from a high of 13% to a low of 8% reflecting the nature of seasonal agricultural jobs. These

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

Agriculture currently accounts for 20% of wage and salary employment for the County. Other important sources of employment include government (23%), goods producing (13%), wholesale and retail trade (14%) and education and health services (12%) as of October 2016 on a non-seasonally adjusted basis.

Personal Income

Per capita personal income showed a modest improvement going from \$33,865 in 2015 to \$36,185 in 2016. This compares with a per capita income for the state as a whole of \$53,741 in 2015.

Real Estate

The Countywide median price on all types of home sales increased to \$233,000 at October 2016 as compared to \$195,000 at October 2015. The increase in median home prices is a sign that prices continue to improve. Sales also show improvement year over year with a sales volume increase of approximately 8%. The certified valuation of total taxable property values increased by 8.5% from fiscal year 2014/2015 to fiscal year 2015/2016.

Agriculture

The County remains a leading agricultural county in the state and in the nation. Total gross production was a record \$3.6 billion in 2015. Leading commodities include milk, almonds, chickens, cattle and calves, sweet potatoes and tomatoes. Total production experienced a 19% decrease from the previous year due to commodity price decreases and water availability to growers.

The economy continues to show some signs of modest recovery throughout the United States, California and Merced County. Although economic indicators are showing modest improvements, the long-term impact of the drought and a high level of unemployment continue to affect the local economy. The unknowns in the economy such as the drought experienced in the State, unemployment, commodity prices and water access issues may continue to impact the County's revenue and tax base.

Major Initiatives

With constant 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.

Although improving, there has been a great deal of fiscal uncertainty in Sacramento over the past several years, 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.

Updated Financial Systems: The County has been working on a multi-year project of converting its current financial systems from the internal mainframe system to an updated Enterprise Resource Program solution with an external vendor. The County is currently converting virtually all of its County-wide financial systems to an integrated system. The first phase of the system update included all financial systems such as accounts payable, general ledger and purchasing which became operational on July 1, 2015. The second phase of the project will be the conversion of the payroll and human resources systems and the final phase, the conversion of the County's budgeting and job costing systems. This project will take several years to implement and refine. The County targets completion of all conversion phases by sometime in 2018.

Campus Parkway: The Campus Parkway project involves the construction of a new four lane expressway from Highway 99, connecting to Highway 140 and extending to Yosemite Avenue in the City of Merced which is the southern boundary of the University Community Plan area, for a total length of approximately 4.5 miles. As the University Community is developed, Campus Parkway will extend through the community and connect with Bellevue Road. This project is a

vital component of a regional loop that will relieve congestion and improve goods and services movement to UC Merced and throughout the Atwater and Merced area. In 2010, the first segment of the Campus Parkway from Highway 99 to Childs Avenue was constructed. In 2018, Transportation Congestion Relief Program (TCRP) funds are programmed to be used to widen Highway 140 in preparation of Phase 2 which will extend Campus Parkway from Childs Avenue to Highway 140. 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: March 2016 marked the completion of the long-anticipated first phase of the Atwater-Merced Expressway project. This work is designed to improve safety, transportation and economic viability in the area. The Atwater-Merced Expressway Project has been in the works since 1997. This phase replaced the problematic Buhach Road interchange along Highway 99 and extended the expressway from the freeway to Green Sands Avenue. This project is another vital component of the same regional loop system mentioned above that will relieve congestion and improve goods and services movement to UC Merced and the Atwater and Merced areas. When the expressway is eventually extended to Castle Commerce Center and beyond, it will significantly improve access to and from the location, foster further development of the site, provide opportunity for the creation of new jobs and bring economic vitality to the region.

Senate Bill 863 Jail Construction Funding: Through Senate Bill 863, the fiscal year 15-16 State Budget included \$500 million for local jail reconstruction. With support from the Board of Supervisors, the Merced County Sheriff's and Public Works Departments, the County successfully pursued this grant funding to restructure the John Latorraca Correctional Center. Currently, facilities at the County's John Latorraca Correctional Center are insufficient. The facility was never intended to house high-level offenders. These funds will help address security and infrastructure concerns at the John Latorraca Correctional Center while improving the capacity to house programs that reduce recidivism. The plan also includes mental health treatment facilities and assessment programs in an effort to better address inmate needs and help reduce the number of re-offenses upon release.

More specific plans to renovate the facility include remodeling the existing dormitory space to bring the structures up to current code, providing additional exercise yard space, a new 10,000 square foot programming/classroom building, a medical/mental health unit with 30 beds, new laundry and kitchen facilities, a new intake/release building and an administration building with video visitations, and security upgrades and enhanced fencing for the entire site. The total project budget is approximately \$45 million, which is made up of \$40 million in State funding, \$4 million in County match and \$1 million in County in-kind match.

Behavioral Health Facility Remodel Project: In the past fiscal year, construction began on a project for the Department of Behavioral Health and Recovery Services to co-locate its services that are currently housed at various locations throughout the City of Merced. By pulling together these wellness outlets, the project will create a central location to comprehensively address patient needs and facilitate better collaboration and care coordination between programs. The former Merced Community Medical Center Campus on 15th Street in Merced was selected as the site to be renovated and serve as the new central location. Services that are anticipated to be shifted to the new site once established include adult substance use disorder services, adult mental health services, dual diagnosis program, medical services, community access to recovery services (central intake/access), wellness center, administration, and the public guardian/conservator program.

This approximately \$27 million project poses no cost to the County's General Fund and is estimated to save \$.3 million a year in rental/lease agreements. The project is 82,000 square feet and would provide opportunity to expand. The construction period is estimated at approximately 18 months.

A portion of this project includes a Crisis Residential Unit (CRU), which is a secondary treatment facility that will allow the County to more comprehensively address mental health issues in the region. The CRU will serve a valuable role locally in the care of clients. Currently, someone with a severe mental health issue is placed in the Marie Green Psychiatric Center. This facility provides them crisis services and 72 hours or more to stabilize. The Marie Green Center does an excellent job in efficiently alleviating issues with clients, but it isn't long before many of those same clients re-enter the facility with another crisis or emergency. The purpose of Marie Green is to stabilize clients during severe mental health episodes. The CRU is designed to address this "revolving door" issue by providing clients with the tools they need to transition back into society and be self-sufficient. The unit will provide clients with more comprehensive treatment during an extended stay of up to 30 days, allowing staff to work on longer-term solutions to improve the health and well-being of clients. The facility is expected to contain

16 beds. *Groundwater and Drought Management:* Following a full year of above-average precipitation, Merced County was downgraded to “extreme drought” intensity from “exceptional drought” intensity. These conditions provide hope for recovery, but it will take several years of sustained rainfall and snowpack before the impacts of the four-year drought are reversed and the region’s groundwater basin levels start to improve. In the meantime, the conditions brought on by the drought continue to negatively affect the regional economy, which is largely dependent upon the agricultural industry.

To assist residents with dry wells in unincorporated areas, the Board of Supervisors approved an Emergency Water Distribution Plan in July 2015 to provide temporary water supplies for Merced County residents who have had wells go dry as a result of the drought. The non-potable water would be provided for health and sanitation purposes. Bottled water for drinking and cooking is also available. This program will stay in place as long as the State of Emergency continues and funding remains.

County staff is continuing to work with local stakeholders and outside experts on the implementation of recently-passed state legislation known as the Sustainable Groundwater Management Act (SGMA), which calls for more stringent groundwater oversight. SGMA will require the County to work together with various local agencies to develop Groundwater Sustainability Agencies, which are responsible for managing groundwater basins and developing Groundwater Sustainability Plans. The goal of SGMA is to achieve groundwater basin sustainability by January 31, 2042.

The County is continuing to encourage water conservation amongst the public through a multiplatform approach. Various services, conservation tips and programs can be found on the County website, www.co.merced.ca.us/savewater. Efforts are also underway by the County to better conserve and manage water through both innovative measures as well as program adjustments such as reduced irrigation at County parks to comply with the Governor’s Executive Order B-29-15, but trees will be monitored and receive more water if they show signs of stress. Additional measures have been implemented at County facilities to comply with the Executive Order.

Economic Development: The Board of Supervisors has continued its strong support of economic development initiatives resulting in our countywide unemployment rate decreases. Gains in manufacturing and agricultural processing appear to be driving our economic improvement. Merced County continues to serve as the facilitative economic development agent in support of its own economic objectives (recruitment, retention and expansion), while supporting the outstanding efforts of each of our respective six cities.

The Board of Supervisors is aggressively pursuing the Castle Development Strategic Plan which calls for upwards of 9,000 new jobs over a 15 to 20 year time horizon. This innovative plan specifically calls for the development of 7 to 8 million square feet of industrial development space, which will undoubtedly position Merced County for enhanced competitiveness in several key target industry areas including the following: technology-related manufacturing, industrial machinery, food production and autonomous vehicles. Currently, Castle Commerce Center is under consideration by the United States Department of Transportation as a site for a proving ground for the driverless car industry.

Google remains the single largest tenant at Castle Commerce Center, occupying over 91 acres of property for the driverless car program and fiber deployment program. Castle Commerce Center has approximately 75 tenants on site, 100 leaseholds and has privatized more than 20 properties over the last 18 months.

Planning: The Board of Supervisors successfully put in place an Agricultural Mitigation Ordinance which was a key objective of the 2030 General Plan Update, which continues to serve as the Merced County’s “blueprint” or “constitution” for all future land use, development, preservation, and resource conservation decisions. This Ordinance encourages the protection of our most valuable agricultural lands and serves as a benchmark for our incorporated cities as well.

Currently, staff is preparing community plan updates for the communities of Planada, Le Grand and Winton. These community plan updates will set the stage for future development in those respective unincorporated communities and have involved years of stakeholder engagement, public input and guidance from the Board of Supervisors.

The Sustainable Groundwater Management Act (SGMA) is a key county and organizational priority as Groundwater Sustainability Agencies must be formed by June 30, 2017. Merced County will be participating in 7 such agencies. Formation steps have taken place in each of our respective subbasins to meet the statutory

requirements of SGMA. Critical future steps will include the development of Groundwater Sustainability Plans which must be in place by 2020 (for the Merced Subbasin, Delta-Mendota Subbasin and Chowchilla Subbasin) or 2022 (in the case of the Turlock Subbasin).

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 7,300 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 recently announced a four year project that will nearly double the physical capacity of the campus and 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) 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

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, the related Uniform Guidance and uniform administrative requirements, cost principals and audit requirements for Federal awards. 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

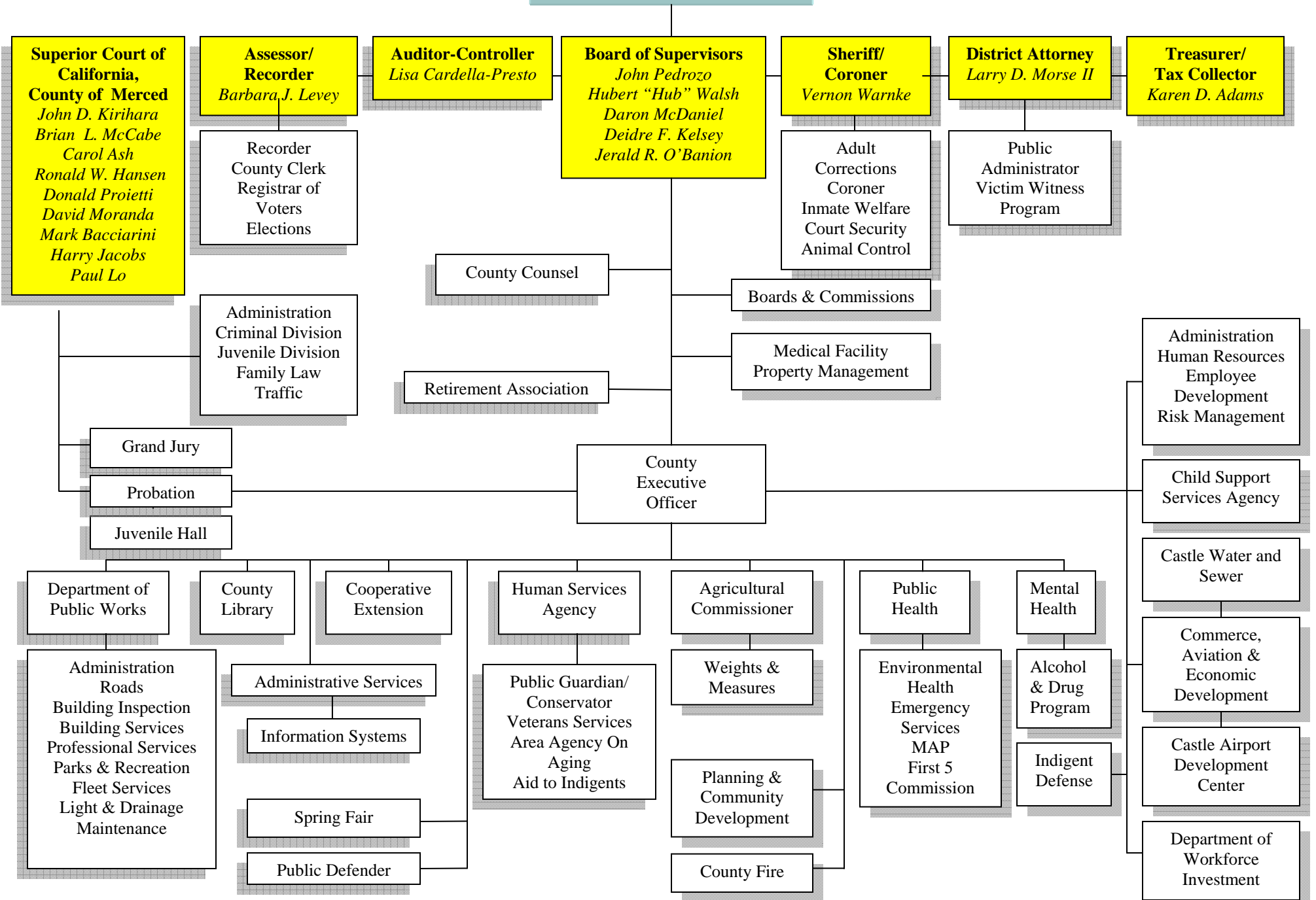
The preparation of the Comprehensive Annual Financial Report is accomplished with the efficient and dedicated services of the entire staff of the Auditor-Controller's office. Thank you goes to all the County departments for their cooperation and participation in creating this report and to the Board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



County of Merced

Board of Supervisors and Fiscal Officers

(As of June 30, 2016)

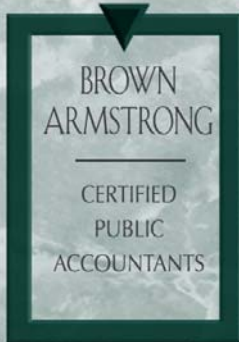
Board of Supervisors

| | |
|----------------------|---------------------------------|
| District 1 | John Pedrozo |
| District 2 | Hubert “Hub” Walsh, Chairperson |
| District 3 | Daron McDaniel |
| District 4 | Deidre F. Kelsey |
| 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 | Roscoe Jackson (Foreperson) |
| Superior Court | Brian L. McCabe (Presiding Judge) |
| Treasurer-Tax Collector | Karen D. Adams, C.P.A. |

FINANCIAL SECTION



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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 County'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, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the General Fund and the Road Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matters

As disclosed in Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, during the fiscal year ended June 30, 2016. 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 analysis on pages 3-15, schedules of the County's proportionate share of the net pension liability and County's contributions on page 86, and the schedule of funding progress on page 87, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The 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 9, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Bakersfield, California
March 9, 2017

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The County of Merced's (County) Management's 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, 2016. 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 and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the 2015-2016 fiscal year-end by \$191.6 million. This is referred to as net position. Of this amount, negative \$312.6 million (unrestricted net position) is primarily the result of the County's unfunded pension and other post employment benefits, \$39.8 million is restricted for specific purposes (restricted net position), and \$464.3 million is the net investment in capital assets.
- The County's total net position increased by \$52.7 million from the 2014-2015 fiscal year-end. Net position in the governmental activities increased by \$57.0 million, while that in the business-type activities decreased by \$4.3 million.
- As of the close of the 2015-2016 fiscal year, the County's governmental funds reported a combined ending fund balance of \$166.3 million, an increase of \$12.2 million from the prior year. Of this amount, \$51.7 million is available for the County's ongoing obligations related to programs with external restrictions (restricted fund balance). Of the remaining amount, \$58.0 million is available to fund ongoing commitments of the County's programs for citizens (committed and assigned fund balance) and another \$54.8 million are funds which are currently unassigned.
- As of the close of the 2015-2016 fiscal year, the fund balance for the General Fund was \$91.7 million, of which \$35.5 million is available to fund ongoing commitments of the County's programs (committed and assigned fund balance) and \$54.8 million are funds that are currently unassigned.
- The County's total long-term debt increased by \$2.1 million in comparison with the prior year. The increase in long-term debt is largely due to a \$12.3 million dollar increase in the County's unfunded net pension liability, offset by debt service payments on principal in the amount of \$10.2 million.

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them 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 Operations, 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 Operations, 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 43-85 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, Proportionate Share of the Net Pension Liability and County Contributions. Required supplementary information can be found on pages 86-87 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 | | Variance |
|--------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| Current and other assets | \$ 342,885,668 | \$ 309,866,726 | \$ 15,245,840 | \$ 14,221,125 | \$ 358,131,508 | \$ 324,087,851 | 10.50% |
| Capital assets | 367,175,175 | 360,557,107 | 112,866,001 | 118,350,823 | 480,041,176 | 478,907,930 | 0.24% |
| Total assets | <u>\$ 710,060,843</u> | <u>\$ 670,423,833</u> | <u>\$ 128,111,841</u> | <u>\$ 132,571,948</u> | <u>\$ 838,172,684</u> | <u>\$ 802,995,781</u> | 4.38% |
| Deferred outflows of resources | \$ 56,073,892 | \$ 49,211,027 | \$ 249,859 | \$ 223,548 | \$ 56,323,751 | \$ 49,434,575 | 13.94% |
| Total deferred outflows of resources | <u>\$ 56,073,892</u> | <u>\$ 49,211,027</u> | <u>\$ 249,859</u> | <u>\$ 223,548</u> | <u>\$ 56,323,751</u> | <u>\$ 49,434,575</u> | 13.94% |
| Current and other liabilities | \$ 125,410,069 | \$ 113,380,334 | \$ 247,119 | \$ 315,783 | \$ 125,657,188 | \$ 113,696,117 | 10.52% |
| Long-term liabilities | 559,675,611 | 557,621,306 | 2,244,650 | 2,205,068 | 561,920,261 | 559,826,374 | 0.37% |
| Total liabilities | <u>\$ 685,085,680</u> | <u>671,001,640</u> | <u>\$ 2,491,769</u> | <u>\$ 2,520,851</u> | <u>\$ 687,577,449</u> | <u>\$ 673,522,491</u> | 2.09% |
| Deferred inflows of resources | \$ 15,233,285 | \$ 39,808,040 | \$ 86,618 | \$ 180,834 | \$ 15,319,903 | \$ 39,988,874 | -61.69% |
| Total deferred inflows of resources | <u>\$ 15,233,285</u> | <u>\$ 39,808,040</u> | <u>\$ 86,618</u> | <u>\$ 180,834</u> | <u>\$ 15,319,903</u> | <u>\$ 39,988,874</u> | -61.69% |
| Net position | | | | | | | |
| Net investment in capital assets | \$ 351,410,112 | \$ 344,021,929 | \$ 112,866,000 | \$ 118,350,822 | \$ 464,276,112 | \$ 462,372,751 | 0.41% |
| Restricted | 39,447,742 | 38,731,421 | 557,411 | 268,738 | 40,005,153 | 39,000,159 | 2.58% |
| Unrestricted | (325,042,084) | (373,928,170) | 12,359,902 | 11,474,251 | (312,682,182) | (362,453,919) | -13.73% |
| Total net position | <u>\$ 65,815,770</u> | <u>\$ 8,825,180</u> | <u>\$ 125,783,313</u> | <u>\$ 130,093,811</u> | <u>\$ 191,599,083</u> | <u>\$ 138,918,991</u> | 37.92% |

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 \$191.6 million at June 30, 2016, for the County.

The largest portion of the County’s net position, \$464.3 million or 242.3%, 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, \$40.0 million or 20.9%, represents resources that are subject to external restrictions on how they may be used and are listed as *restricted*. The remaining component, those resources reported as *unrestricted*, totaled negative \$312.7 million or negative 163.2% and is largely due to the net pension liability, which was \$439.9 million as of June 30, 2016.

Governmental activities. Net position in the County's governmental activities increased by \$57.0 million during the current fiscal year. The key components changed as follows:

- Current and other assets increased by \$33.0 million or 10.7%, most of which can be primarily attributed to an increase in equity in pooled cash and investments of \$27.0 million and an increase in receivables of \$6.1 million. The increases in equity in pooled assets and restricted assets are primarily due to a prior period adjustment to cash in the Insurance Pool internal service fund in the amount of \$6.1 million, increased funds received from property tax revenues in the amount of \$5.0 million and \$2.1 million in miscellaneous revenue, and also due to the trustee's decision to make a minimal principal payment on the Tobacco Bonds in fiscal year 2016.
- Capital assets increased \$6.6 million or 1.8% due primarily to increases in Construction in Progress (CIP) of \$14.3 million. The increased capitalized costs associated with various Capital Improvement Program projects include \$10.2 million for the Atwater-Merced Expressway, \$5.3 million for various bridge and road projects, \$1.0 million for Merced County's new Financial System and \$1.2 million for the Mental Health Facility project. This increase is partially offset by depreciation costs associated with capitalized assets and assets disposals.
- Current and other liabilities increased by \$12.0 million or 10.6%. This increase is in part due to increases in unearned revenue of \$10.5 million and an increase in accrued liabilities of \$1.5 million. The increase in unearned revenue is due to increases in advanced funding for various grants within the General Fund in the amount of \$9.8 million. The increase in accrued liabilities is due primarily to increases in various programs in the General Fund.
- Long-term liabilities increased by \$2.1 million or 0.4%. The increase in long-term debt is largely due to a \$12.3 million dollar increase in the County's unfunded net pension liability, offset by debt service payments on principal in the amount of \$10.2 million.

Business-type activities. Net position in the County's business-type activities decreased \$4.3 million, or 3.3% from the previous year. The key components of the decrease are as follows:

- Current and other assets increased by \$1.0 million or 7.2%. This is primarily due to an increase of \$0.7 million in equity in pooled cash and investments and an increase of \$0.3 million restricted assets in Castle Airport operations.
- Capital assets decreased by \$5.5 million or 4.6%. The primary cause of the decrease is due to depreciation on capital assets in the amount of \$6.2 million offset by an increase of \$0.9 million in construction in progress of various projects in Castle Airport operations.
- Current and other liabilities decreased by less than \$0.1 million or 21.8%. The primary cause of the decrease is a decrease of accrued liabilities by \$0.1 million in Castle Airport operations for the unpaid bills incurred in various construction projects offset by an immaterial decrease of unearned revenue.
- Long-term liabilities increased slightly by less than \$0.1 million primarily due to an increase in the County's unfunded net pension liability in Castle Airport operations.

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, 2016 and 2015:

Summary of Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | | Variance |
|--------------------------------------|-------------------------|---------------|--------------------------|----------------|----------------|----------------|----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| Revenues | | | | | | | |
| Program revenues | | | | | | | |
| Charges for services | \$ 41,173,265 | \$ 45,163,683 | \$ 2,992,391 | \$ 2,335,676 | \$ 44,165,656 | \$ 47,499,359 | -7.02% |
| Operating grants and contributions | 294,876,234 | 273,006,826 | 600,107 | 1,069,993 | 295,476,341 | 274,076,819 | 7.81% |
| Capital grants and contributions | 3,054,935 | 2,127,726 | - | - | 3,054,935 | 2,127,726 | 43.58% |
| General revenues | | | | | | | |
| Property taxes | 86,367,758 | 81,429,875 | - | - | 86,367,758 | 81,429,875 | 6.06% |
| Sales and use taxes | 7,663,552 | 7,474,698 | - | - | 7,663,552 | 7,474,698 | 2.53% |
| Other taxes | 1,271,667 | 1,476,235 | - | - | 1,271,667 | 1,476,235 | -13.86% |
| Unrestricted investment earnings | 2,841,838 | 2,047,915 | 98,721 | 122,226 | 2,940,559 | 2,170,141 | 35.50% |
| Other | 7,682,948 | 9,729,538 | - | - | 7,682,948 | 9,729,538 | -21.03% |
| Total revenues | 444,932,197 | 422,456,496 | 3,691,219 | 3,527,895 | 448,623,416 | 425,984,391 | 5.31% |
| Expenses | | | | | | | |
| General government | \$ 29,696,757 | \$ 30,675,489 | \$ - | \$ - | \$ 29,696,757 | \$ 30,675,489 | -3.19% |
| Public protection | 120,019,155 | 115,413,015 | - | - | 120,019,155 | 115,413,015 | 3.99% |
| Public ways and facilities | 19,803,192 | 21,493,430 | - | - | 19,803,192 | 21,493,430 | -7.86% |
| Health and sanitation | 61,569,056 | 56,004,315 | - | - | 61,569,056 | 56,004,315 | 9.94% |
| Public assistance | 154,865,659 | 155,942,493 | - | - | 154,865,659 | 155,942,493 | -0.69% |
| Education | 2,934,193 | 2,573,481 | - | - | 2,934,193 | 2,573,481 | 14.02% |
| Recreation and cultural services | 1,858,781 | 1,768,035 | - | - | 1,858,781 | 1,768,035 | 5.13% |
| Interest on long-term debt | 3,269,802 | 3,812,452 | - | - | 3,269,802 | 3,812,452 | -14.23% |
| Medical Facilities Lease Operations | - | - | 154,379 | 254,973 | 154,379 | 254,973 | -39.45% |
| Castle Airport Development Center | - | - | 7,605,707 | 7,858,109 | 7,605,707 | 7,858,109 | -3.21% |
| Castle Water and Sewer | - | - | 241,631 | 264,085 | 241,631 | 264,085 | -8.50% |
| Total expenses | 394,016,595 | 387,682,710 | 8,001,717 | 8,377,167 | 402,018,312 | 396,059,877 | 1.50% |
| Excess (deficiency) before transfers | 50,915,602 | 34,773,786 | (4,310,498) | (4,849,272) | 46,605,104 | 29,924,514 | 55.74% |
| Transfers | - | - | - | - | - | - | - |
| Change in net position | 50,915,602 | 34,773,786 | (4,310,498) | (4,849,272) | 46,605,104 | 29,924,514 | 55.55% |
| Net position - July 1 | 8,825,180 | 402,466,363 | 130,093,811 | 136,889,218 | 138,918,991 | 539,355,581 | -74.24% |
| Prior period adjustment | 6,074,988 | (428,414,969) | - | (1,946,135) | 6,074,988 | (430,361,104) | -101.41% |
| Net position-beginning, as restated | 14,900,168 | (25,948,606) | 130,093,811 | 134,943,083 | 144,993,979 | 108,994,477 | 33.03% |
| Net position - June 30 | \$ 65,815,770 | \$ 8,825,180 | \$ 125,783,313 | \$ 130,093,811 | \$ 191,599,083 | \$ 138,918,991 | 37.92% |

Governmental activities. These activities increased the County's net position by \$50.9 million or 576.94%. Total revenues increased by \$22.5 million or 5.3% while total expenses increased by \$6.4 million or 1.6% from the prior year. The key elements of these changes are as follows:

Revenues

- Charges for services decreased by \$4.0 million or 8.8%. The decrease is due to a reduction of revenue within the general government function in the amount of \$2.0 million and a reduction of revenue within the public ways and facilities function in the amount of \$1.6 million with minimal decreases across many program charges for services throughout the County.
- Operating grants and contributions increased by \$21.9 million or 8.0%. The \$21.9 million increase is largely due to an increase in Federal Aid for public assistance.
- Capital grants and contributions increased by \$0.9 million or 43.6%. The increase is primarily due to increased Federal Aid for Road Construction in the amount of \$0.9 million.

- Property taxes increased by \$4.9 million, or 6.1%, primarily as a result of increased value assessments. Total taxable assessed values increased by 10.9% as of the end of the 2015/2016 fiscal year compared with an increase of 9.5% for the fiscal year-end 2014/2015.
- Sales and use taxes increased slightly by \$0.2 million or 2.5% primarily as a result of the general level of business activities.
- Unrestricted investment earnings increased \$0.8 million, or 38.8%, due to improving 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 #31.
- Other revenue decreased by \$2.0 million or 21.0%. The decrease is primarily due to the rates utilized to charge departments each payroll to fund the annual debt service payments on the Pension Obligation Bonds.

Expenses

- The governmental activities categories with increases in expenses are public protection with an increase of \$4.6 million or 4.0%, health and sanitation with an increase of \$5.5 million or 9.9%, education with an increase for \$0.4 million or 14.0% and recreation and cultural services with an increase of \$0.1 million or 5.0%. The increase in the aforementioned expenses is largely due to increased Federal and State Aid for Assistance, allowing for more funding of programs and associated costs.
- Other functional areas experienced modest decreases in expenses such as general government (\$1.0 million), public ways and facilities (\$1.7 million), public assistance (\$1.1 million) and interest on long-term debt (\$0.5 million). General cost saving measures through various departments contributed mainly to decreases. The decrease in interest on long-term debt is primarily due to reduced balance on outstanding debt from regularly scheduled debt service payments on principal, thus causing lower interest costs annually.

Business-type activities. In aggregate, activities caused the net position in the County's business-type activities to decrease \$4.3 million or 3.3% from the previous year. The key elements of the change are as follows:

Revenues

- Revenues increased slightly by \$0.2 million or 4.6% as compared to the prior year. The overall increase is largely due to operations within Castle Airport operations.

Expenses

- Expenses decreased by \$0.4 million or 4.5% from the previous year. The decrease in expenses is primarily within Castle Water and Sewer operations. The general and administrative expenses decreased slightly, due to cost reduction measures taken within Castle Water and Sewer operations.

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, 2016, the County's governmental funds reported combined fund balances of \$166.3 million, a \$12.2 million or 7.9% increase from the prior year. Of this amount, \$51.7 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 (\$19.5 million), (2) to pay future capital projects and equipment purchases (\$4.9 million), and (3) by contract or grant agreement (\$15.8 million including \$11.5 million held in escrow for tobacco securitization). Of the remaining amount, \$37.2 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 (\$10.9 million), reserves for County payroll (\$7.6 million), and allocations for various facilities and capital outlays (\$1.4 million). Of the remaining amount, \$20.8 million is available to fund the County's programs (assigned fund balance). These assigned balances include items such as reserves for the eventual development and replacement of the County's financial systems (\$3.0 million) and Castle Sewer Projects for Castle Airport (\$1.7 million). In addition, there are numerous other programs and projects for which funds have been assigned (\$16.1 million). Unassigned fund balance totaled \$54.8 million and is available for unspecified other purposes of the County. Of the total fund balance for the County, \$1.9 million is deemed nonspendable in form and includes advances to other funds, inventories, permanent funds and prepaid items. See Note 16, Net Position/Fund Balances for further information.

The *General Fund* is the chief operating fund of the County. At June 30, 2016, the unassigned fund balance of the General Fund was \$54.8 million, while the total fund balance was \$91.7 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 15.3% of total General Fund expenditures, while the total fund balance represents 25.5% of that same amount. The fund balance for the General Fund increased by \$13.2 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 (FY) and the percentage change in relation to the prior year:

| | FY 2015/16 | | FY 2014/15 | | Increase/(Decrease) | |
|--------------------------------------|-----------------------|------------------|-----------------------|------------------|----------------------|-------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Change |
| Taxes and assessments | \$ 79,710,476 | 21.29% | \$ 75,436,627 | 22.09% | \$ 4,273,849 | 5.67% |
| Licenses, permits and franchises | 5,284,243 | 1.41% | 5,389,779 | 1.58% | (105,536) | -1.96% |
| Fines, forfeitures and penalties | 5,006,274 | 1.34% | 6,171,267 | 1.81% | (1,164,993) | -18.88% |
| Use of money and property | 1,855,401 | 0.50% | 1,413,071 | 0.41% | 442,330 | 31.30% |
| Aid from other governmental agencies | 245,467,840 | 65.56% | 216,181,050 | 63.31% | 29,286,790 | 13.55% |
| Charges for current services | 34,345,020 | 9.17% | 34,484,051 | 10.10% | (139,031) | -0.40% |
| Other revenues | 2,771,608 | 0.73% | 2,398,029 | 0.70% | 373,579 | 15.58% |
| Total | <u>\$ 374,440,862</u> | <u>100.00%</u> | <u>\$ 341,473,874</u> | <u>100.00%</u> | <u>\$ 32,966,988</u> | <u>9.65%</u> |

The most significant changes in the overall \$33.0 million or 9.65% increase in General Fund revenues include:

- The increase in taxes and assessments of \$4.3 million or 5.67% was primarily a result of an increase in secured property taxes, supplemental taxes and sales and use taxes due to an increase in total assessed values for the year of 10.9% and increased business activities.
- Licenses, permits and franchises decreased by \$0.1 million or 2.0% due to decreased construction permits.
- Fines, forfeitures and penalties decreased by \$1.2 million or 18.9%. This decrease is largely due to a decrease in Vehicle Code fines of \$0.9 million.
- Revenues from the use of money and property increased by \$0.4 million or 31.3%. This was primarily due to improving 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 #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 \$29.3 million or 13.6% over the prior year. The increase is largely due to an increase in Federal Aid for Public Assistance (\$25.0 million), and an increase in State Aid for Mental Health Realignment (\$2.6 million), and the remaining increases (\$1.7 million) were immaterial changes in numerous program activities with no significant changes within any one single program.
- Charges for current services decreased by \$0.1 million or 0.4%. The decreases are in various accounts and not attributable to one specific revenue line item.
- Other revenues increased by \$0.4 million or 15.6%. The increase is due to changes in various revenue accounts and not attributable to one specific 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 2015/16 | | FY 2014/15 | | Increase/(Decrease) | |
|----------------------------------|-----------------------|------------------|-----------------------|------------------|----------------------|-------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Change |
| General government | \$ 30,536,020 | 8.50% | \$ 27,663,431 | 8.13% | \$ 2,872,589 | 10.38% |
| Public protection | 102,172,374 | 28.44% | 93,443,357 | 27.46% | 8,729,017 | 9.34% |
| Health and sanitation | 61,741,202 | 17.19% | 53,383,253 | 15.69% | 8,357,949 | 15.66% |
| Public assistance | 159,675,298 | 44.45% | 161,276,754 | 47.40% | (1,601,456) | -0.99% |
| Education | 3,128,541 | 0.87% | 2,689,119 | 0.79% | 439,422 | 16.34% |
| Recreation and cultural services | 1,943,796 | 0.55% | 1,792,395 | 0.53% | 151,401 | 8.45% |
| Total | <u>\$ 359,197,231</u> | <u>100.00%</u> | <u>\$ 340,248,309</u> | <u>100.00%</u> | <u>\$ 18,948,922</u> | <u>5.57%</u> |

The most significant changes in the overall \$18.9 million or 5.6% increase in General Fund expenditures include:

- General government expenditures increased by \$2.9 million or 10.4%. Within the general fund salaries and wages increased by \$0.8 million, with no significant increase in any one program. Services and supplies increased within the general fund by \$1.6 million with majority of the increase occurring in administrative services support division for increased janitorial costs. The remaining increase of \$0.5 million is spread over various departments.
- Public protection expenditures increased by \$8.7 million or 9.3%. The increase is largely due to salaries and benefits expense in the sheriff's and sheriff's corrections departments (\$2.0 million) and an increase in the probation and juvenile hall departments (\$1.4 million) and an overall increase in salaries and benefits (\$1.1 million) for various other public protection departments with no significant amount in any one department. Services and supplies increased \$2.9 million with a significant portion within the sheriff's department of corrections (\$1.1 million) with the remaining \$1.8 million spread over various other public protection departments with no significant amount in any one department.
- Health and sanitation expenditures increased by \$8.4 million or 15.7%. The increase is partly due to an increase of \$3.2 million in salaries and wages in the Mental Health department (\$1.0 million) and the Health Department (\$2.2 million). Combined, both the Mental Health and Health departments services and supplies increased \$4.7 million. The increase in Mental Health is largely due to increased funding from the State and Federal Governments which allowed for increased services being provided to County residents.
- Public assistance expenditures decreased by \$1.6 million or less than 0.1%. Within the Human Services Agency of the County, the decrease is primarily due to decreased expenditures on capital assets (\$2.9 million) from the prior year, which consisted of the replacement of existing workstations and on computer systems upgrades which was off set by modest increases in salaries and benefits in the current fiscal year due to staffing increases.
- Education expenditures increased by \$0.4 million or 16.3%. In the County Library, the increase in salaries and benefits accounts for the majority of the increase (\$0.2 million) due to normal pay adjustments and an additional staff hiring within the department. The remaining increase in expenditures (\$0.2 million) occurs throughout various departments and is not significant in any one single expense line item.
- Recreation and cultural services increased by \$0.1 million or 8.5%. The increase occurs throughout various departments and is not significant in any one single expense line item.

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

| | FY 2015/16 | FY 2014/15 | Increase/ (Decrease) |
|-------------------------|-----------------------|-----------------------|----------------------|
| | Amount | Amount | Amount |
| Transfers in | \$ 1,283,403 | \$ 111,460 | \$ 1,171,943 |
| Transfers out | (3,417,704) | (3,537,467) | 119,763 |
| Capital lease financing | 123,470 | 14,260 | 109,210 |
| Total | <u>\$ (2,010,831)</u> | <u>\$ (3,411,747)</u> | <u>\$ 1,400,916</u> |

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

- Transfers in increased by \$1.2 million or 1,051.5% from the prior fiscal year. The increase is largely due to the increase of transfers in from the Tobacco Securitization Fund (\$1.2 million) which accounted for the majority of the transfers in during the fiscal year. Transfers from the Tobacco Securitization Fund were for various projects in the capital improvement program.
- Transfers out increased by \$0.1 million or 3.4% from the prior fiscal year. The increase is largely due to transfers out to the Debt Service Fund for debt service payments on the Juvenile Hall 2013 bond obligation.
- Capital lease financing increased \$0.1 million or 765.9%. The increase is largely due to leased equipment within the Human Services Agency.

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, 2016, the fund balance of the Dairy Loan Program Fund was \$4.4 million. Of this amount, \$4.4 million is for future principal and interest payments on the existing obligation to the SWRCB. Total fund balance decreased by \$0.8 million during the current fiscal year. The decrease is due to expenditures due to debt service payments exceeding revenues.

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, 2016, the restricted portion of fund balance in this fund was \$6.3 million which consists primarily of fund balance that is restricted for road projects as the revenue source dictates. Total fund balance was \$9.7 million and represents a decrease of \$1.1 million from the previous year. The decrease is attributable to expenditures exceeding revenue from government aid, charges for current services and other revenues, in particular the Atwater-Merced Expressway project.

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, 2016, the total fund balance was restricted and was \$11.5 million. Total fund balance decreased by \$0.7 million during the current fiscal year primarily as a result of transfers out exceeding transfers in.

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, 2016, the total net position of this fund is \$110.2 million. Of this amount, \$110.6 million is net investment in capital assets, and \$0.6 million consists of restricted assets. Total unrestricted assets are negative \$0.9 million. During the current fiscal year, total net position decreased by \$4.3 million, due to operating losses which are primarily attributable to depreciation expenses for the operation which totaled \$6.2 million for the current fiscal year. This change is in part offset by non-operating revenues of \$0.9 million from state and federal grants and gains on the disposition of capital assets.

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 \$2.6 million or 0.57%. Supplemental appropriations of \$2.6 million or 0.57% were approved during the fiscal year. Major changes can be summarized as follows:

- An additional \$0.6 million was appropriated to the Mental Health department to cover the costs of professional services contracts and upgrade the mental health facility. The funding was derived from Federal and State funding sources.

- An additional \$0.4 million was appropriated to the Health department to cover the costs of professional and special services contracts, to purchase materials under the Homeland Security Program, Public Health Emergency Program, Hospital Preparedness Program, and Pan Flu Program. The majority of the increase was funded by Federal and State funding, and the remainder was from Blue Shield of California Foundation Whole Health Integration Project Grant.
- An additional \$0.3 million was appropriated to the County Executive Office in order to cover the higher than anticipated costs incurred in the sales tax audit and recovery program. The costs will be offset by increased unanticipated Sales and Use Tax revenue.
- An additional \$0.2 million was appropriated to the Human Services Agency to provide housing support services to CalWorks eligible families and multipurpose senior services programs. The increase was funded by Federal and State funding.
- The remaining increases totaling \$1.1 million were spread over numerous departments and were based either on unanticipated revenue, increases in charges for services, or unanticipated State or Federal funding.

During the year, actual revenues and other financing sources were less than budgetary estimates by \$28.0 million while expenditures and other financing uses were \$91.5 million less than budgetary estimates. Key variances of actual to budgetary estimates include:

Revenues:

- Taxes and assessments exceeded budget by \$8.0 million. This was primarily due to revenues exceeding the estimate for property taxes and sales and use taxes due to continued modest increases to assessed home valuations and increased business activities.
- Fines, forfeitures and penalties were less than budget by \$1.3 million. This was due primarily to lower than anticipated revenues from Vehicle Code Fines (\$1.5 million), Fines forfeitures and penalties (\$0.3 million) offset by receiving more revenue (\$0.5 million) than anticipated in Other Court Fines and County Share-City Fines and numerous other programs.
- Aid from other governmental agencies was less than budget by \$27.4 million. This was due primarily to lower than anticipated funding received from the Federal Government for programs in the Assistance to the Needy (\$35.4 million), Mental Health Realignment (\$4.7 million) and Mental Health State Aid – Proposition 63 (\$2.5 million) offset by receiving more revenue (\$15.2 million) than anticipated in Public Assistance and numerous other programs.
- Charges for current services also were less than budget by \$8.2 million. The variance is in part due to lower revenues associated with Mental Health Medi-Cal services for pharmaceuticals (\$6.2 million), less than anticipated revenues from Treasury and Investment Costs (\$0.4 million) and less than anticipated revenues from Law Enforcement-Trial Courts fees (\$0.3 million). The remaining shortfall (\$1.3 million) is due to less than anticipated charges for current services in numerous types of services in numerous departments within the County.

Expenditures:

- Unspent appropriations for salary and employee benefits were \$30.0 million. These savings included the following: General Government (\$3.0 million), Public Protection (\$8.5 million), Health and Sanitation (\$8.6 million), Public Assistance (\$9.4 million), Education (\$0.4 million) and Recreation and Cultural Services (\$0.1 million). Cost savings were realized across all functions as the result of holding open unfilled positions and other cost savings measures. Reduced spending also occurred due to the lower than forecasted revenues as discussed above.
- Unspent appropriations for services and supplies expenditures were \$28.2 million. These savings included the following: General Government (\$10.6 million), Public Protection (\$6.0 million), Health and Sanitation (\$6.5 million), Public Assistance (\$4.5 million), Education (\$0.3 million) and Recreation and Cultural Services (\$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 \$14.5 million. These savings included the following: General Government (\$0.5 million), Public Protection (\$0.4 million), Health and Sanitation (\$3.8 million) and Public Assistance (\$9.8 million). This was due to cost savings and due to lower than forecasted revenues.
- Expenditures for capital assets were \$14.2 million less than appropriated as a result of equipment and construction related expenditures which were budgeted but not procured in this fiscal cycle. These savings included General Government (\$11.6 million), Public Protection (\$2.1 million), Health and Sanitation (\$0.2 million) and Recreation and Cultural Services (\$0.3 million).
- Contingencies were established in the budget of \$3.9 million, of which no 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, 2016, amounts to \$480.0 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 \$1.1 million, or 0.2% from the previous fiscal year. The amount attributable to governmental activities increased by \$6.6 million, or 1.8%, while the amount attributable to business-type activities decreased by \$5.4 million, or 4.6%.

| | Governmental Activities | | Business-type Activities | | Total | | Variance |
|----------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| Infrastructure | \$ 129,378,483 | \$ 137,143,905 | \$ 7,202,551 | \$ 7,912,846 | \$ 136,581,034 | \$ 145,056,751 | -5.84% |
| Buildings and improvements | 78,604,092 | 82,006,573 | 57,816,675 | 63,319,258 | 136,420,767 | 145,325,831 | -6.13% |
| Land improvements | | | 552,274 | 685,996 | 552,274 | 685,996 | -19.49% |
| Equipment | 21,327,874 | 23,068,258 | 439,791 | 486,477 | 21,767,665 | 23,554,735 | -7.59% |
| Other capital assets | 5,123,736 | | | | 5,123,736 | | 100.00% |
| Construction in progress | 108,655,876 | 94,330,317 | 3,583,726 | 2,675,262 | 112,239,602 | 97,005,579 | 15.70% |
| Land | 24,085,114 | 24,008,054 | 43,270,984 | 43,270,984 | 67,356,098 | 67,279,038 | 0.11% |
| Total | \$ 367,175,175 | \$ 360,557,107 | \$ 112,866,001 | \$ 118,350,823 | \$ 480,041,176 | \$ 478,907,930 | 0.24% |

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

Governmental Activities:

- Infrastructure decreased by \$7.8 million or 5.7% as a result of depreciation on existing infrastructure in the amount of \$10.8 million exceeded by the sum of completed road and bridge construction projects for \$3.1 million.
- Buildings and improvements decreased by \$3.4 million or 4.2% due primarily to the depreciation of \$4.0 million exceeded by the sum of new capital outlays and completed construction projects in the amount of \$0.6 million. The most significant addition is the renovation of the Agricultural Center on Wardrobe, bringing Human Services Agency staff from outlying areas closer to the Human Services Agency's main Complex.
- Equipment decreased by \$1.7 million or 7.6% as the result of an asset classification of software into other capital assets in the amount of \$5.1 million in conjunction with depreciation of \$4.0 million less than the sum of new capital outlays and completed projects in the amount of \$5.7 million. Completed projects include Phase I of the County's new Financial System and the Recorder Department's Software program. In addition, the County Fire Department purchased two new fire engines, equipped with fire rescue apparatuses and three Command Vehicles. Vehicle purchases for various departments totaled \$0.6 million.
- Other capital assets increased \$5.1 million or 100.0% due to a reclassification of software costs from equipment.
- Construction in progress increased by \$14.3 million or 15.2% for the County. New construction in progress totaled \$23.9 million and transfers and deletions for completed projects totaled \$9.6 million. This increase included work on numerous road projects totaling \$16.7 million, including the Atwater-Merced Expressway in the amount of \$10.2 million, funds for various bridge projects totaling \$2.3 million, tenant improvements at the Human Services Agency facilities located at Castle Airport Development Center for \$0.8 million, improvements for the Administration Parking Lots for \$0.8 million, \$1.8 million for the new Mental Health Facility and funds expended for the County's new financial system for \$1.0 million.
- Land remained approximately the same at \$24.1 million with a minimal increase of \$0.1 million or 0.3%.

Business-Type Activities:

- Construction in progress increased by \$0.9 million or 34.0% for the County. This is due to structures and improvements underway at the Castle Airport Development Center.
- All other categories of capital assets showed decreases due to depreciation. Infrastructure decreased by \$0.7 million, buildings and improvements decreased by \$5.5 million, equipment decreased slightly, land improvements decreased by \$0.1 million.

- Land did not incur any additions in the fiscal year and remained approximately the same at \$43.3 million.

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 | | Variance |
|--------------------------------|-------------------------|----------------|--------------------------|--------------|----------------|----------------|----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| Pension Obligation Bonds | \$ 8,835,000 | \$ 16,825,000 | \$ - | \$ - | \$ 8,835,000 | \$ 16,825,000 | -47.49% |
| Tobacco Settlement Bonds | 34,833,403 | 34,897,511 | - | - | 34,833,403 | 34,897,511 | -0.18% |
| Certificates of Participation | 16,375,767 | 17,195,822 | - | - | 16,375,767 | 17,195,822 | -4.77% |
| Loans From State of California | 3,480,916 | 4,374,935 | - | - | 3,480,916 | 4,374,935 | -20.44% |
| Self-Insurance Debt | 18,884,564 | 18,957,450 | - | - | 18,884,564 | 18,957,450 | -0.38% |
| Earned Compensated Absences | 11,699,038 | 11,378,507 | 60,669 | 53,600 | 11,759,707 | 11,432,107 | 2.87% |
| Capital Lease Obligations | 165,715 | 115,171 | 34,844 | 46,430 | 200,559 | 161,601 | 24.11% |
| Other Post Employment Benefits | 27,497,196 | 28,256,644 | 168,604 | 171,599 | 27,665,800 | 28,428,243 | -2.68% |
| Net Pension Liability | 437,904,012 | 425,620,266 | 1,980,533 | 1,933,439 | 439,884,545 | 427,553,705 | 2.88% |
| Total | \$ 559,675,611 | \$ 557,621,306 | \$ 2,244,650 | \$ 2,205,068 | \$ 561,920,261 | \$ 559,826,374 | 0.37% |

At the end of the current fiscal year, the County had total long-term debt outstanding of \$561.9 million. The County’s total long-term debt increased by \$2.1 million, or 0.4%, during the current fiscal year. Key elements of this change include:

- Net pension liability, which is the result of GASB Statement #68, was implemented in the prior year and experienced an increase of \$12.3 million or 2.9%. The increase is based upon the estimated liability as stated within the actuarial report. Additional information regarding the net pension liability can be obtained in Note 12 of this report.
- Other Post Employment Benefits (OPEB) debt decreased by \$0.8 million, or 2.7%. The County added additional tiers to its retirement system in 2012 and 2013 which is resulting in a small reduction to the Annual Required Contribution (ARC) of \$4.4 million as compared to \$4.7 million in the prior year. See Note 13 for additional information.
- Estimated self-insurance debt decreased slightly by \$0.1 million or 0.4%, due principally to a decrease in the estimated balance of outstanding general and auto liability, County Dental Plan and Unemployment Insurance claims incurred in the year ended June 30, 2016 as compared to estimated claim payments for these insurance programs. See Note 15 for additional information.
- Earned Compensated Absences increased by \$0.3 million or 2.9%. The increase is spread throughout various departments and not significant within any specific department nor due to any policy change.
- Decreases in the amount of long-term debt owed on Pension Obligation Bonds (\$8.0 million), Certificates of Participation (\$0.5 million), and loans from the State of California (\$0.9 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 continue to show signs of recovery from the effects of many years of a sluggish economy. Merced County also has shown signs of recovery, but continues to feel the effects of relatively high levels of unemployment and the effects of the drought. Recovery is being seen in the value of the single family homes. The total assessed value of taxable property within the County increased by 10.9% from the previous year. Retail sales are also showing some signs of recovery. Still, a modestly recovering 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 16/17 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 State's fiscal uncertainties continue to impact County revenues and its programs.

- The County's fund balance remains sufficient. The Board of Supervisors has continued its effort in 2016/17 to remain conservative in its future planning to help weather the current and potential future 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 \$54.8 million. The County has appropriated the full amount for spending in the 2016/2017 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

CITY OF MERCED
STATEMENT OF NET POSITION
June 30, 2016

| | Primary Government | | Total |
|---------------------------------------|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | |
| ASSETS | | | |
| Equity in pooled cash and investments | \$ 292,279,259 | \$ 14,484,718 | \$ 306,763,977 |
| Receivables, net | 39,746,963 | 202,029 | 39,948,992 |
| Internal balances | 1,639 | | 1,639 |
| Prepaid items | 258,007 | | 258,007 |
| Inventories | 527,021 | 1,682 | 528,703 |
| Restricted assets | 10,072,779 | 557,411 | 10,630,190 |
| Capital assets: | | | |
| Nondepreciable | 132,740,990 | 46,854,711 | 179,595,701 |
| Depreciable, net | 234,434,185 | 66,011,290 | 300,445,475 |
| Total assets | <u>710,060,843</u> | <u>128,111,841</u> | <u>838,172,684</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred pensions | 56,073,892 | 249,859 | 56,323,751 |
| Total deferred outflows of resources | <u>56,073,892</u> | <u>249,859</u> | <u>56,323,751</u> |
| LIABILITIES | | | |
| Accrued liabilities | 24,227,012 | 157,490 | 24,384,502 |
| Internal balances | | 1,639 | 1,639 |
| Unearned revenue | 101,183,057 | 87,990 | 101,271,047 |
| Long-term liabilities: | | | |
| Due within one year | 24,223,928 | 27,582 | 24,251,510 |
| Due in more than one year | 535,451,683 | 2,217,068 | 537,668,751 |
| Total liabilities | <u>685,085,680</u> | <u>2,491,769</u> | <u>687,577,449</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred pensions | 15,233,285 | 86,618 | 15,319,903 |
| Total deferred inflows of resources | <u>15,233,285</u> | <u>86,618</u> | <u>15,319,903</u> |
| NET POSITION | | | |
| Net investment in capital assets | 351,410,112 | 112,866,000 | 464,276,112 |
| Restricted for: | | | |
| Public protection | 15,640,790 | | 15,640,790 |
| Health and sanitation | 5,447,600 | | 5,447,600 |
| Public assistance | 8,103,806 | | 8,103,806 |
| Debt service | 6,293,788 | | 6,293,788 |
| Perpetual use: | | | |
| Expendable | 226,871 | | 226,871 |
| Other purposes | 3,734,887 | | 3,734,887 |
| Castle Airport operations | | 557,411 | 557,411 |
| Unrestricted | (325,042,084) | 12,359,902 | (312,682,182) |
| Total net position | <u>\$ 65,815,770</u> | <u>\$ 125,783,313</u> | <u>\$ 191,599,083</u> |

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, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position Primary Government | | |
|---------------------------------------|-----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General | \$ 29,696,757 | \$ 15,720,542 | \$ 2,067,717 | | \$ (11,908,498) | | \$ (11,908,498) |
| Public protection | 120,019,155 | 15,252,521 | 42,646,990 | | (62,119,644) | | (62,119,644) |
| Public ways and facilities | 19,803,192 | 1,909,411 | 18,747,701 | \$ 3,054,935 | 3,908,855 | | 3,908,855 |
| Health and sanitation | 61,569,056 | 7,059,855 | 64,159,905 | | 9,650,704 | | 9,650,704 |
| Public assistance | 154,865,659 | 131,331 | 167,203,810 | | 12,469,482 | | 12,469,482 |
| Education | 2,934,193 | 77,107 | 49,811 | | (2,807,275) | | (2,807,275) |
| Recreation and cultural services | 1,858,781 | 1,022,498 | 300 | | (835,983) | | (835,983) |
| Interest on long-term debt | 3,269,802 | | | | (3,269,802) | | (3,269,802) |
| Total governmental activities | <u>394,016,595</u> | <u>41,173,265</u> | <u>294,876,234</u> | <u>3,054,935</u> | <u>(54,912,161)</u> | | <u>(54,912,161)</u> |
| Business-type activities: | | | | | | | |
| Medical Facility Lease Operations | 154,379 | 4,000 | | | \$ (150,379) | | (150,379) |
| Castle Airport Development Center | 7,605,707 | 2,650,668 | 600,107 | | (4,354,932) | | (4,354,932) |
| Castle Water and Sewer | 241,631 | 337,723 | | | 96,092 | | 96,092 |
| Total business-type activities | <u>8,001,717</u> | <u>2,992,391</u> | <u>600,107</u> | | <u>(4,409,219)</u> | | <u>(4,409,219)</u> |
| Total primary government | <u>\$ 402,018,312</u> | <u>\$ 44,165,656</u> | <u>\$ 295,476,341</u> | <u>\$ 3,054,935</u> | <u>(54,912,161)</u> | <u>(4,409,219)</u> | <u>(59,321,380)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 86,367,758 | | 86,367,758 |
| Sales and use taxes | | | | | 7,663,552 | | 7,663,552 |
| Other taxes | | | | | 1,271,667 | | 1,271,667 |
| Investment earnings | | | | | 2,841,838 | 98,721 | 2,940,559 |
| Miscellaneous | | | | | 7,682,948 | | 7,682,948 |
| Total general revenues | | | | | <u>105,827,763</u> | <u>98,721</u> | <u>105,926,484</u> |
| Change in net position | | | | | <u>50,915,602</u> | <u>(4,310,498)</u> | <u>46,605,104</u> |
| Net position - beginning | | | | | 8,825,180 | 130,093,811 | 138,918,991 |
| Prior period adjustment | | | | | 6,074,988 | | 6,074,988 |
| Net position - beginning, as restated | | | | | <u>14,900,168</u> | <u>130,093,811</u> | <u>144,993,979</u> |
| Net position - ending | | | | | <u>\$ 65,815,770</u> | <u>\$ 125,783,313</u> | <u>\$ 191,599,083</u> |

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, 2016

| | <u>General</u> | <u>Dairy Loan Program</u> | <u>Road</u> | <u>Tobacco Securitization</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-----------------------|-----------------------------------|----------------------|-----------------------------------|---|---|
| ASSETS & DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Assets: | | | | | | |
| Equity in pooled cash and investments | \$ 173,989,267 | \$ 4,380,739 | \$ 18,073,630 | \$ 11,496,465 | \$ 47,253,724 | \$ 255,193,825 |
| Receivables, net | | | | | | |
| Accounts | 27,792,795 | | 165 | | 2,244,997 | 30,037,957 |
| Notes | | 462,538 | | | 5,846,392 | 6,308,930 |
| Taxes and assessments | 1,108,417 | | | | 484,360 | 1,592,777 |
| Due from other funds | 808,446 | | 2,616 | | 895,326 | 1,706,388 |
| Prepaid items | 171,918 | | | | 86,089 | 258,007 |
| Inventories | 199,062 | | 191,281 | | | 390,343 |
| Restricted assets | 61,760 | | 88,871 | | 5,969,703 | 6,120,334 |
| Total assets | <u>204,131,665</u> | <u>4,843,277</u> | <u>18,356,563</u> | <u>11,496,465</u> | <u>62,780,591</u> | <u>301,608,561</u> |
| Total assets & deferred outflows of resources | <u>\$ 204,131,665</u> | <u>\$ 4,843,277</u> | <u>\$ 18,356,563</u> | <u>\$ 11,496,465</u> | <u>\$ 62,780,591</u> | <u>\$ 301,608,561</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accrued liabilities | \$ 16,627,912 | | \$ 1,264,189 | | \$ 5,299,062 | \$ 23,191,163 |
| Due to other funds | 2,684,714 | | 112,913 | | 718,144 | 3,515,771 |
| Advances from grantors & third parties | 93,115,487 | \$ 462,538 | 7,229,758 | | 7,790,131 | 108,597,914 |
| Total liabilities | <u>112,428,113</u> | <u>462,538</u> | <u>8,606,860</u> | | <u>13,807,337</u> | <u>135,304,848</u> |
| Fund balances: | | | | | | |
| Nonspendable | \$ 1,393,277 | | \$ 191,281 | | \$ 312,960 | \$ 1,897,518 |
| Restricted | 61,760 | \$ 4,380,739 | 6,271,587 | \$ 11,496,465 | 29,441,908 | 51,652,459 |
| Committed | 18,570,000 | | | | 18,633,220 | 37,203,220 |
| Assigned | 16,921,258 | | 3,286,835 | | 585,166 | 20,793,259 |
| Unassigned | 54,757,257 | | | | | 54,757,257 |
| Total fund balances | <u>91,703,552</u> | <u>4,380,739</u> | <u>9,749,703</u> | <u>11,496,465</u> | <u>48,973,254</u> | <u>166,303,713</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 204,131,665</u> | <u>\$ 4,843,277</u> | <u>\$ 18,356,563</u> | <u>\$ 11,496,465</u> | <u>\$ 62,780,591</u> | <u>\$ 301,608,561</u> |

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, 2016

| | | |
|---|--------------|----------------|
| Fund balances - Total Governmental Funds (page 18) | | \$ 166,303,713 |
| 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. | | 362,343,575 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds. | | 7,414,857 |
| Deferred outflows of resources are not financial resources and therefore are not reported in the governmental funds. | | 54,527,983 |
| 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. | | 17,991,646 |
| 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 | \$ 8,835,000 | |
| 2005 Tobacco Settlement Asset-Backed Bonds | 35,430,000 | |
| Less: Unamortized issuance discount | (596,597) | |
| Dairy loan program | 3,480,916 | |
| Juvenile Hall 2013 Certificates of Participation | 9,535,000 | |
| Courthouse Construction Certificates of Participation | 6,840,000 | |
| Add: Unamortized issuance premium | 767 | |
| Compensated absences | 11,290,220 | |
| Capital leases | 165,715 | |
| Other post employment benefits (OPEB) obligation | 26,676,339 | |
| Net Pension Liability (NPL) | 425,822,339 | |
| Accrued interest payable | 478,772 | (527,958,471) |
| Deferred inflows of resources are not financial liabilities due and payable in the current period and therefore not reported in the governmental funds. | | (14,807,533) |
| Net position of governmental activities (page 16) | | \$ 65,815,770 |

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, 2016

| | General | Dairy Loan Program | Road | Tobacco Securitization | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------|---------------------|---------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Taxes and assessments | \$ 79,710,476 | | | | \$ 15,154,464 | \$ 94,864,940 |
| Licenses, permits and franchise fees | 5,284,243 | | \$ 108,177 | | 4,400 | 5,396,820 |
| Fines, forfeitures and penalties | 5,006,274 | | 722 | | 1,377,438 | 6,384,434 |
| Revenue from use of money and property | 1,855,401 | \$ 102,902 | 136,941 | \$ 450,710 | 1,749,639 | 4,295,593 |
| Aid from other governmental agencies | 245,467,840 | | 21,801,860 | | 17,479,319 | 284,749,019 |
| Charges for current services | 34,345,020 | | 1,409,801 | | 1,105,764 | 36,860,585 |
| Other revenues | 2,771,608 | 119,977 | 406,804 | | 9,561,068 | 12,859,457 |
| Total revenues | <u>374,440,862</u> | <u>222,879</u> | <u>23,864,305</u> | <u>450,710</u> | <u>46,432,092</u> | <u>445,410,848</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General | 30,468,563 | | | 150 | 1,854,223 | 32,322,936 |
| Public protection | 102,172,374 | | | | 26,042,436 | 128,214,810 |
| Public ways and facilities | | | 25,011,912 | | | 25,011,912 |
| Health and sanitation | 61,741,202 | | | | 4,002,194 | 65,743,396 |
| Public assistance | 159,675,298 | | | | 1,560,560 | 161,235,858 |
| Education | 3,128,541 | | | | | 3,128,541 |
| Recreation and cultural services | 1,943,796 | | | | | 1,943,796 |
| Debt service: | | | | | | |
| Principal | | 894,019 | | | 8,920,000 | 9,814,019 |
| Interest | | 113,748 | | | 3,308,718 | 3,422,466 |
| Administration | 67,457 | | | | 14,756 | 82,213 |
| Capital outlay | | | | | 1,990,381 | 1,990,381 |
| Total expenditures | <u>359,197,231</u> | <u>1,007,767</u> | <u>25,011,912</u> | <u>150</u> | <u>47,693,268</u> | <u>432,910,328</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>15,243,631</u> | <u>(784,888)</u> | <u>(1,147,607)</u> | <u>450,560</u> | <u>(1,261,176)</u> | <u>12,500,520</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 1,283,403 | | | | 3,057,723 | 4,341,126 |
| Transfers out | (3,417,704) | | | (1,191,339) | (124,189) | (4,733,232) |
| Resources from capital leases | 123,470 | | | | | 123,470 |
| Total other financing sources (uses) | <u>(2,010,831)</u> | | | <u>(1,191,339)</u> | <u>2,933,534</u> | <u>(268,636)</u> |
| Net change in fund balances | <u>13,232,800</u> | <u>(784,888)</u> | <u>(1,147,607)</u> | <u>(740,779)</u> | <u>1,672,358</u> | <u>12,231,884</u> |
| Fund balances - beginning | <u>78,470,752</u> | <u>5,165,627</u> | <u>10,897,310</u> | <u>12,237,244</u> | <u>47,300,896</u> | <u>154,071,829</u> |
| Fund balances - ending | <u>\$ 91,703,552</u> | <u>\$ 4,380,739</u> | <u>\$ 9,749,703</u> | <u>\$ 11,496,465</u> | <u>\$ 48,973,254</u> | <u>\$ 166,303,713</u> |

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, 2016

| | | |
|--|---------------------|----------------------|
| Net change in fund balances - total governmental funds (page 20) | | \$ 12,231,884 |
| 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 (\$24,583,059) exceeded the book value of disposed capital assets (\$84,886) and depreciation (\$18,113,790) in the current period. | 6,384,383 | |
| 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 (\$737,037) exceeded the amount of new loans funded (\$0) in the current period. | (737,037) | |
| 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. | \$ <u>(152,638)</u> | |
| This amount represents revenues which are not considered "available" as of the balance sheet date. | | (152,638) |
| New capital lease agreements provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position: | | |
| This amount represents new capital lease obligations. | <u>(123,470)</u> | (123,470) |
| 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 | \$ 7,990,000 | |
| Capital leases | 72,926 | |
| 2005 Tobacco settlement asset-backed bonds | 110,000 | |
| Dairy loan program | 894,019 | |
| Juvenile Hall 2013 Certificates of Participation | 460,000 | |
| Courthouse Construction Certificates of Participation | <u>360,000</u> | 9,886,945 |
| 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 the governmental funds: | | |
| Change in accrued interest payable | \$ 203,543 | |
| Amortization of debt issuance discounts/premium | (45,837) | |
| Bad debt expense on notes receivable | (480,958) | |
| Increase in other post employment benefits (OPEB) obligation | 19,367,318 | |
| Increase in compensated absences | <u>(292,680)</u> | 18,751,386 |
| 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. | | <u>4,674,149</u> |
| Change in net position of governmental activities (page 17) | | <u>\$ 50,915,602</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|---------------|----------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 71,446,095 | \$ 71,722,095 | \$ 79,710,476 | \$ 7,988,381 |
| Licenses, permits and franchise fees | 4,703,009 | 4,785,009 | 5,284,243 | 499,234 |
| Fines, forfeitures and penalties | 6,277,331 | 6,277,331 | 5,006,274 | (1,271,057) |
| Revenue from use of money and property | 1,060,231 | 1,060,231 | 1,855,401 | 795,170 |
| Aid from other governmental agencies | 271,259,790 | 272,909,196 | 245,467,840 | (27,441,356) |
| Charges for current services | 42,252,845 | 42,553,969 | 34,345,020 | (8,208,949) |
| Other revenues | 2,880,902 | 3,111,131 | 2,771,608 | (339,523) |
| Total revenues | 399,880,203 | 402,418,962 | 374,440,862 | (27,978,100) |
| EXPENDITURES | | | | |
| <u>General Government</u> | | | | |
| Legislative and Administrative | | | | |
| Board of Supervisors | | | | |
| Salaries and employee benefits | 1,577,160 | 1,567,060 | 1,402,057 | 165,003 |
| Services and supplies | 5,247,207 | 5,257,307 | 533,055 | 4,724,252 |
| Other charges | | | | |
| Intrafund and interfund transfers | (47,641) | (47,641) | (17,699) | (29,942) |
| Capital outlay | 103,784 | 103,784 | 7,252 | 96,532 |
| Total Board of Supervisors | 6,880,510 | 6,880,510 | 1,924,665 | 4,955,845 |
| County Executive Office | | | | |
| Salaries and employee benefits | 2,115,021 | 2,114,836 | 1,982,559 | 132,277 |
| Services and supplies | 485,470 | 761,655 | 560,019 | 201,636 |
| Intrafund and interfund transfers | (32,600) | (32,600) | (6,146) | (26,454) |
| Total County Executive Office | 2,567,891 | 2,843,891 | 2,536,432 | 307,459 |
| Special Auditing | | | | |
| Services and supplies | 140,000 | 140,000 | 110,970 | 29,030 |
| Intrafund and interfund transfers | (8,500) | (8,500) | (8,620) | 120 |
| Total Special Auditing | 131,500 | 131,500 | 102,350 | 29,150 |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---------------------------------|------------------|-----------|----------------|-------------------------------|
| | Original | Final | | |
| Board of Equalization | | | | |
| Services and supplies | \$ 8,700 | \$ 8,700 | \$ 4,231 | \$ 4,469 |
| Total Board of Equalization | 8,700 | 8,700 | 4,231 | 4,469 |
| Finance | | | | |
| Auditor-Controller | | | | |
| Salaries and employee benefits | 3,240,108 | 3,164,894 | 2,528,459 | 636,435 |
| Services and supplies | 1,724,221 | 1,799,435 | 1,508,239 | 291,196 |
| Capital outlay | 3,443,758 | 3,443,758 | 1,561,152 | 1,882,606 |
| Total Auditor-Controller | 8,408,087 | 8,408,087 | 5,597,850 | 2,810,237 |
| Revenue and Reimbursement | | | | |
| Salaries and employee benefits | 247,452 | 212,352 | 76,210 | 136,142 |
| Services and supplies | 129,870 | 164,970 | 106,372 | 58,598 |
| Total Revenue and Reimbursement | 377,322 | 377,322 | 182,582 | 194,740 |
| Assessor | | | | |
| Salaries and employee benefits | 3,828,371 | 3,828,371 | 3,209,670 | 618,701 |
| Services and supplies | 478,567 | 478,567 | 385,895 | 92,672 |
| Capital outlay | 58,000 | 58,000 | 48,017 | 9,983 |
| Total Assessor | 4,364,938 | 4,364,938 | 3,643,582 | 721,356 |
| Tax Collector | | | | |
| Salaries and employee benefits | 457,234 | 470,494 | 428,052 | 42,442 |
| Services and supplies | 512,155 | 512,248 | 301,576 | 210,672 |
| Total Tax Collector | 969,389 | 982,742 | 729,628 | 253,114 |
| Treasurer | | | | |
| Salaries and employee benefits | 1,248,232 | 1,234,989 | 1,040,712 | 194,277 |
| Services and supplies | 516,665 | 516,555 | 299,200 | 217,355 |
| Total Treasurer | 1,764,897 | 1,751,544 | 1,339,912 | 411,632 |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| Administrative Services - Support Services | | | | |
| Salaries and employee benefits | \$ 1,569,747 | \$ 1,554,814 | \$ 1,426,602 | \$ 128,212 |
| Services and supplies | 2,825,538 | 2,885,446 | 2,164,641 | 720,805 |
| Intrafund and interfund transfers | (2,636,077) | (2,681,052) | (2,375,347) | (305,705) |
| Total Administrative Services - Support Services | <u>1,759,208</u> | <u>1,759,208</u> | <u>1,215,896</u> | <u>543,312</u> |
| Counsel | | | | |
| County Counsel | | | | |
| Salaries and employee benefits | 2,948,925 | 2,937,925 | 2,646,026 | 291,899 |
| Services and supplies | 729,518 | 740,518 | 243,486 | 497,032 |
| Intrafund and interfund transfers | (643,702) | (643,702) | (546,616) | (97,086) |
| Total County Counsel | <u>3,034,741</u> | <u>3,034,741</u> | <u>2,342,896</u> | <u>691,845</u> |
| Personnel | | | | |
| Human Resources | | | | |
| Salaries and employee benefits | 1,462,845 | 1,462,845 | 1,386,104 | 76,741 |
| Services and supplies | 565,243 | 565,243 | 414,016 | 151,227 |
| Intrafund and interfund transfers | (94,500) | (94,500) | (93,823) | (677) |
| Total Human Resources | <u>1,933,588</u> | <u>1,933,588</u> | <u>1,706,297</u> | <u>227,291</u> |
| Elections | | | | |
| Registrar of Voters | | | | |
| Salaries and employee benefits | 647,952 | 647,952 | 532,557 | 115,395 |
| Services and supplies | 285,878 | 285,878 | 220,473 | 65,405 |
| Total Registrar of Voters | <u>933,830</u> | <u>933,830</u> | <u>753,030</u> | <u>180,800</u> |
| Elections | | | | |
| Salaries and employee benefits | 112,831 | 112,831 | 91,898 | 20,933 |
| Services and supplies | 1,178,289 | 1,165,734 | 648,933 | 516,801 |
| Capital outlay | 110,823 | 123,378 | 17,661 | 105,717 |
| Total Elections | <u>1,401,943</u> | <u>1,401,943</u> | <u>758,492</u> | <u>643,451</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------|-------------------|------------------|-------------------------------|
| | Original | Final | | |
| Property Management | | | | |
| DPW - Building Services Division | | | | |
| Salaries and employee benefits | \$ 1,708,654 | \$ 1,708,654 | \$ 1,540,582 | \$ 168,072 |
| Services and supplies | 3,975,873 | 3,759,816 | 3,075,013 | 684,803 |
| Intrafund and interfund transfers | (2,970,120) | (2,970,120) | (3,027,863) | 57,743 |
| Total DPW - Building Services Division | <u>2,714,407</u> | <u>2,498,350</u> | <u>1,587,732</u> | <u>910,618</u> |
| Taxes and Assessments | | | | |
| Salaries and employee benefits | 235,000 | 235,000 | 230,532 | 4,468 |
| Other charges | 100 | 100 | 31 | 69 |
| Total Taxes and Assessments | <u>235,100</u> | <u>235,100</u> | <u>230,563</u> | <u>4,537</u> |
| Plant Acquisition | | | | |
| Capital Improvement Program | | | | |
| Services and supplies | 2,209,212 | 1,914,212 | 129,124 | 1,785,088 |
| Intrafund and interfund transfers | (250,000) | (1,227,349) | (977,349) | (250,000) |
| Capital outlay | 11,275,801 | 12,245,546 | 2,728,915 | 9,516,631 |
| Total Capital Improvement Program | <u>13,235,013</u> | <u>12,932,409</u> | <u>1,880,690</u> | <u>11,051,719</u> |
| District Projects | | | | |
| Services and supplies | 103,697 | 101,697 | 5,278 | 96,419 |
| Other charges | 412,054 | 354,104 | 163,619 | 190,485 |
| Intrafund and interfund transfers | 221,866 | 219,366 | 17,699 | 201,667 |
| Capital outlay | 1,587 | 1,587 | | 1,587 |
| Total District Projects | <u>739,204</u> | <u>676,754</u> | <u>186,596</u> | <u>490,158</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|-----------|----------------|-------------------------------|
| | Original | Final | | |
| Promotion | | | | |
| Advertising | | | | |
| Services and supplies | | \$ 3,038 | \$ 3,038 | |
| Other charges | \$ 313,844 | 310,806 | 28,265 | \$ 282,541 |
| Total Advertising | 313,844 | 313,844 | 31,303 | 282,541 |
| Commerce, Aviation and Economic Development | | | | |
| Salaries and employee benefits | 681,247 | 681,247 | 590,560 | 90,687 |
| Services and supplies | 392,299 | 422,294 | 226,820 | 195,474 |
| Total Commerce, Aviation and Economic Development | 1,073,546 | 1,103,541 | 817,380 | 286,161 |
| Other General Government | | | | |
| Risk Management | | | | |
| Salaries and employee benefits | 826,581 | 826,581 | 768,988 | 57,593 |
| Services and supplies | 616,090 | 616,091 | 499,140 | 116,951 |
| Total Risk Management | 1,442,671 | 1,442,672 | 1,268,128 | 174,544 |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Public Works Administration | | | | |
| Salaries and employee benefits | \$ 1,963,091 | \$ 1,963,264 | \$ 1,874,865 | \$ 88,399 |
| Services and supplies | 129,717 | 129,544 | 118,721 | 10,823 |
| Other charges | | | | |
| Intrafund and interfund transfers | (294,029) | (294,029) | (365,258) | 71,229 |
| Fixed assets | | | | |
| Total Public Works | <u>1,798,779</u> | <u>1,798,779</u> | <u>1,628,328</u> | <u>170,451</u> |
| Administration | | | | |
| Total General Government | <u>56,089,108</u> | <u>55,813,993</u> | <u>30,468,563</u> | <u>25,345,430</u> |
| <u>Public Protection</u> | | | | |
| Judicial | | | | |
| County Court Operations | | | | |
| Services and supplies | 100,000 | 100,000 | 44,196 | 55,804 |
| Other charges | 1,825,000 | 1,825,000 | 1,760,493 | 64,507 |
| Total County Court Operations | <u>1,925,000</u> | <u>1,925,000</u> | <u>1,804,689</u> | <u>120,311</u> |
| Grand Jury | | | | |
| Services and supplies | 32,200 | 48,190 | 50,320 | (2,130) |
| Fixed assets | | 14,010 | 5,410 | 8,600 |
| Total Grand Jury | <u>32,200</u> | <u>62,200</u> | <u>55,730</u> | <u>6,470</u> |
| District Attorney | | | | |
| Salaries and employee benefits | 10,672,324 | 10,709,891 | 9,883,710 | 826,181 |
| Services and supplies | 1,198,591 | 1,215,623 | 1,040,505 | 175,118 |
| Intrafund and interfund transfers | (226,348) | (226,348) | (212,504) | (13,844) |
| Total District Attorney | <u>11,644,567</u> | <u>11,699,166</u> | <u>10,711,711</u> | <u>987,455</u> |
| Public Defender | | | | |
| Salaries and employee benefits | 4,106,618 | 4,105,918 | 3,714,572 | 391,346 |
| Services and supplies | 634,910 | 635,610 | 468,848 | 166,762 |
| Intrafund and interfund transfers | (99,800) | (99,800) | (88,876) | (10,924) |
| Total Public Defender | <u>4,641,728</u> | <u>4,641,728</u> | <u>4,094,544</u> | <u>547,184</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|--------------|----------------|-------------------------------|
| | Original | Final | | |
| Indigent Defense | | | | |
| Services and supplies | \$ 1,930,940 | \$ 1,998,940 | \$ 1,952,232 | \$ 46,708 |
| Total Indigent Defense | 1,930,940 | 1,998,940 | 1,952,232 | 46,708 |
| Sheriff | | | | |
| Salaries and employee benefits | 23,488,366 | 22,677,643 | 20,463,595 | 2,214,048 |
| Services and supplies | 5,189,288 | 6,000,011 | 4,802,474 | 1,197,537 |
| Other charges | 141,974 | 141,974 | 31,955 | 110,019 |
| Intrafund and interfund transfers | (813,000) | (813,000) | (865,887) | 52,887 |
| Capital outlay | 345,297 | 355,067 | 143,457 | 211,610 |
| Total Sheriff | 28,351,925 | 28,361,695 | 24,575,594 | 3,786,101 |
| Detention and Correction | | | | |
| Sheriff's Correctional Facilities | | | | |
| Salaries and employee benefits | 14,939,562 | 14,434,311 | 13,853,494 | 580,817 |
| Services and supplies | 10,177,962 | 10,626,213 | 9,286,348 | 1,339,865 |
| Other charges | 30,000 | 30,000 | 4,375 | 25,625 |
| Intrafund and interfund transfers | (2,421,084) | (2,421,084) | (1,806,729) | (614,355) |
| Capital outlay | 660,016 | 807,016 | 199,936 | 607,080 |
| Total Sheriff's Correctional Facilities | 23,386,456 | 23,476,456 | 21,537,424 | 1,939,032 |
| Juvenile Hall | | | | |
| Salaries and employee benefits | 8,163,118 | 8,163,118 | 6,593,494 | 1,569,624 |
| Services and supplies | 2,001,536 | 2,001,536 | 1,733,624 | 267,912 |
| Other charges | 499,237 | 452,708 | 327,323 | 125,385 |
| Capital outlay | 38,036 | 258,419 | 166,353 | 92,066 |
| Total Juvenile Hall | 10,701,927 | 10,875,781 | 8,820,794 | 2,054,987 |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Probation | | | | |
| Salaries and employee benefits | \$ 12,076,487 | \$ 12,076,487 | \$ 10,503,367 | \$ 1,573,120 |
| Services and supplies | 3,757,440 | 3,796,793 | 2,782,928 | 1,013,865 |
| Intrafund and interfund transfers | 2,950,680 | 2,950,680 | 2,761,209 | 189,471 |
| Capital outlay | 180,000 | 180,000 | 18,202 | 161,798 |
| Total Probation | <u>18,964,607</u> | <u>19,003,960</u> | <u>16,065,706</u> | <u>2,938,254</u> |
| State Institutions | | | | |
| Other charges | 240,000 | 240,000 | 107,572 | 132,428 |
| Total State Institutions | <u>240,000</u> | <u>240,000</u> | <u>107,572</u> | <u>132,428</u> |
| Flood Control | | | | |
| DPW - Creek Projects Division | | | | |
| Services and supplies | 794,657 | 794,657 | 302,609 | 492,048 |
| Capital outlay | 1,000,000 | 1,000,000 | 154,802 | 845,198 |
| Total DPW - Creek Projects Division | <u>1,794,657</u> | <u>1,794,657</u> | <u>457,411</u> | <u>1,337,246</u> |
| Protection Inspection | | | | |
| Agricultural Commissioner | | | | |
| Salaries and employee benefits | 3,226,200 | 3,226,200 | 2,851,350 | 374,850 |
| Services and supplies | 398,947 | 408,947 | 387,270 | 21,677 |
| Intrafund and interfund transfers | (75,000) | (75,000) | (75,000) | |
| Total Agricultural Commissioner | <u>3,550,147</u> | <u>3,560,147</u> | <u>3,163,620</u> | <u>396,527</u> |
| Special Pest Control | | | | |
| Services and supplies | 116,000 | 116,000 | 58,425 | 57,575 |
| Intrafund and interfund transfers | 75,000 | 75,000 | 63,541 | 11,459 |
| Total Special Pest Control | <u>191,000</u> | <u>191,000</u> | <u>121,966</u> | <u>69,034</u> |
| Sealer of Weights and Measures | | | | |
| Salaries and employee benefits | 480,889 | 480,889 | 457,266 | 23,623 |
| Services and supplies | 61,658 | 61,658 | 43,596 | 18,062 |
| Total Sealer of Weights and Measures | <u>542,547</u> | <u>542,547</u> | <u>500,862</u> | <u>41,685</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| DPW - Building Division | | | | |
| Salaries and employee benefits | \$ 1,028,133 | \$ 1,042,035 | \$ 951,265 | \$ 90,770 |
| Services and supplies | 501,171 | 487,269 | 396,531 | 90,738 |
| Capital outlay | 17,295 | 99,295 | 25,510 | 73,785 |
| Total DPW - Building Division | <u>1,546,599</u> | <u>1,628,599</u> | <u>1,373,306</u> | <u>255,293</u> |
| Other Protection | | | | |
| Recorder | | | | |
| Salaries and employee benefits | 905,246 | 905,246 | 808,668 | 96,578 |
| Services and supplies | 372,764 | 372,764 | 405,290 | (32,526) |
| Capital outlay | 307,625 | 307,625 | 228,125 | 79,500 |
| Total Recorder | <u>1,585,635</u> | <u>1,585,635</u> | <u>1,442,083</u> | <u>143,552</u> |
| Coroner | | | | |
| Salaries and employee benefits | 999,366 | 999,366 | 930,861 | 68,505 |
| Services and supplies | 258,637 | 375,137 | 249,178 | 125,959 |
| Intrafund and interfund transfers | | 13,500 | | 13,500 |
| Capital outlay | 30,000 | 30,000 | 28,574 | 1,426 |
| Total Coroner | <u>1,288,003</u> | <u>1,418,003</u> | <u>1,208,613</u> | <u>209,390</u> |
| Planning and Community Development | | | | |
| Salaries and employee benefits | 2,248,583 | 2,248,583 | 1,770,420 | 478,163 |
| Services and supplies | 1,052,681 | 1,210,805 | 451,129 | 759,676 |
| Intrafund and interfund transfers | | | (4,751) | 4,751 |
| Total Planning and Community Development | <u>3,301,264</u> | <u>3,459,388</u> | <u>2,216,798</u> | <u>1,242,590</u> |
| Local Agency Formation Commission | | | | |
| Other charges | 45,531 | 45,531 | 44,277 | 1,254 |
| Total Local Agency Formation Commission | <u>45,531</u> | <u>45,531</u> | <u>44,277</u> | <u>1,254</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| Animal Control | | | | |
| Salaries and employee benefits | \$ 1,334,386 | \$ 1,334,386 | \$ 1,149,938 | \$ 184,448 |
| Services and supplies | 630,436 | 630,436 | 489,554 | 140,882 |
| Fixed assets | 20,000 | 95,000 | 41,930 | 53,070 |
| Total Animal Control | <u>1,984,822</u> | <u>2,059,822</u> | <u>1,681,422</u> | <u>378,400</u> |
| Predatory Animal Control | | | | |
| Services and supplies | <u>90,394</u> | <u>90,394</u> | <u>70,523</u> | <u>19,871</u> |
| Total Predatory Animal Control | <u>90,394</u> | <u>90,394</u> | <u>70,523</u> | <u>19,871</u> |
| Merced County Association of Governments | | | | |
| Services and supplies | 10,000 | 10,000 | | 10,000 |
| Other charges | <u>47,000</u> | <u>47,000</u> | <u>46,627</u> | <u>373</u> |
| Total Merced County Association of Governments | <u>57,000</u> | <u>57,000</u> | <u>46,627</u> | <u>10,373</u> |
| Airport Land Use Commission | | | | |
| Services and supplies | <u>4,500</u> | <u>4,500</u> | <u>22</u> | <u>4,478</u> |
| Total Airport Land Use Commission | <u>4,500</u> | <u>4,500</u> | <u>22</u> | <u>4,478</u> |
| County Clerk | | | | |
| Salaries and employee benefits | 97,001 | 97,001 | 91,352 | 5,649 |
| Services and supplies | <u>28,949</u> | <u>28,949</u> | <u>27,496</u> | <u>1,453</u> |
| Total County Clerk | <u>125,950</u> | <u>125,950</u> | <u>118,848</u> | <u>7,102</u> |
| Total Public Protection | <u>117,927,399</u> | <u>118,848,099</u> | <u>102,172,374</u> | <u>16,675,725</u> |
| <u>Health and Sanitation</u> | | | | |
| Health Department | | | | |
| Salaries and employee benefits | 16,230,619 | 15,896,819 | 13,232,616 | 2,664,203 |
| Services and supplies | 8,757,512 | 9,472,862 | 7,072,974 | 2,399,888 |
| Other charges | 565,038 | 565,684 | 271,162 | 294,522 |
| Intrafund and interfund transfers | (1,348,617) | (1,348,617) | (915,544) | (433,073) |
| Capital outlay | | 39,399 | 39,399 | |
| Total Health Department | <u>24,204,552</u> | <u>24,626,147</u> | <u>19,700,607</u> | <u>4,925,540</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Mental Health | | | | |
| Salaries and employee benefits | \$ 32,079,824 | \$ 31,299,292 | \$ 25,408,325 | \$ 5,890,967 |
| Services and supplies | 13,681,752 | 14,412,697 | 10,263,220 | 4,149,477 |
| Other charges | 10,322,071 | 10,998,489 | 7,495,768 | 3,502,721 |
| Intrafund and interfund transfers | (1,496,073) | (1,499,384) | (1,323,262) | (176,122) |
| Capital outlay | 366,199 | 366,417 | 196,544 | 169,873 |
| Total Mental Health | <u>54,953,773</u> | <u>55,577,511</u> | <u>42,040,595</u> | <u>13,536,916</u> |
| Total Health and Sanitation | <u>79,158,325</u> | <u>80,203,658</u> | <u>61,741,202</u> | <u>18,462,456</u> |
| <u>Public Assistance</u> | | | | |
| Administration | | | | |
| Human Services Agency | | | | |
| Salaries and employee benefits | 70,033,226 | 68,208,611 | 60,084,573 | 8,124,038 |
| Services and supplies | 20,033,824 | 20,723,423 | 17,111,521 | 3,611,902 |
| Other charges | 6,187,588 | 6,399,446 | 5,970,704 | 428,742 |
| Intrafund and interfund transfers | (799,817) | (255,918) | (184,209) | (71,709) |
| Capital outlay | 93,471 | 670,471 | 663,085 | 7,386 |
| Total Human Services Agency | <u>95,548,292</u> | <u>95,746,033</u> | <u>83,645,674</u> | <u>12,100,359</u> |
| IHSS Public Authority | | | | |
| Salaries and employee benefits | 235,186 | 235,186 | 225,917 | 9,269 |
| Services and supplies | 87,097 | 87,097 | 62,380 | 24,717 |
| Other charges | 1,101 | 1,101 | 242,369 | (241,268) |
| Intrafund and interfund transfers | (87,472) | (87,472) | (85,988) | (1,484) |
| Total IHSS Public Authority | <u>235,912</u> | <u>235,912</u> | <u>444,678</u> | <u>(208,766)</u> |
| Aid Programs | | | | |
| Assistance to the Needy | | | | |
| Other charges | 80,382,114 | 80,382,114 | 70,978,553 | 9,403,561 |
| Total Assistance to the Needy | <u>80,382,114</u> | <u>80,382,114</u> | <u>70,978,553</u> | <u>9,403,561</u> |
| General Relief | | | | |
| Aid to Indigents | | | | |
| Other charges | 195,034 | 195,034 | 148,323 | 46,711 |
| Total Aid to Indigents | <u>195,034</u> | <u>195,034</u> | <u>148,323</u> | <u>46,711</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| Other Assistance | | | | |
| Department of Workforce Investment | | | | |
| Salaries and employee benefits | \$ 4,035,887 | \$ 4,035,887 | \$ 2,805,778 | \$ 1,230,109 |
| Services and supplies | 2,033,160 | 1,968,160 | 1,355,725 | 612,435 |
| Intrafund and interfund transfers | (839,702) | (839,702) | (984,803) | 145,101 |
| Capital outlay | | | 23,222 | (23,222) |
| Total Department of Workforce Investment | <u>5,229,345</u> | <u>5,164,345</u> | <u>3,199,922</u> | <u>1,964,423</u> |
| Area Agency on Aging | | | | |
| Salaries and employee benefits | 464,581 | 468,311 | 416,652 | 51,659 |
| Services and supplies | 663,301 | 753,864 | 518,777 | 235,087 |
| Other charges | 722,154 | 763,311 | 615,866 | 147,445 |
| Intrafund and interfund transfers | <u>(366,571)</u> | <u>(366,571)</u> | <u>(293,147)</u> | <u>(73,424)</u> |
| Total Area Agency on Aging | <u>1,483,465</u> | <u>1,618,915</u> | <u>1,258,148</u> | <u>360,767</u> |
| Total Public Assistance | <u>183,074,162</u> | <u>183,342,353</u> | <u>159,675,298</u> | <u>23,667,055</u> |
| <u>Education</u> | | | | |
| Library Services | | | | |
| County Library | | | | |
| Salaries and employee benefits | 2,386,029 | 2,386,029 | 1,958,339 | 427,690 |
| Services and supplies | 1,160,418 | 1,146,418 | 902,736 | 243,682 |
| Intrafund and interfund transfers | (167,655) | (87,655) | (76,933) | (10,722) |
| Capital outlay | 14,069 | 28,069 | 13,824 | 14,245 |
| Total County Library | <u>3,392,861</u> | <u>3,472,861</u> | <u>2,797,966</u> | <u>674,895</u> |
| Agricultural Extension | | | | |
| Salaries and employee benefits | 301,538 | 301,538 | 281,481 | 20,057 |
| Services and supplies | 57,914 | 57,914 | 49,094 | 8,820 |
| Total Agricultural Extension | <u>359,452</u> | <u>359,452</u> | <u>330,575</u> | <u>28,877</u> |
| Total Education | <u>3,752,313</u> | <u>3,832,313</u> | <u>3,128,541</u> | <u>703,772</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| <u>Recreation and Cultural Services</u> | | | | |
| Recreation Facilities | | | | |
| DPW - Recreation Division | | | | |
| Salaries and employee benefits | \$ 265,026 | \$ 265,026 | \$ 247,387 | \$ 17,639 |
| Services and supplies | 12,733 | 17,733 | 14,237 | 3,496 |
| Total DPW - Recreation Division | <u>277,759</u> | <u>282,759</u> | <u>261,624</u> | <u>21,135</u> |
| DPW - Special Recreation Division | | | | |
| Services and supplies | 220,321 | 220,321 | 20,051 | 200,270 |
| Capital outlay | 98,402 | 106,402 | | 106,402 |
| Total DPW - Special Recreation Division | <u>318,723</u> | <u>326,723</u> | <u>20,051</u> | <u>306,672</u> |
| DPW - Parks Division | | | | |
| Salaries and employee benefits | 1,391,718 | 1,391,718 | 1,238,518 | 153,200 |
| Services and supplies | 529,007 | 529,007 | 423,603 | 105,404 |
| Other charges | 2,846 | 2,846 | | 2,846 |
| Capital outlay | 185,483 | 185,483 | | 185,483 |
| Total DPW - Parks Division | <u>2,109,054</u> | <u>2,109,054</u> | <u>1,662,121</u> | <u>446,933</u> |
| Total Recreation and Cultural Services | <u>2,705,536</u> | <u>2,718,536</u> | <u>1,943,796</u> | <u>774,740</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|---------------|----------------|-------------------------------|
| | Original | Final | | |
| <u>Debt Service</u> | | | | |
| Interest on Tax Anticipation Notes | | | | |
| Services and supplies | \$ 75,000 | \$ 75,000 | \$ 67,457 | \$ 7,543 |
| Total Debt Service | 75,000 | 75,000 | 67,457 | 7,543 |
| <u>Miscellaneous</u> | | | | |
| Contingencies | 4,000,000 | 3,932,000 | | 3,932,000 |
| Total Miscellaneous | 4,000,000 | 3,932,000 | | 3,932,000 |
| Total expenditures | 446,781,843 | 448,765,952 | 359,197,231 | 89,568,721 |
| Excess (deficiency) of revenues over (under) expenditures | (46,901,640) | (46,346,990) | 15,243,631 | 61,590,621 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 5,891,474 | 5,916,524 | 1,283,403 | (4,633,121) |
| Transfers out | (4,650,000) | (5,239,471) | (3,417,704) | 1,821,767 |
| Resources from capital leases | | | 123,470 | 123,470 |
| Total other financing sources (uses) | 1,241,474 | 677,053 | (2,010,831) | (2,687,884) |
| Net change in fund balance | (45,660,166) | (45,669,937) | 13,232,800 | 58,902,737 |
| Fund balance - beginning | 66,204,289 | 66,204,289 | 78,470,752 | 12,266,463 |
| Fund balance - ending | \$ 20,544,123 | \$ 20,534,352 | \$ 91,703,552 | \$ 71,169,200 |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes and assessments | | | | |
| Licenses, permits and franchise fees | \$ 73,000 | \$ 73,000 | \$ 108,177 | \$ 35,177 |
| Fines, forfeitures and penalties | | | 722 | 722 |
| Revenue from use of money and property | 51,000 | 51,000 | 136,941 | 85,941 |
| Aid from other governmental agencies | 22,320,739 | 26,730,239 | 21,801,860 | (4,928,379) |
| Charges for current services | 3,268,500 | 3,268,500 | 1,409,801 | (1,858,699) |
| Other revenues | 653,000 | 653,000 | 406,804 | (246,196) |
| Total revenues | <u>26,366,239</u> | <u>30,775,739</u> | <u>23,864,305</u> | <u>(6,911,434)</u> |
| EXPENDITURES | | | | |
| Public ways and facilities | | | | |
| Salaries and employee benefits | 7,683,043 | 7,683,043 | 5,260,036 | 2,423,007 |
| Services and supplies | 12,996,056 | 10,521,056 | 4,135,216 | 6,385,840 |
| Capital outlay | 16,817,991 | 23,702,491 | 15,616,660 | 8,085,831 |
| Total expenditures | <u>37,497,090</u> | <u>41,906,590</u> | <u>25,011,912</u> | <u>16,894,678</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(11,130,851)</u> | <u>(11,130,851)</u> | <u>(1,147,607)</u> | <u>9,983,244</u> |
| Net change in fund balance | (11,130,851) | (11,130,851) | (1,147,607) | 9,983,244 |
| Fund balance - beginning | 13,259,283 | 13,259,283 | 10,897,310 | (2,361,973) |
| Fund balance - ending | <u>\$ 2,128,432</u> | <u>\$ 2,128,432</u> | <u>\$ 9,749,703</u> | <u>\$ 7,621,271</u> |

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, 2016

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|---|---|------------------------------|-----------------------|------------------------------|
| | Major Fund | Other Enterprise Funds | Total | Activities |
| | Castle Airport Development Center | | | Internal Service Funds |
| ASSETS | | | | |
| Current assets: | | | | |
| Equity in pooled cash and investments | \$ 1,202,594 | \$ 13,282,124 | \$ 14,484,718 | \$ 37,085,434 |
| Receivables, net | 191,857 | 10,172 | 202,029 | 1,807,299 |
| Due from other funds | 337 | 1,847 | 2,184 | 1,876,728 |
| Inventories | 1,682 | | 1,682 | 136,678 |
| Restricted assets | 557,411 | | 557,411 | 3,952,445 |
| Total current assets | <u>1,953,881</u> | <u>13,294,143</u> | <u>15,248,024</u> | <u>44,858,584</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Land | 41,582,244 | 1,688,740 | 43,270,984 | |
| Land improvements | 1,714,208 | 525,530 | 2,239,738 | |
| Buildings and improvements | 107,935,954 | 17,076,986 | 125,012,940 | 1,249,256 |
| Infrastructure | 13,221,891 | | 13,221,891 | 219,279 |
| Equipment | 1,577,602 | 19,495 | 1,597,097 | 11,787,556 |
| Construction in progress | 3,583,727 | | 3,583,727 | 662,680 |
| Other capital assets: | | | | |
| Software | 6,730 | | 6,730 | 481,561 |
| Less accumulated depreciation and amortization | (59,038,036) | (17,029,070) | (76,067,106) | (9,568,732) |
| Total noncurrent assets | <u>110,584,320</u> | <u>2,281,681</u> | <u>112,866,001</u> | <u>4,831,600</u> |
| Total assets | <u>112,538,201</u> | <u>15,575,824</u> | <u>128,114,025</u> | <u>49,690,184</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred pensions | 249,859 | | 249,859 | 1,545,909 |
| Total deferred outflows of resources | <u>249,859</u> | | <u>249,859</u> | <u>1,545,909</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accrued liabilities | 152,213 | 5,277 | 157,490 | 557,077 |
| Due to other funds | 3,823 | | 3,823 | 65,706 |
| Compensated absences | 15,632 | | 15,632 | 103,184 |
| Unearned revenue | 87,990 | | 87,990 | |
| Capital lease obligations | 11,950 | | 11,950 | |
| Liability for self-insurance | | | | 4,560,460 |
| Total current liabilities | <u>271,608</u> | <u>5,277</u> | <u>276,885</u> | <u>5,286,427</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences | 45,037 | | 45,037 | 305,634 |
| Capital lease obligations | 22,894 | | 22,894 | |
| Long-term self-insurance debt | | | | 14,324,104 |
| Other post employment benefits (OPEB) obligations | 168,604 | | 168,604 | 820,857 |
| Net pension liability | 1,980,533 | | 1,980,533 | 12,081,673 |
| Total noncurrent liabilities | <u>2,217,068</u> | | <u>2,217,068</u> | <u>27,532,268</u> |
| Total liabilities | <u>2,488,676</u> | <u>5,277</u> | <u>2,493,953</u> | <u>32,818,695</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred pensions | 86,618 | | 86,618 | 425,752 |
| Total deferred inflows of resources | <u>86,618</u> | | <u>86,618</u> | <u>425,752</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 110,584,319 | 2,281,681 | 112,866,000 | 4,831,600 |
| Restricted | 557,411 | | 557,411 | 3,734,887 |
| Unrestricted | (928,964) | 13,288,866 | 12,359,902 | 9,425,159 |
| Total net position | <u>\$ 110,212,766</u> | <u>\$ 15,570,547</u> | <u>\$ 125,783,313</u> | <u>\$ 17,991,646</u> |

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, 2016

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--|---|------------------------------|-----------------------|--|
| | Major Fund Castle Airport Development Center | Other Enterprise Funds | Total | Activities Internal Service Funds |
| Operating revenues: | | | | |
| Charges for services | \$ 2,650,668 | \$ 337,723 | \$ 2,988,391 | \$ 62,363,488 |
| Other operating revenues | | 4,000 | 4,000 | |
| Total operating revenues | <u>2,650,668</u> | <u>341,723</u> | <u>2,992,391</u> | <u>62,363,488</u> |
| Operating expenses: | | | | |
| Salaries and benefits | 809,814 | | 809,814 | 5,326,159 |
| Materials and supplies | | | | 1,132,481 |
| Insurance | 60,150 | | 60,150 | 36,755,564 |
| Professional and specialized services | 162,061 | 129,157 | 291,218 | 1,893,245 |
| Special departmental expense | 117,075 | 2,396 | 119,471 | 2,283,515 |
| General and administrative | 336,624 | 70,539 | 407,163 | 2,057,596 |
| Repairs and maintenance | 170,101 | 36,248 | 206,349 | 656,323 |
| Rents and leases | | | | 34,692 |
| Depreciation and amortization | 6,235,617 | 157,670 | 6,393,287 | 941,241 |
| Claims | | | | 7,395,136 |
| Total operating expenses | <u>7,891,442</u> | <u>396,010</u> | <u>8,287,452</u> | <u>58,475,952</u> |
| Operating income (loss) | <u>(5,240,774)</u> | <u>(54,287)</u> | <u>(5,295,061)</u> | <u>3,887,536</u> |
| Non-operating revenues (expenses): | | | | |
| State and federal grants | 600,107 | | 600,107 | |
| Interest income | 16,499 | 82,222 | 98,721 | 445,630 |
| Gain (Loss) on disposition of capital assets | 287,000 | | 287,000 | (59,686) |
| Interest expense | (1,265) | | (1,265) | |
| Total non-operating revenues (expenses) | <u>902,341</u> | <u>82,222</u> | <u>984,563</u> | <u>385,944</u> |
| Income (Loss) before capital contributions and transfers | (4,338,433) | 27,935 | (4,310,498) | 4,273,480 |
| Capital contributions | | | | 8,563 |
| Transfers in | | | | 397,740 |
| Transfers out | | | | (5,634) |
| Change in net position | <u>(4,338,433)</u> | <u>27,935</u> | <u>(4,310,498)</u> | <u>4,674,149</u> |
| Total net position - beginning | 114,551,199 | 15,542,612 | 130,093,811 | 7,242,509 |
| Prior period adjustment | | | | 6,074,988 |
| Total net position - beginning, as restated | <u>114,551,199</u> | <u>15,542,612</u> | <u>130,093,811</u> | <u>13,317,497</u> |
| Total net position - ending | <u>\$ 110,212,766</u> | <u>\$ 15,570,547</u> | <u>\$ 125,783,313</u> | <u>\$ 17,991,646</u> |

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, 2016

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|---|---|------------------------------|----------------------|----------------------|
| | Major Fund | Other Enterprise Funds | Total | Internal |
| | Castle Airport Development Center | | | Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 2,529,904 | \$ 329,134 | \$ 2,859,038 | |
| Receipts from interfund services provided | | | | \$ 61,583,156 |
| Payments to suppliers | (842,995) | (238,348) | (1,081,343) | (45,394,220) |
| Payments to employees | (868,682) | | (868,682) | (5,778,232) |
| Claims paid | | | | (7,746,111) |
| Other receipts (payments) | 123,112 | 3,600 | 126,712 | 29,954 |
| Net cash provided by operating activities | <u>941,339</u> | <u>94,386</u> | <u>1,035,725</u> | <u>2,694,547</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Capital contributions from other governments | 696,672 | | 696,672 | |
| Purchase of capital assets | (987,183) | | (987,183) | (1,416,836) |
| Principal paid on long-term debt | (11,586) | | (11,586) | |
| Interest paid on long-term debt | (1,276) | | (1,276) | |
| Proceeds from sale of capital assets | 287,000 | | 287,000 | 15,632 |
| Net cash (used in) capital and related financing activities | <u>(16,373)</u> | | <u>(16,373)</u> | <u>(1,401,204)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received on investments | 16,499 | 82,222 | 98,721 | 445,630 |
| Net cash provided by investing activities | <u>16,499</u> | <u>82,222</u> | <u>98,721</u> | <u>445,630</u> |
| Net increase in cash and cash equivalents | <u>941,465</u> | <u>176,608</u> | <u>1,118,073</u> | <u>1,738,973</u> |
| Cash and cash equivalents - beginning | 818,540 | 13,105,516 | 13,924,056 | 33,223,918 |
| Prior period adjustment | | | | 6,074,988 |
| Cash and cash equivalents - beginning, as restated | <u>818,540</u> | <u>13,105,516</u> | <u>13,924,056</u> | <u>39,298,906</u> |
| Cash and cash equivalents - ending | <u>\$ 1,760,005</u> | <u>\$ 13,282,124</u> | <u>\$ 15,042,129</u> | <u>\$ 41,037,879</u> |
| Reconciliation to Statement of Fund Net Position: | | | | |
| Equity in pooled cash and investments | \$ 1,202,594 | \$ 13,282,124 | \$ 14,484,718 | \$ 37,085,434 |
| Restricted assets | 557,411 | | 557,411 | 3,952,445 |
| Total cash and cash equivalents | <u>\$ 1,760,005</u> | <u>\$ 13,282,124</u> | <u>\$ 15,042,129</u> | <u>\$ 41,037,879</u> |

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, 2016

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--|---|------------------------------|---------------------|------------------------------|
| | Major Fund Castle Airport Development Center | Other Enterprise Funds | Totals | Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ (5,240,774) | \$ (54,287) | \$ (5,295,061) | \$ 3,887,536 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 6,235,617 | 157,670 | 6,393,287 | 941,241 |
| Decrease (increase) in: | | | | |
| Prepaid items | | | | 15,984 |
| Receivables | 3,265 | (7,142) | (3,877) | 197,153 |
| Due from other funds | 124 | (1,847) | (1,723) | (1,069,772) |
| Inventories | 668 | | 668 | 21,768 |
| Deferred outflows of resources - Deferred pensions | (26,311) | | (26,311) | (187,886) |
| Increase (decrease) in: | | | | |
| Accrued liabilities | 9,917 | (8) | 9,909 | (714,489) |
| Due to other funds | 2,129 | | 2,129 | 6,164 |
| Compensated absences | 7,069 | | 7,069 | 27,852 |
| Unearned revenue | (249) | | (249) | |
| Other post employment benefits (OPEB) obligation | (2,995) | | (2,995) | (21,625) |
| Liability for self-insurance | | | | (72,886) |
| Net pension liability | (94,215) | | (94,215) | 336,294 |
| Deferred inflows of resources - Deferred pensions | 47,094 | | 47,094 | (672,787) |
| Net cash provided by operating activities | <u>\$ 941,339</u> | <u>\$ 94,386</u> | <u>\$ 1,035,725</u> | <u>\$ 2,694,547</u> |
| Noncash investing, capital, and financing activities: | | | | |
| Capital contributions | \$ | \$ | \$ | \$ 8,563 |
| Disposal of capital assets activities | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$ 97,401</u> |
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$ 105,964</u> |

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, 2016

| | MCERA Pension Trust | PARS OPEB Trust | Investment Trust | RDA Successor Agency | Agency Funds |
|--|---------------------------|-----------------------|---------------------|----------------------------|-----------------|
| ASSETS | | | | | |
| Equity in pooled cash and investments | \$ 1,295,057 | \$ 537,939 | \$ 461,622,180 | \$ | \$ 34,273,446 |
| Receivables (net): | | | | | |
| Accounts | | | | | 44,277 |
| Taxes | | | | | 7,427,366 |
| Securities sold | 1,176,637 | | | | |
| Interest and dividends | 875,940 | | | | |
| Contributions | 3,557,195 | | | | |
| Other | 6,450 | | | | |
| Investments, at fair value: | | | | | |
| Short-term investment funds | 9,536,583 | | | | |
| Securities lending collateral | 4,972,033 | | | | |
| Mutual funds balanced | | 1,502,656 | | | |
| Fixed income securities | | | | | |
| U.S. government and agency obligations | 63,790,914 | | | | |
| Mutual funds | | 9,927,339 | | | |
| Domestic | 108,687,312 | | | | |
| Equities | | | | | |
| Common stocks (Individual equities) | 39,432,005 | | | | |
| Common stocks (International index funds) | 18,259,912 | | | | |
| Mutual funds | | 17,510,306 | | | |
| Index fund | 160,011,327 | | | | |
| International equity fund | 138,263,801 | | | | |
| Real estate separate account | 57,641,070 | | | | |
| Alternative investments | 70,181,549 | | | | |
| Direct real estate investment | 475,000 | | | | |
| Capital assets, net of accumulated depreciation of \$610,802 | 2,336,218 | | | | |
| Total assets | 680,499,003 | 29,478,240 | 461,622,180 | | \$ 41,745,089 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 606,906 | | | \$ 1,151,467 | |
| Securities lending obligation | 4,972,033 | | | | |
| Securities purchased | 4,817,076 | | | | |
| Unclaimed contributions | 85,403 | | | | |
| Agency obligations | | | | | \$ 41,745,089 |
| Total liabilities | 10,481,418 | | | 1,151,467 | \$ 41,745,089 |
| NET POSITION | | | | | |
| Held in trust for pension and post employment health benefits/ investment pool participants | \$ 670,017,585 | \$ 29,478,240 | \$ 461,622,180 | \$ (1,151,467) | |

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, 2016

| | MCERA Pension Trust | PARS OPEB Trust | Investment Trust | RDA Successor Agency |
|---|---------------------------|-----------------------|-----------------------|----------------------------|
| ADDITIONS | | | | |
| Contributions | | | | |
| Employer | \$ 56,617,088 | | | |
| Plan members | 9,042,663 | | | |
| Contributions to investment pool | | \$ 0 | \$ 1,340,450,804 | \$ 38,836 |
| Total contributions | <u>65,659,751</u> | <u>0</u> | <u>1,340,450,804</u> | <u>38,836</u> |
| Investment income | | | | |
| Net decrease in fair value of investments | (7,297,000) | (770,571) | 0 | |
| Investment income | 9,235,964 | 1,151,975 | 1,813,500 | |
| Other revenue | 12,834 | | | |
| Less investment expense | (2,361,966) | | | |
| Net investment income | <u>(410,168)</u> | <u>381,404</u> | <u>1,813,500</u> | <u>0</u> |
| Securities lending activities | | | | |
| Securities lending income | 17,614 | | | |
| Net securities lending income | <u>17,614</u> | <u>0</u> | | |
| Total net investment income/(loss) | <u>(392,554)</u> | <u>381,404</u> | | |
| Total additions | <u>65,267,197</u> | <u>381,404</u> | <u>1,342,264,304</u> | <u>38,836</u> |
| DEDUCTIONS | | | | |
| Benefits | 63,928,672 | | | |
| Refunds of contributions | 1,153,731 | | | |
| Distributions from investment pool | | 113,331 | 1,236,562,898 | 38,838 |
| Administrative expenses | 2,088,521 | | | |
| Depreciation | 404,163 | | | |
| Total deductions | <u>67,575,087</u> | <u>113,331</u> | <u>1,236,562,898</u> | <u>38,838</u> |
| Change in net position | (2,307,890) | 268,073 | 105,701,406 | (2) |
| Net position - beginning of the year | 672,325,475 | 29,210,167 | 355,920,774 | (1,151,465) |
| Net position - end of the year | <u>\$ 670,017,585</u> | <u>\$ 29,478,240</u> | <u>\$ 461,622,180</u> | <u>\$ (1,151,467)</u> |

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

BASIC FINANCIAL STATEMENTS

Notes to the Financial Statements

COUNTY OF MERCED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 (the State), 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, 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. MCERA issues a publicly available financial report that includes financial statements and the required supplementary information. The financial report may be obtained by contacting MCERA at 3199 "M" Street, Merced, California 95340.

The *Other Post Employment Benefit (OPEB) Retirement Investment Trust* is governed by the Board Chairperson and Vice-Chairperson, County Executive Officer, County Counsel, County Auditor-Controller and the County 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 the 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 \$34,833,403 as of June 30, 2016. 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

COUNTY OF MERCED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. The financial statements report governmental activities, which normally are supported by taxes and intergovernmental revenues, separately from business-type activities that 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 franchise fees; 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 *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

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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.

- The *Private-Purpose Trust Fund* is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the Merced County Redevelopment Successor Agency (Successor Agency).
- *Agency Funds* 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 non-operating 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 non-operating 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.

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 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.

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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 2015-2016 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.

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- 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) 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 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 \$5,000 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:

| <u>Type of Asset</u> | <u>Estimated Useful Life in Years</u> |
|------------------------------------|---|
| Land Improvements | 10 to 40 |
| Building and 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

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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.

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. Pensions

In the government-wide financial statements, retirement plans are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the County recognizes a net pension liability, which represents the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by MCERA. The net pension liability is measured as of the County's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the County's pension plan with MCERA and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by MCERA. For this purpose, benefit payments are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

N. 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 restricted, committed, or assigned fund balance, as appropriate.

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O. New Accounting Pronouncements

In February 2015, GASB issued Statement #72, *Fair Value Measurement and Application*, effective for financial statements for fiscal years beginning after June 15, 2015. This statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The County has implemented this statement and the provisions are contained within the financial statements.

In June 2015, GASB issued Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement #68, and Amendments to Certain Provisions of GASB Statements #67 and #68*, effective for financial statements for fiscal years beginning after June 15, 2016. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to employees of state and local governmental employers and are not within the scope of Statement #68. Statement #68 establishes requirements for pensions that are provided through pension plans that are administered through equivalent arrangements. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In June 2015, GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, effective for financial statements for fiscal years beginning after June 15, 2016. This statement establishes financial reporting standards for state and local governmental other post employment benefits (OPEB) plans – Defined benefit OPEB plans and defined contribution OPEB plans – that are administered through trusts or equivalent arrangements. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In June 2015, GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for financial statements for fiscal years beginning after June 15, 2017. This statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In June 2015, GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for financial statements for fiscal years beginning after June 15, 2015. This statement establishes the hierarchy of Generally Accepted Accounting Principles (GAAP) for state and local governments. The requirements of this statement apply to all state and local governmental entities. The County has implemented this statement and the provisions are contained within the financial statements.

In August 2015, GASB issued Statement #77, *Tax Abatement Disclosures*, effective for financial statements for fiscal years beginning after December 15, 2015. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this statement encompass tax abatements resulting from both agreements that are entered into by the reporting government and agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this statement should be applied to all state and local governments subject to such tax abatement agreements. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In December 2015, GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for financial statements for fiscal years beginning after December 15, 2015. This statement establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state and local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meets the criteria in paragraph 4 of GASB Statement #68 and that is not a state or local governmental pension plan, which is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers and has no predominant state or local governmental employer. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In December 2015, GASB issued Statement #79, *Certain External Investment Pools and Pool Participants*, effective for financial statements for fiscal years beginning after June 15, 2015. This statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. This statement applies to all state and

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local governments. The County has implemented this statement and the provisions are contained within the financial statements.

In January 2016, GASB issued Statement #80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement #14*, effective for financial statements for fiscal years beginning after June 15, 2016. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement #39, *Determining Whether Certain Organizations Are Component Units*. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In March 2016, GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, effective for financial statements for fiscal years beginning after December 15, 2016 and should be applied retroactively. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreement that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In March 2016, GASB issued Statement #82, *Pension Issues – An Amendment of GASB Statements #67, #68, and #73*, effective for financial statements for fiscal years beginning after June 15, 2016. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In November 2016, GASB issued Statement #83, *Certain Asset Retirement Obligations*, effective for financial statements for fiscal years beginning after June 15, 2018. The statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement established criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The County is in the process of evaluating the future impact of this statement on its future financial statements.

In January 2017, GASB issued Statement #84, *Fiduciary Activities*, effective for financial statements for fiscal years beginning after December 15, 2018. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The County is in the process of evaluating the future impact of this statement on its future financial statements.

P. 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 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, MCERA maintains a separate fixed, equity and alternative investment portfolio to meet the

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defined benefit plan funding liability.

The County 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 County Treasurer's pool includes both voluntary and involuntary participation from external entities. Statutes of the State require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The net position of involuntary participation in the pool totaled \$387,213,181 at June 30, 2016.

The County Treasurer's pool is not registered with the Securities and Exchange Commission (SEC) 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 each reviews and approves 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.

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, 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 | c. Concentration of credit risk |
| b. Custodial 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, bankers' 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 \$773.1 million portfolio, 29.95% of the investments have a maturity of six months or less as of June 30, 2016. 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

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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 31.62% of the County's investments at year-end are in U.S. Government or Agencies issues. At June 30, 2016, the County had 9.71% of its investment pool in Federal Farm Credit Banks, 6.20% in Federal Home Loan Bank, 5.82% in Federal Home Loan Mortgage Corporation, 4.68% in Federal National Mortgage Association, 0.10% in Government Medium Term Notes and 5.11% in U.S. Treasury Notes. Of the 36.81% of the portfolio invested in Corporate Medium Term Notes and 21.94% of the portfolio invested in Commercial Papers and Certificates of Deposit, no investment in a single issuer exceeds 5% of the total pooled investment portfolio.
- *Credit Risk* - This is the risk that an issuer or 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- and Unrated investments as of June 30, 2016. 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 \$35 million as of June 30, 2016. The total amount invested by all public agencies in LAIF at June 30, 2016, was \$22.7 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2016 was \$75.4 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 167 days as of June 30, 2016. The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis.

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The following schedule indicates the credit and interest risk at June 30, 2016. The credit ratings listed are for Standard and Poor's Investor Services (S&P).

| Investments | S & P Credit Rating | Maturity | | | | | Fair Value |
|---|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|-----------------------|
| | | Under 30 Days | 31 - 180 Days | 180 - 365 Days | 1 - 5 Years | Over 5 Years | |
| Pooled | | | | | | | |
| Local Agency Investment Fund (LAIF) | Unrated | \$ 35,021,743 | \$ | \$ | \$ - | \$ | \$ 35,021,743 |
| Certificates of Deposit (CD) | A-1 | | 4,999,560 | 15,440,880 | 4,515,045 | | 24,955,485 |
| Certificates of Deposit (CD) | A-1+ | | | | 5,005,913 | | 5,005,913 |
| Certificates of Deposit (CD) | AA | | | 2,501,250 | 7,536,227 | | 10,037,477 |
| Commercial Paper (CP) | A-1 | 9,999,522 | 84,770,000 | 19,899,516 | | | 114,669,038 |
| Commercial Paper (CP) | A-1+ | | | 14,939,166 | | | 14,939,166 |
| Federal Farm Cr Bks Cons (FFCB) | AA+ | | | 10,000,350 | 65,085,750 | | 75,086,100 |
| Federal Home Ln Bks (FHLB) | AA+ | | 5,002,685 | | 42,926,494 | | 47,929,179 |
| Federal Home Ln Mortgage Corp (FHLMC) | AA+ | | | 10,010,568 | 34,965,634 | | 44,976,202 |
| Federal Natl Mortgage Assn M/T/N (FNMA) | AA+ | | | 5,022,140 | 31,181,244 | | 36,203,384 |
| Corporate Medium Term Note (MTN) | A | | 10,762,300 | 28,776,873 | 22,452,194 | | 61,991,367 |
| Corporate Medium Term Note (MTN) | A- | | | | 7,794,893 | | 7,794,893 |
| Corporate Medium Term Note (MTN) | A+ | | 10,010,500 | | 7,225,563 | | 17,236,063 |
| Corporate Medium Term Note (MTN) | A-1 | | 5,005,400 | | | | 5,005,400 |
| Corporate Medium Term Note (MTN) | AA | | | | 15,104,250 | | 15,104,250 |
| Corporate Medium Term Note (MTN) | AA- | 15,006,550 | 6,508,635 | 2,002,860 | 40,757,204 | | 64,275,249 |
| Corporate Medium Term Note (MTN) | AA+ | | | | 33,331,447 | | 33,331,447 |
| Corporate Medium Term Note (MTN) | AAA | | 4,999,500 | 13,036,330 | 61,787,694 | | 79,823,524 |
| Government Medium Term Note (GMTN) | Unrated | | | | 761,375 | | 761,375 |
| Money Market Fund (MMF) | AAAm | 39,499,322 | | | | | 39,499,322 |
| United States Treasury Notes (USTN) | AA+ | | | 10,016,030 | 29,486,889 | | 39,502,919 |
| Total Investments in Investment Pool | | <u>99,527,137</u> | <u>132,058,580</u> | <u>131,645,963</u> | <u>409,917,816</u> | | <u>773,149,496</u> |
| Unpooled | | | | | | | |
| Municipal Bonds | AAA | | | 513,740 | 434,528 | | 948,268 |
| Municipal Bonds | AA+ | | | 255,485 | 1,585,830 | 3,728,666 | 5,569,981 |
| Municipal Bonds | AA | | | | 635,647 | | 635,647 |
| Municipal Bonds | AA- | | | 520,530 | 521,445 | | 1,041,975 |
| Mutual Funds-Fixed Income | A | | | | 5,625,080 | | 5,625,080 |
| Mutual Funds-Fixed Income | AA | | | | | 1,709,313 | 1,709,313 |
| Mutual Funds-Fixed Income | BBB | | | | | 1,708,448 | 1,708,448 |
| Mutual Funds-Fixed Income | BB | | | | | 884,498 | 884,498 |
| Mutual Funds-Equity | Unrated | 17,510,306 | | | | | 17,510,306 |
| Mutual Funds-Balanced | Unrated | 1,502,656 | | | | | 1,502,656 |
| Commercial Paper | A-1+ | | 3,814,761 | | | | 3,814,761 |
| Money Market Funds | AAAm | | 778,279 | | | | 778,279 |
| Money Market Funds | Unrated | | 504,679 | | | | 504,679 |
| Money Market Funds (Tax Exempt) | AAAm | | 3,846,244 | | | | 3,846,244 |
| Total Investments outside Investment Pool | | <u>19,012,962</u> | <u>8,943,963</u> | <u>1,289,755</u> | <u>8,802,530</u> | <u>8,030,925</u> | <u>46,080,135</u> |
| Total County Investments | | <u>\$ 118,540,099</u> | <u>\$ 141,002,543</u> | <u>\$ 132,935,718</u> | <u>\$ 418,720,346</u> | <u>\$ 8,030,925</u> | <u>\$ 819,229,631</u> |

The 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

COUNTY OF MERCED
NOTES TO THE FINANCIAL STATEMENTS
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investment that it 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 | \$ 40,383,792 |
| Commercial Mortgage Backed Securities | 2,089,323 |
| Asset Backed Securities | 6,586,012 |
| U.S. Treasury and TIPS | 23,407,122 |
| Corporate and Other Credit | 99,415,980 |
| Collateralized Mortgage Obligations | 595,997 |
| | <u>172,478,226</u> |
| Equities | |
| Domestic | 39,432,005 |
| International | 138,263,801 |
| Index Funds | 178,271,239 |
| | <u>355,967,045</u> |
| Other Investments | |
| Short-Term Investment Funds | 14,508,616 |
| Real Estate | 58,116,070 |
| Alternative Investments | 70,181,549 |
| | <u>142,806,235</u> |
| Total Investments | \$ 671,251,506 |

As of June 30, 2016 MCERA had the following fixed income investments:

| <u>Investment Type</u> | <u>Value</u> | <u>Weight of Total Fixed Income</u> | <u>Effective Duration (Years)</u> |
|---------------------------------------|----------------|---|---------------------------------------|
| U.S. Government Agency Obligations | \$ 40,383,792 | 23.41% | 4.42 |
| Commercial Mortgage Backed Securities | 2,089,323 | 1.21% | 2.92 |
| Asset Backed Securities | 6,586,012 | 3.82% | 2.46 |
| U.S. Treasury and TIPS | 23,407,122 | 13.57% | 7.92 |
| Corporate and Other Credit | 99,415,980 | 57.64% | 4.39 |
| Collateralized Mortgage Obligations | 595,997 | 0.35% | 5.39 |
| Total Fair Value | \$ 172,478,226 | 100.00% | |
| Portfolio Effective Duration | | | 4.79 |

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As of June 30, 2016, MCERA investments had the following S&P ratings:

| <u>Quality</u> | <u>Percentage of Fixed Income</u> |
|----------------|---------------------------------------|
| Aaa | 3.37% |
| Aa | 1.96% |
| A | 11.44% |
| Baa | 11.46% |
| Ba | 0.02% |
| B | 19.97% |
| Caa | 0.11% |
| Ca | 0.24% |
| NR* | 32.14% |
| NA** | 19.29% |
| | <u>100.00%</u> |

*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, 2016, 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 S&P.

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 traded), and also derivative instruments which include interest rate swaps, options (if exchange traded), 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

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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 may be 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 #53 as of June 30, 2016.

Securities Lending Program

State statutes and the Retirement Board's 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 (borrowers) 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, 2016, Mellon Global Securities Lending short-term investment pool has a weighted-average maturity of 1 day and the average duration of 49 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 mis-match is averaging about 0 days and BNY Mellon 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, 2016, 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, 2016 the fair value of securities on loan and the total cash and non-cash collateral received for those securities on loan were \$6,599,851 and \$6,752,200 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 \$17,614 for the year ended June 30, 2016.

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: | |
| County of Merced | \$ 819,229,631 | Governmental Activities | \$ 302,352,038 |
| Merced County Employees' Retirement Association | 671,251,506 | Business-Type Activities | 15,042,129 |
| Carrying Amount of Cash Deposits | 24,833,459 | Fiduciary Funds | 1,197,920,429 |
| | | | |
| Total Investments and Cash Deposits | <u>\$ 1,515,314,596</u> | Total Cash and Investments | <u>\$ 1,515,314,596</u> |

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The following represents a condensed statement of net position and changes in net position for the Treasury pool at June 30, 2016:

| Statement of Net Position | |
|---|------------------------------|
| Assets | |
| Cash and investments | \$ 773,149,496 |
| Pool deposits | 29,397,413 |
| Total Assets | <u>802,546,909</u> |
| Liabilities | |
| Unfunded checks and warrants | <u>30,284,559</u> |
| Net Position | |
| Equity of internal pool participants | 310,640,170 |
| Equity of external pool participants | 461,622,180 |
| Total Net Position | <u><u>\$ 772,262,350</u></u> |
| Statement of Changes in Net Position | |
| Net position at July 1, 2015 | \$ 646,298,859 |
| Net change in pooled cash and investments | <u>125,963,491</u> |
| Net position as June 30, 2016 | <u><u>\$ 772,262,350</u></u> |

Fair Value Measurements – The Treasury pool categorizes its fair value measurements within the fair value hierarchy established by GASB Statement #72. GASB Statement #72 recognizes a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

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The Treasury pool has the following recurring fair value measurements as of June 30, 2016:

| | Fair Value Measurements Using | | | |
|---|-------------------------------|---|---|--|
| | | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>Investments by fair value level</u> | | | | |
| Managed Pool Accounts | \$ 74,521,065 | \$ -- | \$ 74,521,065 | \$ -- |
| Mutual Funds-Fixed Income | 9,927,339 | -- | 9,927,339 | -- |
| Medium Term Notes | 212,937,487 | -- | 212,937,487 | -- |
| Mutual Funds-Equity | 19,012,962 | 19,012,962 | -- | -- |
| Federal Agency Coupon Securities | 204,194,865 | -- | 204,194,865 | -- |
| Treasury Coupon Securities | 39,502,919 | 39,502,919 | -- | -- |
| Supernational IBRD, IFC, IADB | 59,512,874 | -- | 59,512,874 | -- |
| Municipal Bonds | 21,069,078 | -- | 21,069,078 | -- |
| Total investments measured at fair value | \$ 640,678,589 | \$ 58,515,881 | \$ 582,162,708 | \$ -- |
| <u>Investments measured at amortized cost</u> | | | | |
| Commercial Paper | 133,422,965 | | | |
| Negotiable CDs | 45,128,077 | | | |
| Total pooled and directed investments | 819,229,631 | | | |

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 Code and Revenue and Taxation Code. The County is permitted by Article XIII B 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 2015-2016, the County recorded \$86,367,758 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 Fund records tax receivable and receives 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 Fund. 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.

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4. RECEIVABLES

Receivables at June 30, 2016 of the County's major individual funds and nonmajor and internal service funds in the aggregate, including allowances for uncollectible accounts, were as follows:

| | Accounts | Notes | Taxes and Assessments | Gross Receivables | Allowance for Uncollectibles | Net Receivables |
|--|----------------------|---------------------|-----------------------|----------------------|------------------------------|----------------------|
| Governmental activities | | | | | | |
| General fund | \$ 27,792,795 | | \$ 1,108,417 | \$ 28,901,212 | | \$ 28,901,212 |
| Dairy loan program fund | | \$ 462,538 | | 462,538 | | 462,538 |
| Road fund | 165 | | | 165 | | 165 |
| Other governmental funds | 2,244,997 | 6,143,265 | 484,360 | 8,872,622 | \$ (296,873) | 8,575,749 |
| Internal service funds | 1,807,299 | | | 1,807,299 | | 1,807,299 |
| Total governmental activities | <u>\$ 31,845,256</u> | <u>\$ 6,605,803</u> | <u>\$ 1,592,777</u> | <u>\$ 40,043,836</u> | <u>\$ (296,873)</u> | <u>\$ 39,746,963</u> |
| Business-type activities | | | | | | |
| Castle airport development center fund | \$ 347,266 | | | \$ 347,266 | \$ (155,409) | \$ 191,857 |
| Other enterprise funds | 10,172 | | | 10,172 | | 10,172 |
| Total business-type activities | <u>\$ 357,438</u> | <u>\$</u> | <u>\$</u> | <u>\$ 357,438</u> | <u>\$ (155,409)</u> | <u>\$ 202,029</u> |

Governmental funds report unearned 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, 2016, the various components of unearned revenue reported were as follows:

| | Advances from Grantors & Third Parties |
|---|--|
| Governmental funds | |
| General fund | |
| Grant proceeds received prior to meeting all eligibility requirements | \$ 93,115,487 |
| Dairy loan program fund | |
| Notes receivable | 462,538 |
| Road fund | |
| Impact fees received prior to meeting all eligibility requirements | 7,229,758 |
| Nonmajor funds | |
| Impact fees received prior to meeting all eligibility requirements | 837,812 |
| Notes receivable | 6,952,319 |
| Total Governmental funds | <u>\$ 108,597,914</u> |
| Proprietary funds | |
| Castle airport development center fund | |
| Customer deposits | \$ 87,990 |
| Nonmajor funds | |
| Grant proceeds received prior to meeting all eligibility requirements | |
| Total Proprietary funds | <u>\$ 87,990</u> |

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NOTES TO THE FINANCIAL STATEMENTS
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5. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 were as follows:

| Governmental activities | Accounts Payable | Salaries and Benefits Payable | Interest Payable | Total |
|---|----------------------|-------------------------------|-------------------|----------------------|
| General fund | \$ 5,871,229 | \$ 10,756,683 | | \$ 16,627,912 |
| Road fund | 949,184 | 315,005 | | 1,264,189 |
| Other governmental funds | 4,807,300 | 491,762 | | 5,299,062 |
| Internal service funds | 249,741 | 307,336 | | 557,077 |
| Reconciliation of balances in fund financial statements to government-wide financial statements | | | \$ 478,772 | 478,772 |
| Total governmental activities | <u>\$ 11,877,454</u> | <u>\$ 11,870,786</u> | <u>\$ 478,772</u> | <u>\$ 24,227,012</u> |
| Business-type activities | | | | |
| Castle airport development center fund | \$ 103,837 | \$ 48,343 | \$ 33 | \$ 152,213 |
| Other enterprise funds | 5,277 | | | 5,277 |
| Total business-type activities | <u>\$ 109,114</u> | <u>\$ 48,343</u> | <u>\$ 33</u> | <u>\$ 157,490</u> |

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, 2016, were as follows:

| Receivable Fund | Payable Fund | | | | | Total |
|-----------------------------------|---------------------|-------------------|-----------------------|-----------------------------------|------------------|---------------------|
| | General | Road Fund | Nonmajor Governmental | Castle Airport Development Center | Internal Service | |
| General | | \$ 106,791 | \$ 640,427 | \$ | \$ 61,228 | \$ 808,446 |
| Road Fund | 2,616 | | | | | 2,616 |
| Nonmajor governmental | \$ 887,824 | | 6,838 | 664 | | 895,326 |
| Castle Airport Development Center | 8 | | 329 | | | 337 |
| Nonmajor Enterprise | 1,847 | | | | | 1,847 |
| Internal Service | 1,792,419 | 6,122 | 70,550 | 3,159 | 4,478 | 1,876,728 |
| Total | <u>\$ 2,684,714</u> | <u>\$ 112,913</u> | <u>\$ 718,144</u> | <u>\$ 3,823</u> | <u>\$ 65,706</u> | <u>\$ 3,585,300</u> |

Of the \$640,427 owed by the Nonmajor Governmental Funds to the General Fund, \$300,000 is owed by the Child Support Services Agency Fund and \$131,000 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.

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The following schedule briefly summarizes the County's transfer activity for the year ended June 30, 2016:

| Transfers Out | Transfers In | | | Total |
|------------------------|---------------------|-----------------------|-------------------|---------------------|
| | General | Nonmajor Governmental | Internal Service | |
| General | | \$ 3,019,964 | \$ 397,740 | \$ 3,417,704 |
| Tobacco Securitization | \$ 1,159,709 | 31,630 | | 1,191,339 |
| Nonmajor governmental | 118,060 | 6,129 | | 124,189 |
| Internal Service | 5,634 | | | 5,634 |
| Total | <u>\$ 1,283,403</u> | <u>\$ 3,057,723</u> | <u>\$ 397,740</u> | <u>\$ 4,738,866</u> |

Of the transfers made from the General Fund, \$3,019,964 was transferred to Nonmajor Governmental Funds to either service the County's various debt obligations (\$823,529) or support the Capital Projects Fund (\$2,196,435). \$397,740 was transferred to support the Administrative Services Fund.

Of the transfers made to the General Fund, \$1,159,709 was transferred from the Tobacco Securitization Fund. \$118,060 was transferred from Nonmajor Governmental Funds, including \$58,050 from the Fire Fund and \$60,010 from the Sheriff Inmate Welfare Fund.

Of the remaining transfers, \$31,630 was transferred from the Tobacco Securitization Fund to the Capital Projects Fund. \$6,129 was transferred from the Spring Fair Fund to the Debt Service Fund. \$5,634 from the Fleet Service Fund to the General Fund.

7. CAPITAL ASSETS

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

| | Balance July 1, 2015 | Additions | Deletions | Transfers | Balance June 30, 2016 |
|---|-------------------------|---------------------|---------------------|-------------|--------------------------|
| Governmental activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 24,008,054 | \$ - | \$ - | \$ 77,060 | \$ 24,085,114 |
| Construction in progress | 94,330,317 | 23,934,623 | (14,960) | (9,594,104) | 108,655,876 |
| Total capital assets, not being depreciated | 118,338,371 | 23,934,623 | (14,960) | (9,517,044) | 132,740,990 |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 152,102,239 | - | (49,998) | 675,528 | 152,727,769 |
| Equipment | 66,168,157 * | 1,861,198 | (2,090,664) | 1,891,253 | 67,829,944 |
| Other capital assets | 2,577,367 * | 10,367 | - | 3,815,528 | 6,403,262 |
| Infrastructure | 374,099,008 | - | (82,674) | 3,134,735 | 377,151,069 |
| Total capital assets, being depreciated | 594,946,771 | 1,871,565 | (2,223,336) | 9,517,044 | 604,112,044 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (70,095,665) | (4,067,903) | 39,891 | - | (74,123,677) |
| Equipment | (44,840,201) * | (3,653,841) | 1,991,972 | - | (46,502,070) |
| Other capital assets | (837,066) * | (442,460) | - | - | (1,279,526) |
| Infrastructure | (236,955,103) | (10,896,715) | 79,232 | - | (247,772,586) |
| Total accumulated depreciation | (352,728,035) | (19,060,919) | 2,111,095 | - | (369,677,859) |
| Total capital assets being depreciated, net | 242,218,736 | (17,189,354) | (112,241) | 9,517,044 | 234,434,185 |
| Governmental activities capital assets, net | <u>\$ 360,557,107</u> | <u>\$ 6,745,269</u> | <u>\$ (127,201)</u> | <u>\$ -</u> | <u>\$ 367,175,175</u> |

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NOTES TO THE FINANCIAL STATEMENTS
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| | Balance July 1, 2015 | Additions | Deletions | Transfers | Balance June 30, 2016 |
|--|-------------------------|-----------------------|-------------|-------------|--------------------------|
| Business-type activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 43,270,984 | \$ - | \$ - | \$ - | \$ 43,270,984 |
| Construction in Progress | 2,675,261 | 908,466 | - | - | 3,583,727 |
| Total capital assets, not being depreciated | <u>45,946,245</u> | <u>908,466</u> | <u>-</u> | <u>-</u> | <u>46,854,711</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 125,012,940 | - | - | - | 125,012,940 |
| Equipment | 1,597,096 * | - | - | - | 1,597,096 |
| Other capital assets | 6,730 * | - | - | - | 6,730 |
| Land improvements | 2,239,738 | - | - | - | 2,239,738 |
| Infrastructure | 13,221,891 | - | - | - | 13,221,891 |
| Total capital assets, being depreciated | <u>142,078,395</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>142,078,395</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (61,693,681) | (5,502,585) | - | - | (67,196,266) |
| Equipment | (1,102,888) * | (54,417) | - | - | (1,157,305) |
| Other capital assets | (6,730) * | - | - | - | (6,730) |
| Land improvements | (1,553,742) * | (133,722) | - | - | (1,687,464) |
| Infrastructure | (5,316,776) * | (702,564) | - | - | (6,019,340) |
| Total accumulated depreciation | <u>(69,673,817)</u> | <u>(6,393,288)</u> | <u>-</u> | <u>-</u> | <u>(76,067,105)</u> |
| Total capital assets being depreciated, net | <u>72,404,578</u> | <u>(6,393,288)</u> | <u>-</u> | <u>-</u> | <u>66,011,290</u> |
| Business-type activities capital assets, net | <u>\$ 118,350,823</u> | <u>\$ (5,484,822)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 112,866,001</u> |

* - Changes in beginning balances due to the reclassification of software costs and capital asset reclassification errors discovered through implementation of the new financial system.

Depreciation expense was charged to governmental functions as follows:

Governmental activities

| | |
|---|----------------------|
| General government | \$ 4,416,305 |
| Public protection | 2,155,860 |
| Public ways and facilities | 11,051,070 |
| Health and sanitation | 124,864 |
| Public assistance | 302,361 |
| Education | 21,157 |
| Recreation and cultural activities | 48,061 |
| 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 | <u>941,241</u> |
| Total depreciation expense – governmental activities | <u>\$ 19,060,919</u> |

Business-type activities

| | |
|---|---------------------|
| Medical Facility Lease Operations | \$ 154,379 |
| Castle Airport Development Center | 6,235,617 |
| Castle Water and Sewer | <u>3,292</u> |
| Total depreciation expense – business-type activities | <u>\$ 6,393,288</u> |

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Construction in Progress at June 30, 2016 is comprised of the following:

| Governmental activities | <u>Project Authorization</u> | <u>Expended through 06/30/2016</u> |
|---|----------------------------------|--|
| Public Works - Various Road Projects | \$ 78,921,451 | \$ 78,921,451 |
| Hospital Facility Re-use Study | 9,879,638 | 4,617,294 |
| Emergency Operations Center | 8,374,400 | 4,760,937 |
| Board of Supervisors A / V Project | 40,000 | 7,252 |
| Financial System – Human Resource / Payroll Phase | 5,500,000 | 983,347 |
| Public Works - Various Bridge Projects | 6,050,726 | 6,050,726 |
| Courthouse Museum | 100,000 | 17,800 |
| Human Services Agency Bldg #765 Tenant Improvements | 1,143,899 | 935,931 |
| Energy Management Control System | 19,950 | 19,950 |
| South Dos Palos Park | 50,000 | 38,569 |
| Main Administration Storm Water Ejectors | 27,844 | 27,844 |
| Control Panel and Video System | 413,360 | 131,524 |
| Winton Park Picnic Shelter Electricity Project | 15,000 | 14,543 |
| Structures and Improvement Projects | 93,708 | 7,715 |
| Parks – Community and Veterans Halls | 2,015,945 | 275,834 |
| Spring Fair Removed Tank | 854,980 | 750,517 |
| One Stop Permitting Center | 350,000 | 56,062 |
| Mental Health Remodel – Old Hospital | 3,320,082 | 1,961,499 |
| Probation / Sheriff AB 109 Remodel | 292,563 | 247,154 |
| Time Keeping Software – Kronis | 365,397 | 365,397 |
| Tableau Software Package | 25,000 | 6,472 |
| Sharepoint Server | 24,000 | 14,503 |
| Human Services Agency – Castle Infrastructure | 105,000 | 88,622 |
| Library Landscaping | 147,681 | 82,601 |
| Library Router | 14,069 | 13,824 |
| Countywide Radio Communication | 1,134,500 | 93,194 |
| Lake Yosemite Main Beach & Concession Area | 222,750 | 45,373 |
| Henderson Park Well Replacement | 262,672 | 31,884 |
| Los Banos Courthouse | 1,000,000 | 107,601 |
| Chlorine Generator Cell Removal | 11,000 | 10,557 |
| Castle / Winton WWTP EIR | 200,000 | 113,172 |
| Eastside Access for UC Merced | 25,839 | 25,839 |
| Emergency Operations Center Office Equipment | 75,964 | 73,338 |
| Snelling Design System | 10,057 | 10,057 |
| Coroner Warehouse Remodel | 73,500 | 60,202 |
| Human Services Agency Electrical System Upgrade | 29,333 | 27,528 |

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NOTES TO THE FINANCIAL STATEMENTS
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| Governmental activities (continued) | Project Authorization | Expended through 06/30/2016 |
|---|--------------------------|--------------------------------|
| Juvenile Hall Surveillance System | \$ 75,000 | \$ 25,647 |
| Probation – Adult Workstation Expansion | 20,000 | 18,202 |
| Fire Structures and Improvements | 500,000 | 1,773 |
| Del Hale Repair / Remodel | 11,060 | 10,999 |
| Milliken Museum Container | 12,000 | 10,566 |
| Lake Yosemite Walking Pier | 47,965 | 15,243 |
| Fish and Game Roof | 70,000 | 3,112 |
| Fish & Game HVAC | 280,000 | 14,482 |
| Human Services Agency Audio Visual Equipment | 40,000 | 24,871 |
| 3 Cisco Telepresence Equipment | 50,000 | 13,003 |
| Human Services Agency – Castle Haworth | 425,000 | 403,009 |
| Human Services Agency – Computer Lab Remodel | 60,000 | 43,124 |
| Administration Parking Lot Rehab Project | 992,104 | 936,810 |
| John Latoracca Yard | 115,000 | 17,940 |
| John Latoracca Control Panel | 1,049,726 | 938,792 |
| John Latoracca Boiler Replacement | 412,600 | 8,900 |
| John Latoracca Correctional Facility Expansion | 4,750,000 | 275,227 |
| White Noise System – Child Support | 31,000 | 30,547 |
| Sheriff Dispatch Center | 1,238,679 | 636,820 |
| 2 Dual Purpose K-9s | 30,000 | 14,180 |
| 1 Freezer | 140,000 | 134,334 |
| Surveillance Camera Upgrade and Software | 18,850 | 12,389 |
| Radio Station Replacement | 21,028 | 19,965 |
| Station 71 Re-piping | 34,000 | 27,673 |
| Juvenile Hall Control Panel | 175,000 | 126,816 |
| 8 Lighted Pedestrian Signs | 45,000 | 38,448 |
| 6 sets of Flashing Beacons | 35,000 | 32,388 |
| Workstations – Human Services Agency - Castle | 1,310,000 | 1,310,000 |
| Workstations – Human Services Agency - Castle | 1,665,000 | 1,601,226 |
| Playground Equipment | 10,946 | 5,088 |
| Emergency 911 Phone System | 42,000 | 6,237 |
| Fleet Vehicles | 676,101 | 28,652 |
| Microwave Interoperable Communication Equipment | 122,135 | 122,135 |
| Donated Military Vehicle | - | 751,167 |
| | <u>\$ 135,695,502</u> | <u>\$ 108,655,878</u> |

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| Castle Airport Development Center Fund | <u>Project Authorization</u> | <u>Expended through 06/30/2016</u> |
|---|----------------------------------|--|
| FAA #14 – Map Project - Castle | \$ 580,500 | \$ 486,047 |
| Roof – Building #1340 | 250,000 | 220,733 |
| Structures and Improvements | 300,000 | 299,400 |
| FAA #13 – Design & Construction of Taxiway B | 117,800 | 114,000 |
| FAA #15 – Construction of Taxiway B | 774,913 | 710,078 |
| FAA #16-Apron Lights Construction | 579,800 | 602,943 |
| FAA #17 Runway Rehab Design | 129,882 | 46,782 |
| FAA #18 Airfield Electrical Improvement | 1,007,142 | 848,973 |
| FAA #16 Hangar 1509 & 1529 Design | 235,843 | 254,770 |
| | <u>\$ 3,975,880</u> | <u>\$ 3,583,726</u> |

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, 2016, the County included the following amounts that have been capitalized under lease purchase agreements:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--------------------------------|------------------------------------|-------------------------------------|
| Buildings and equipment | \$ 253,550 | \$ 59,502 |
| Less: Accumulated amortization | 93,911 | 18,417 |
| Total | <u>\$ 159,639</u> | <u>\$ 41,085</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

| <u>Year Ended June 30:</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|---|------------------------------------|-------------------------------------|
| 2017 | \$ 56,459 | \$ 12,862 |
| 2018 | 43,852 | 12,862 |
| 2019 | 31,692 | 10,718 |
| 2020 | 28,117 | - |
| 2021 | 19,752 | - |
| Total future minimum lease payments | 179,872 | 36,442 |
| Less: Amount representing interest | 14,157 | 1,598 |
| Present value of minimum lease payments | <u>\$ 165,715</u> | <u>\$ 34,844</u> |

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NOTES TO THE FINANCIAL STATEMENTS
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B. Operating Leases

The County conducts some operations from leased facilities. 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, 2016.

Rents collected by the County from various tenants occupying property either owned or controlled by the County for the fiscal year ended June 30, 2016, was approximately \$3,882,653.

9. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016, was as follows:

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 | Due Within One Year |
|--|-------------------------|----------------------|------------------------|--------------------------|------------------------|
| Governmental activities | | | | | |
| Pension obligation bonds | \$ 16,825,000 | \$ - | \$ (7,990,000) | \$ 8,835,000 | \$ 8,835,000 |
| 2005 Tobacco settlement asset-backed bonds | 35,540,000 | - | (110,000) | 35,430,000 | 6,200,000 |
| Less: Issuance discounts | (642,489) | - | 45,892 | (596,597) | (45,892) |
| Juvenile justice 2013 certificates of participation | 9,995,000 | - | (460,000) | 9,535,000 | 475,000 |
| Dairy loan program | 4,374,935 | - | (894,019) | 3,480,916 | 917,264 |
| Long-term self-insurance debt (See Note 15) | 18,957,450 | 7,819,769 | (7,892,655) | 18,884,564 | 4,560,460 |
| Courthouse construction certificates of participation | 7,200,000 | - | (360,000) | 6,840,000 | 370,000 |
| Add: Issuance premiums | 822 | - | (55) | 767 | 55 |
| Earned compensated absences | 11,378,507 | 11,484,325 | (11,163,794) | 11,699,038 | 2,861,417 |
| Capital lease obligations (See Note 8) | 115,171 | 123,470 | (72,926) | 165,715 | 50,624 |
| Other post employment benefits (OPEB) obligation (See Note 13) | 28,256,644 | - | (759,448) | 27,497,196 | - |
| Net pension liability (See Note 12) | 425,620,266 | 12,283,746 | - | 437,904,012 | - |
| Total long-term debt of governmental activities | <u>\$ 557,621,306</u> | <u>\$ 31,711,310</u> | <u>\$ (29,657,005)</u> | <u>\$ 559,675,611</u> | <u>\$ 24,223,928</u> |
| Business-type activities | | | | | |
| Capital lease obligations (See Note 8) | \$ 46,430 | \$ - | \$ (11,586) | \$ 34,844 | \$ 11,950 |
| Earned compensated absences | 53,600 | 57,639 | (50,570) | 60,669 | 15,632 |
| Other post employment benefits (OPEB) obligation (See Note 13) | 171,599 | - | (2,995) | 168,604 | - |
| Net pension liability (See Note 12) | 1,933,439 | 47,094 | - | 1,980,533 | - |
| Total long-term debt of business-type activities | <u>\$ 2,205,068</u> | <u>\$ 104,733</u> | <u>\$ (65,151)</u> | <u>\$ 2,244,650</u> | <u>\$ 27,582</u> |

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, \$408,818 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 to 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:

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| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 8,835,000 | \$ 276,094 | \$ 9,111,094 |
| | <u>\$ 8,835,000</u> | <u>\$ 276,094</u> | <u>\$ 9,111,094</u> |

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, 2016, the annual debt service requirements of the bonds to maturity are as follows assuming turbo term bonds are redeemed from available funds:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ 6,200,000 | \$ 1,829,988 | \$ 8,029,988 |
| 2018 | 1,755,000 | 1,517,806 | 3,272,806 |
| 2019 | 1,880,000 | 1,427,863 | 3,307,863 |
| 2020 | 2,015,000 | 1,331,512 | 3,346,512 |
| 2021 | 2,160,000 | 1,228,244 | 3,388,244 |
| 2022-2026 | 14,115,000 | 4,227,531 | 18,342,531 |
| 2027-2029 | 7,305,000 | 598,237 | 7,903,237 |
| | <u>\$ 35,430,000</u> | <u>\$ 12,161,181</u> | <u>\$ 47,591,181</u> |

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 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

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3.625% for the serial bonds and for the term bonds. The Juvenile Justice 2013 COP debt service requirements to maturity are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|---------------------|----------------------|
| 2017 | \$ 475,000 | \$ 353,850 | \$ 828,850 |
| 2018 | 490,000 | 339,600 | 829,600 |
| 2019 | 505,000 | 320,000 | 825,000 |
| 2020 | 530,000 | 299,800 | 829,800 |
| 2021 | 550,000 | 278,600 | 828,600 |
| 2022-2026 | 3,135,000 | 1,035,225 | 4,170,225 |
| 2027-2031 | 3,850,000 | 425,381 | 4,275,381 |
| | <u>\$ 9,535,000</u> | <u>\$ 3,052,456</u> | <u>\$ 12,587,456</u> |

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, 2016, the County had utilized \$14,989,422. Dairy Loan Program debt service requirements to maturity are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 917,264 | \$ 90,504 | \$ 1,007,768 |
| 2018 | 941,113 | 66,655 | 1,007,768 |
| 2019 | 965,581 | 42,186 | 1,007,767 |
| 2020 | 656,958 | 17,081 | 674,039 |
| | <u>\$ 3,480,916</u> | <u>\$ 216,426</u> | <u>\$ 3,697,342</u> |

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 (COP)

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 it 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% 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:

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| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|---------------------|---------------------|
| 2017 | \$ 370,000 | \$ 290,207 | \$ 660,207 |
| 2018 | 385,000 | 276,146 | 661,146 |
| 2019 | 400,000 | 260,746 | 660,746 |
| 2020 | 415,000 | 244,746 | 659,746 |
| 2021 | 435,000 | 227,628 | 662,628 |
| 2022-2026 | 2,455,000 | 846,292 | 3,301,292 |
| 2027-2030 | 2,380,000 | 265,641 | 2,645,641 |
| | <u>\$ 6,840,000</u> | <u>\$ 2,411,406</u> | <u>\$ 9,251,406</u> |

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

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, 2016, does not expect to incur a liability.

10. RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCE

A prior period adjustment of \$6,074,988 was made to increase the governmental activities' beginning net position and the internal service fund Insurance Pool's beginning net position. The adjustments were made to reflect the prior period income related to insurance pool interest earned on funds held with the California State Association of Counties Excess Insurance Authority (CSAC EIA). A summary of the restatement as of June 30, 2015 is as follows:

| | <u>Governmental Activities</u> | <u>Insurance Pool</u> |
|--|------------------------------------|---------------------------|
| Net Position, as of June 30, 2015, as previously reported | \$ 8,825,180 | \$ 8,807,440 |
| Recognition of prior period interest earned on excess cash within the Insurance Pool | 6,074,988 | 6,074,988 |
| Net Position, as of June 30, 2015, as restated | <u>\$ 14,900,168</u> | <u>\$ 14,882,428</u> |

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 as enacted and amended in the County Retirement Act of 1937 (the "1937 Act"). Management of MCERA is vested in the Retirement Board, consisting of nine members 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 multiple employer contributory defined benefit plan covering all permanent full-time and permanent part-time employees of the County, Merced Superior Courts, the Merced Cemetery District, and the Merced County Regional Waste Management Authority. 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.

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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 Retirement 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. Employee contribution rates vary by member Group and Tier.

Annual Pension Cost – For fiscal year ended June 30, 2016, 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, 2015 actuarial valuation using the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included 7.75% investment rate of return and 3.00%, 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 15-year period from June 30, 2014. Effective with the June 30, 2015 valuation, any new sources of unfunded actuarial liability due to actuarial gains and losses or method changes is amortized over a closed 24-year period, with a 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll. Assumption changes will be amortized over a closed 22-year period, with a 3-year ramp up period, 2-year ramp down period, and 17 years of level payments as a percentage of payroll.

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:

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| Year Ended | Actuarially Determined Contribution (ADC) | Percentage of ADC Contributed |
|------------|---|-------------------------------|
| 6/30/14 | \$ 48,032,338 | 100% |
| 6/30/15 | 52,005,656 | 100% |
| 6/30/16 | 56,617,088 | 100% |

12. PENSIONS

Plan Description

The County provides pension benefits to eligible employees through cost-sharing multiple-employer contributory defined benefit pension plans (pension plans) administered by the Merced County Employees' Retirement Association (MCERA). Members of the pension plans include all permanent employees appointed to permanent positions or permanent part-time positions within the County of Merced, Merced Superior Courts, Merced County Regional Waste Management Authority and the Merced Cemetery District. MCERA issues a publicly available financial report that may be obtained at the following location: 3199 "M" Street, Merced California 95348. The web address is <http://www.co.merced.ca.us/retirement/comprehensiveFinancialAnnualReports.html#CAFR>.

MCERA was established July 1, 1950, under and subject to the legislative authority of the State of California as enacted and amended in the County Employees Retirement Act of 1937 (the "1937 Act") and is administered by the Board of Retirement (Retirement Board) to provide service retirement, disability, death and survivor benefits for employees of the County and participating districts. The governing board is an independent governmental entity separate and distinct from the County of Merced and derives its authority from California Government Code Sections 31450 et seq., and the California Constitution.

MCERA administers four pension plans. With the passage of the Public Employees Pension Reform Act (PEPRA), the County established a new pension plan tier, Tier IV, with two rate tiers – one for safety and one for general members. As of January 1, 2013, Tier IV is the only pension plan tier available to new employees. PEPRA made several changes to pension benefits that may be offered to employees hired on or after January 1, 2013, including increasing minimum retirement ages, increasing the percentage required for member contributions and excluding certain types of compensation as pensionable. PEPRA has also created limits on pensionable compensation tied to Social Security taxable wage base. The cumulative effect of these PEPRA changes will ultimately reduce the County's retirement costs.

Summary of Plan Tiers and Eligible Participants

Open for New Enrollment:

Tier IV

General Members – General members hired on or after January 1, 2013 may continue in the plan tier.

Safety Members – Safety members hired on or after January 1, 2013 may continue in the plan tier.

Closed to New Enrollment:

Tier I

General Members – General members hired before June 13, 1994 may continue in the plan tier. Executive "A" Level management appointed prior to December 31, 2012 may participate in the plan tier as per Amendment to County Board of Supervisor's Resolution 94-89, effective July 1, 2000.

Safety Members – Safety members hired before June 13, 1994 may continue in the plan tier. Executive "A" Level management appointed prior to December 31, 2012 may participate in the plan tier as per Amendment to County Board of Supervisor's Resolution 94-89, effective July 1, 2000.

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Tier II

General Members – General and Probation safety members hired after June 13, 1994 may continue in the plan tier. Executive “A” Level management appointed prior to December 31, 2012 may participate in the Tier I plan as per Amendment to County Board of Supervisor’s Resolution 94-89, effective July 1, 2000.

Safety Members – Safety members hired after July 1, 1998 may continue in the plan tier. Executive “A” Level management appointed prior to December 31, 2012 may participate in the Tier I plan as per Amendment to County Board of Supervisor’s Resolution 94-89, effective July 1, 2000.

Tier III

General Members – General members hired after September 30, 2012 may continue in the plan tier. Executive “A” Level management appointed prior to December 31, 2012 may participate in the Tier I plan as per Amendment to County Board of Supervisor’s Resolution 94-89, effective July 1, 2000.

Safety Members – Safety members hired after September 30, 2012 may continue in the plan tier. Executive “A” Level management appointed prior to December 31, 2012 may participate in the Tier I plan as per Amendment to County Board of Supervisor’s Resolution 94-89, effective July 1, 2000.

Benefits Provided

Members with ten years of service and who have attained the minimum age of 50 (age 55 for General Tier II, III) are eligible to receive a lifetime monthly retirement benefit. A member with 30 years of service (20 years for Safety), regardless of age is eligible for lifetime monthly retirement benefits for Tiers I, II and III. Members who are at least 70 years of age are eligible to retire, regardless of years of service. Tier IV members are eligible for retirement with 5 years of service and a minimum age of 50 for Safety members and 52 for General members. The service retirement benefit is a percentage of monthly final average salary per year of service, depending on age at retirement and tier. For members integrated with Social Security, the benefit is reduced by 1/3 of the percentage multiplied by the first \$350 of monthly final average salary, per year of service credited after January 1, 1956, which is not applicable to Tier IV members. The actual benefit paid will also be affected by the benefit payment option selected by the member.

The County Board of Supervisors adopted Government Code Section 31676.17 of the County Employees Retirement Law of 1937 for all County General members, Tier I and Tier II, except the Merced Cemetery District members and any member who was deferred or in inactive reciprocity status prior to the dates of adoption, on March 15, 2005; Government Code Section 31664.1 for all Safety members, Tier I and Tier II, on July 1, 2005; Government Code Section 31676.17 for Superior Court of California and County of Merced members on November 4, 2005; Government Code Section 31676.1 for General members, Tier III, on October 1, 2012 and Government Code Section 31664 for all Safety members, Tier III, on October 1, 2012. The County adopted PEPRA Tier IV for all General and Safety members on January 1, 2013.

Specific details for the retirement, disability or death benefit calculations and cost of living adjustment (COLA) maximums for each of the pension plan tiers are available in the MCERA Comprehensive Annual Financial Report (CAFR). The MCERA CAFR is available at the following location: 3199 “M” Street, Merced California 95348. The web address is <http://www.co.merced.ca.us/retirement/comprehensiveFinancialAnnualReports.html#CAFR>.

Contributions

Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the MCERA Retirement Board. Depending upon the applicable plan, employees are required to contribute a certain percent of their annual pay. For each of the plans, the County’s contractually required contribution, which was formerly known as the actuarially required contribution rate, for the year ended June 30, 2016, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors. Contributions to the pension plan from the County were \$55,863,999 for the year ended June 30, 2016. Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan.

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Employer and employee contribution rates and active members for each plan are as follows:

| | Employer Contribution Rates | Employee Contribution Rates | Active Members |
|-----------------|-----------------------------------|-----------------------------------|-------------------|
| Tier I | | | |
| General Members | 49.83% | 4.83% - 13.91% | 142 |
| Safety Members | 67.58% | 7.07% - 17.79% | 32 |
| Tier II | | | |
| General Members | 47.52% | 3.63% - 10.96% | 1,015 |
| Safety Members | 61.55% | 4.49% - 11.99% | 199 |
| Tier III | | | |
| General Members | 45.44% | 2.45% - 9.12% | 49 |
| Safety Members | 58.41% | 4.49% - 11.99% | 4 |
| Tier IV | | | |
| General Members | 44.47% | 5.11% | 525 |
| Safety Members | 56.29% | 9.01% | 76 |

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the County reported a liability of \$439,884,545 for its proportionate share of the net pension liability. The net pension liability was measured as June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2015, the County's proportion was 94.8118%, which was a decrease of 0.1145% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$37,192,424. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method and plan benefits. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actuarial experience | \$ - | \$ 8,803,333 |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on retirement plan investments | | 6,093,713 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 459,752 | 422,857 |
| County contributions subsequent to the measurement date | 55,863,999 | - |
| | \$ 56,323,751 | \$ 15,319,903 |

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$55,863,999 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Amount |
|----------------------|-----------------|
| 2017 | \$ (6,872,074) |
| 2018 | (6,872,076) |
| 2019 | (7,081,446) |
| 2020 | 5,965,446 |
| 2021 | - |
| Thereafter | - |
| | \$ (14,860,150) |

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

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| | |
|---------------------------|---|
| Inflation | 3.00% |
| Amortization growth rate | 3.00% |
| Salary increases | 3.00% plus merit component |
| COLA increases | 2.60% for Tier I members |
| Investment rate of return | 7.75%, net of investment expense |
| Post-Retirement mortality | Sex distinct RP-2000 Combined Mortality, projected to 2027 using Scale BB |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2013. Based upon the results of the 2013 actuarial experience study, there were no changes to the assumptions from the prior valuation.

The long-term expected rate of return on pension plan investments (7.75%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| US Equity | 28.4% | 5.1%* |
| International Equity | 17.5% | 5.8% |
| Domestic Fixed Income | 14.5% | 0.8% |
| Real Estate | 8.0% | 3.7% |
| Private Equity | 7.0% | 7.5% |
| Emerging Markets Equity | 6.1% | 6.8% |
| High Yield Fixed Income | 5.0% | 3.6% |
| Hedge Funds | 4.5% | 2.8% |
| Infrastructure | 3.0% | 3.6% |
| Natural Resources | 3.0% | 5.6% |
| Bank Loans | 3.0% | 2.5% |
| Cash | 0.0% | 0.4% |
| | <u>100%</u> | |

* - US Equity is divided into US Large Cap (5.1%) and US Small Cap (5.6%). Utilized the lower rate of return for disclosure purposes.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made as the current contribution rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments and was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75 percent) or 1-percentage point higher (8.75 percent) than the current rate:

| | 1% Decrease 6.75% | Discount Rate 7.75% | 1% Increase 8.75% |
|--|----------------------|------------------------|----------------------|
| County’s proportionate share of the net pension plan liability | \$ 570,467,302 | \$ 439,884,545 | \$ 331,053,688 |

Pension Fund Fiduciary Net Position

Detailed information about the pension fund’s fiduciary net position is available in the separately issued MCERA Comprehensive Annual Financial Report.

13. 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 #43, *Reporting for Post Employment Benefit Plans Other Than Pension Plans*, and #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 #43 and #45 are not limited to the reporting of vested benefits.

For Tier1, Tier 2 and Tier 3, the benefits are available to general and safety employees who retire from the County with the equivalent of 10 or more years of employment. For Tier 4, the benefits are available to general and safety employees who retire from the County with the equivalent of 5 or more years of employment. There are currently 326 retirees receiving either health or health and dental benefits and 965 retirees who are receiving only dental benefits. The County covers approximately 85 percent of the dental costs for retirees. Under-65 retirees may continue coverage with Anthem Blue Cross, and the County pays approximately 53 percent of cost. If a retiree is under-65 and on Medicare, the retiree may continue group insurance with Anthem Blue Cross. Retiree’s dependents may continue coverage, but the County does not cover the cost of dependents.

At age 65, retirees are moved to individual plans with United HealthCare (UHC). The County provides a Retiree Reimbursement Account with UHC depending on age and retirement date amounts are \$100, \$125, and \$150. Funding of the post employment healthcare is on a pay as you go basis with a blended rate as of June 30, 2016, with \$29.4 million set aside in an IRS Section 401(h) trust. Cost to the County for the fiscal year ended June 30, 2016 was \$4.8 million.

Plan Benefits

The County maintains the same medical plans for under-65 retirees, and the same dental plan for all retirees with modifications. The maximum annual dental benefit is reduced from \$2,000 to \$1,000. Vision coverage is not extended to retirees. If an under-65 retiree is on Medicare, then the retiree is moved to the Anthem Medicare Supplement plan. Once a retiree reaches age 65, he or she is given information on how to enroll in Medicare Supplement plans with UHC.

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 employees hired prior to June 13, 1994, Safety members, other than Probation, hired prior to July 1998 and Executive “A” Level management appointed prior to 12/31/2012.

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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 and 50 for Safety members or any age with at least 20 years of service. Tier 2 employees include both General and Probation Safety members hired on or after June 13, 1994 and before October 1, 2012, and all other Safety members hired after July 1, 1998 and before October 1, 2012

Tier 3 employees must be at least 55 for General members or any age with 30 years of service and 50 for Safety members or any age with 20 years of service. Tier 3 employees include both General and Safety members hired between October 2012 and December 2012.

Tier 4 employees must be at least age 52 for General members with 5 years of service and 50 for Safety members with 5 years of service. Tier 4 employees include both General and Safety members hired after January 1, 2013.

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 actuarially required contributions (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement #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 4.6 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, 2016 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 2015-2016, the County's annual OPEB cost (expense) of \$4,025,817 for the OPEB plan was \$379,814 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 \$4,788,260 and (b) a component for the amortization of the total Unfunded Actuarial Accrued Liability (UAAL) of the plan consisting of current retirees of (\$382,629). 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 \$4,405,631, interest expense on the beginning balance of the net OPEB obligation of \$1,801,639, less an adjustment to the ARC to offset, approximately, the amount included in the ARC for amortization of past contribution deficiencies of \$2,181,453, less contributions of \$0 and current year service costs paid by the County for active retirees in the amount of \$4,788,260 and including the prior year Net OPEB Obligation of \$28,428,243. The net OPEB obligation decreased \$762,443 resulting in an ending net OPEB obligation balance of \$27,665,800 as of June 30, 2016. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2015-2016 are as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|--------------------------------|
| 6/30/2016 | \$ 4,025,817 | 118.94% | \$ 27,665,800 |

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 #45, as the County understands these obligations.

Funded Status and Funding Progress

The funded status of the OPEB plan as of June 30, 2016 is as follows:

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| | |
|---|----------------------|
| Actuarial accrued liability (AAL) | \$ 62,978,624 |
| Actuarial value of plan assets | \$ 29,444,980 |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 33,533,644</u> |
| | |
| Funded ratio (actuarial value of plan assets/AAL) | 46.76% |
| | |
| Covered payroll (active plan members) | \$ 104,211,507 |
| | |
| UAAL as percentage of covered payroll | 32.18% |

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 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, 2015 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 percent 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 percent and declines to 5 percent over 3 years. The dental cost trend rate starts at 4 percent and does not change over the 3 years listed. These rates include an inflation assumption of 6 percent. The OPEB plan's unfunded AAL is being amortized on a straight lined basis for a period of 30 years.

14. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement #65, *Items Previously Reported as Assets and Liabilities*, the County recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the County that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The County has one item that is reportable on the Government-Wide Statement of Net Position, which relates to the outflows from changes in the net pension liability. Deferred outflows of resources that are reported in the proprietary funds are included in the Government-Wide Statement of Net Position.

Deferred outflows of resources balances for the year ended June 30, 2016 were as follows:

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| | |
|--|-----------------------------|
| Government-Wide Deferred Outflows of Resources | |
| Governmental Activities | |
| Pensions | \$ 56,073,892 |
| Total Governmental Activities | <u>56,073,892</u> |
| Business-type Activities | |
| Pensions | 249,859 |
| Total Business-type Activities | <u>249,859</u> |
| Total Government-Wide Deferred Outflows of Resources | <u><u>\$ 56,323,751</u></u> |

Pursuant to GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement #65, *Items Previously Reported as Assets and Liabilities*, the County recognized deferred inflows of resources in the government-wide and proprietary fund statements. These items are an acquisition of net position by the County that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The County has one item that is reportable on the Government-Wide Statement of Net Position, which relates to the inflows from changes in the net pension liability. Deferred inflows of resources that are reported in the proprietary funds are included in the Government-Wide Statement of Net Position.

Deferred inflows of resources balances for the year ended June 30, 2016 were as follows:

| | |
|---|-----------------------------|
| Government-Wide Deferred Inflows of Resources | |
| Governmental Activities | |
| Pensions | \$ 15,233,285 |
| Total Governmental Activities | <u>15,233,285</u> |
| Business-type Activities | |
| Pensions | 86,618 |
| Total Business-type Activities | <u>86,618</u> |
| Total Government-Wide Deferred Inflows of Resources | <u><u>\$ 15,319,903</u></u> |

15. 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 55 other counties, established the California State Association of Counties Excess Insurance Authority (CSAC-EIA), 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 the State's 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.

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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 annual contributions to the Pool to cover insurance policy premiums. The health functions charge the annual 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 administered by Delta Dental, as accessed through CSAC-EIA, 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 \$1,150 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 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 GASB Statement #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, for the fiscal years ended June 30, 2016 and 2015, respectively:

COUNTY OF MERCED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

| | Estimated Claim Balance July 1, 2015 | Claims Incurred | Claims Paid | Estimated Claim Balance June 30, 2016 |
|----------------------------|--|---------------------|---------------------|---|
| Workers' Compensation | \$ 16,970,418 | \$ 4,071,996 | \$ 3,963,420 | \$ 17,078,994 |
| General and Auto Liability | 1,492,762 | 260,699 | 430,421 | 1,323,040 |
| Auto Physical Damage | 4,288 | 150,366 | 146,543 | 8,111 |
| County Dental Plan | 412,370 | 2,955,154 | 2,966,478 | 401,046 |
| Unemployment Insurance | 77,612 | 381,554 | 385,793 | 73,373 |
| Totals | <u>\$ 18,957,450</u> | <u>\$ 7,819,769</u> | <u>\$ 7,892,655</u> | <u>\$ 18,884,564</u> |

| | Estimated Claim Balance July 1, 2014 | Claims Incurred | Claims Paid | Estimated Claim Balance June 30, 2015 |
|----------------------------|--|---------------------|---------------------|---|
| Workers' Compensation | \$ 16,749,407 | \$ 3,725,534 | \$ 3,504,523 | \$ 16,970,418 |
| General and Auto Liability | 1,335,336 | 1,669,702 | 1,512,276 | 1,492,762 |
| Auto Physical Damage | 4,133 | 151,693 | 151,538 | 4,288 |
| County Dental Plan | 250,907 | 3,132,175 | 2,970,712 | 412,370 |
| Unemployment Insurance | 91,055 | 368,461 | 381,904 | 77,612 |
| Totals | <u>\$ 18,430,838</u> | <u>\$ 9,047,565</u> | <u>\$ 8,520,953</u> | <u>\$ 18,957,450</u> |

16. 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, 2016, is net position restricted by enabling legislation of \$4,977,767.

Unrestricted Net Position

This component represents those net positions which are 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).

COUNTY OF MERCED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

A detailed schedule of fund balances at June 30, 2016, is as follows:

| | General | Dairy Loan Program | Road | Tobacco Securi- tization | Other Govern- mental Funds | Total Govern- mental Funds |
|---|-------------------|-----------------------|------------------|--------------------------------|----------------------------------|-------------------------------|
| Nonspendable: | | | | | | |
| Long-Term Receivable | \$ 1,022,297 | \$ - | \$ - | \$ - | \$ - | 1,022,297 |
| Inventory | 199,062 | - | 191,281 | - | - | 390,343 |
| Permanent Fund | - | - | - | - | 226,871 | 226,871 |
| Prepaid Items | 171,918 | - | - | - | 86,089 | 258,007 |
| Total nonspendable fund balance | <u>1,393,277</u> | <u>-</u> | <u>191,281</u> | <u>-</u> | <u>312,960</u> | <u>1,897,518</u> |
| Restricted for: | | | | | | |
| Purpose of Fund | - | - | 6,182,716 | 11,496,465 | 9,360,877 | 27,040,058 |
| Debt Service | - | 4,380,739 | - | - | 15,142,664 | 19,523,403 |
| Allocated for Capital Outlay | - | - | - | - | 4,938,367 | 4,938,367 |
| Sunset Pit Financial Assurance | - | - | 88,871 | - | - | 88,871 |
| Household Hazardous waste facility closure | 61,760 | - | - | - | - | 61,760 |
| Total restricted fund balance | <u>61,760</u> | <u>4,380,739</u> | <u>6,271,587</u> | <u>11,496,465</u> | <u>29,441,908</u> | <u>51,652,459</u> |
| Committed to: | | | | | | |
| Purpose of Fund | - | - | - | - | 17,252,248 | 17,252,248 |
| Strategic Reserve | 10,250,000 | - | - | - | - | 10,250,000 |
| County Payroll Reserve | 7,645,000 | - | - | - | - | 7,645,000 |
| Allocated for Capital Outlays | - | - | - | - | 1,380,972 | 1,380,972 |
| Litigation Reserve | 675,000 | - | - | - | - | 675,000 |
| Total committed fund balance | <u>18,570,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,633,220</u> | <u>37,203,220</u> |
| Assigned to: | | | | | | |
| Corrections Forensic Medical Program | 5,021,729 | - | - | - | - | 5,021,729 |
| Castle Sewer Project | 3,085,000 | - | - | - | - | 3,085,000 |
| Auditor Systems Maintenance and Development | 3,043,104 | - | - | - | - | 3,043,104 |
| Road Materials | - | - | 1,750,363 | - | - | 1,750,363 |
| Castle Development Programs | 1,650,799 | - | - | - | - | 1,650,799 |
| Various Roads Projects | - | - | 1,045,499 | - | - | 1,045,499 |
| Capital Improvement Program | 967,605 | - | - | - | - | 967,605 |
| Juvenile Hall Forensic Medical Program | 801,688 | - | - | - | - | 801,688 |
| Health Care Programs | 629,094 | - | - | - | - | 629,094 |
| Road Equipment Replacement | - | - | 490,973 | - | - | 490,973 |
| Capital Project - Mental Health Facility | - | - | - | - | 452,197 | 452,197 |
| Public Assistance Programs | 451,214 | - | - | - | - | 451,214 |
| Various Facility and Ground Rehabilitation Projects | 335,807 | - | - | - | - | 335,807 |
| Corrections Transportation Service | 335,771 | - | - | - | - | 335,771 |

COUNTY OF MERCED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

| | General | Dairy Loan Program | Road | Tobacco Securi- tization | Other Govern- mental Funds | Total Govern- mental Funds |
|---|--------------------------|-------------------------|-------------------------|--------------------------------|----------------------------------|-------------------------------|
| Building Division Systems Maintenance | 122,489 | - | - | - | - | 122,489 |
| Juvenile Hall - Facilities | 111,287 | - | - | - | - | 111,287 |
| Parks Projects | 107,498 | - | - | - | - | 107,498 |
| Mental Health Programs | 73,375 | - | - | - | - | 73,375 |
| Animal Control - Predatory Animal Program | 71,532 | - | - | - | - | 71,532 |
| Fire Equipment Replacement | - | - | - | - | 68,013 | 68,013 |
| Solar Maintenance | 65,840 | - | - | - | - | 65,840 |
| Fish and Game Propogation Program | - | - | - | - | 35,184 | 35,184 |
| Workforce Investment Programs | 32,467 | - | - | - | - | 32,467 |
| Library - Children's Furniture | 13,759 | - | - | - | - | 13,759 |
| Jail Ministry | - | - | - | - | 13,391 | 13,391 |
| Purpose of Fund | - | - | - | - | 10,377 | 10,377 |
| Fire Prevention | - | - | - | - | 5,928 | 5,928 |
| District Projects | 1,200 | - | - | - | - | 1,200 |
| Child Support Program | - | - | - | - | 76 | 76 |
| Total assigned fund balance | <u>16,921,258</u> | <u>-</u> | <u>3,286,835</u> | <u>-</u> | <u>585,166</u> | <u>20,793,259</u> |
| Unassigned fund balance: | <u>54,757,257</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>54,757,257</u> |
| Total fund balance: | <u><u>91,703,552</u></u> | <u><u>4,380,739</u></u> | <u><u>9,749,703</u></u> | <u><u>11,496,465</u></u> | <u><u>48,973,254</u></u> | <u><u>166,303,713</u></u> |

17. DETAIL OF RESTRICTED ASSETS

Of the \$10,072,779 in restricted assets noted for governmental activities, \$88,871 is recorded in the Road Fund to cover the costs associated with potential pit claims, \$61,760 is recorded in the General Fund to cover the claims after the authorized household hazardous waste disposal site close down. \$3,952,445 is recorded in the internal service funds, of this amount, \$3,734,887 is to cover the replacement costs of the vehicles in the Fleet Service Management Fund, and \$217,558 is to cover the replacement costs of computer and equipment in the Administrative Services Department. The remaining \$5,969,703 is recorded in the various Debt Service Funds. Of this amount, \$5,191,425 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 Courthouse Construction COP Fund (\$778,178) to establish a debt service reserve required as a condition of the debt issuance, and in the Pension Obligation Bonds Fund (\$100) for the interests earned.

The \$557,411, noted for business - type activities, is recorded in the Castle Airport Development Center Fund. Of this amount, \$88,110 represents Castle Airport Development Center tenants' 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; \$465,022 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; \$4,279 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. 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

**COUNTY OF MERCED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

19. 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, 2016, 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, 2016.

20. 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:

| | | |
|--|----|---------|
| Sheriff's Correctional Facilities | \$ | 614,355 |
| Health | | 433,073 |
| Administrative Services - Support Services | | 305,705 |
| Capital Improvement Program | | 250,000 |
| Mental Health | | 176,122 |
| County Counsel | | 97,086 |
| Area Agency on Aging | | 73,424 |
| Human Services Agency | | 71,709 |
| Board of Supervisors | | 29,942 |
| County Executive Office | | 26,454 |
| District Attorney | | 13,844 |
| Public Defender | | 10,924 |
| County Library | | 10,722 |
| IHSS Public Authority | | 1,484 |
| Human Resources | | 677 |

COUNTY OF MERCED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The IHSS Public Authority had expenditures on other charges which exceeded its budgeted amount by \$241,268, due to the reversal of accrual from prior fiscal year for the money received. The Department of Workforce Investment had expenditures on capital outlay which exceeded its budgeted amount by \$23,222, due to the reclassification of expenditures on capital lease.

The Grand Jury had expenditures on services and supplies which exceeded its budgeted amount by \$2,130 and the Recorder had expenditures on services and supplies which exceeded its budgeted amount by \$32,526, both due to the reclassification of fixed asset expenditures.

The Dairy Loan Program had expenditures on principal which exceeded its budgeted amount by \$15,038, due to the reclassification of interest payments. The Juvenile Hall 2013 COP had expenditures on administration which exceeded its budgeted amount by \$2,667, due to the amortization of prepaid insurance.

The above disclosure is based on appropriations as of June 30, 2016. 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.

21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 9, 2017, the date which the financial statements were available to be issued and discloses the following:

Long-Term Debt Issuance

On November 1, 2016, the County of Merced financed a portion of the construction of the new Behavioral Health Facility by issuing Certificates of Participation in the amount of \$8,160,000 with an interest rate of 2.75% for 15 years.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MERCED
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Fiscal Year Ended June 30, 2016
 (Dollars in Thousands)

MCERA - Net Pension Liability

Merced County Employees' Retirement Association - Schedule of the County's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

| | <u>FY 2015</u> | <u>FY 2014</u> | <u>FY 2013</u> |
|--|----------------|----------------|----------------|
| County's proportion of the net pension liability (asset) | 94.8118% | 94.9263% | 94.7709% |
| County's proportionate share of the net pension liability (asset) | \$ 439,885 | \$ 427,554 | \$ 476,013 |
| County's covered-employee payroll | 104,212 | 104,482 | 103,458 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 422.11% | 409.21% | 460.10% |
| Plan fiduciary net position as a percentage of the total pension liability | 59.20% | 59.34% | 52.85% |

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

Merced County Employees' Retirement Association - Schedule of the County's Contributions

Last 10 Fiscal Years*

| | <u>FY 2015</u> | <u>FY 2014</u> |
|--|----------------|----------------|
| Actuarially determined contribution | \$ 49,307 | \$ 45,595 |
| Contributions in relation to the actuarially determined contribution | 48,806 | 45,652 |
| Contribution deficiency (excess) | <u>501</u> | <u>(57)</u> |
| County's covered-employee payroll | \$ 104,212 | \$ 104,482 |
| Contributions as a percentage of covered-employee payroll | 46.83% | 43.69% |

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

COUNTY OF MERCED
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Fiscal Year Ended June 30, 2016
 (Dollars in Thousands)

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

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percent of Covered Payroll</u> |
|---|--|--|------------------------------------|-------------------------|----------------------------|---|
| 7/1/2007 | \$ 4,029 | \$ 111,442 | \$ 107,413 | 3.62% | \$ 100,589 | 106.78% |
| 7/1/2009 | \$ 11,687 | \$ 109,022 | \$ 97,335 | 10.72% | \$ 114,984 | 84.65% |
| 7/1/2011 | \$ 21,888 | \$ 127,452 | \$ 105,564 | 17.17% | \$ 111,342 | 94.81% |
| 7/1/2013 | \$ 24,766 | \$ 62,192 | \$ 37,426 | 39.82% | \$ 115,983 | 32.27% |
| 7/1/2015 | \$ 29,177 | \$ 62,979 | \$ 33,802 | 46.33% | \$ 104,212 | 32.44% |

Source: Demsey Filliger & Associates "County of Merced GASB 45 Valuation as of July 1, 2015."

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 Association as a whole.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

COUNTY OF MERCED
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

| | 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 | \$ 31,261,725 | \$ 9,172,961 | \$ 6,592,167 | \$ 226,871 | \$ 47,253,724 |
| Receivables, net | | | | | |
| Accounts | 1,111,957 | 1,102,363 | 30,677 | | 2,244,997 |
| Notes | 5,846,392 | | | | 5,846,392 |
| Taxes and assessments | 484,360 | | | | 484,360 |
| Due from other funds | 88,103 | | 807,223 | | 895,326 |
| Prepaid items | | 86,089 | | | 86,089 |
| Restricted assets | | 5,969,703 | | | 5,969,703 |
| Total assets | <u>38,792,537</u> | <u>16,331,116</u> | <u>7,430,067</u> | <u>226,871</u> | <u>62,780,591</u> |
| Total assets & deferred outflows of resources | <u>\$ 38,792,537</u> | <u>\$ 16,331,116</u> | <u>\$ 7,430,067</u> | <u>\$ 226,871</u> | <u>\$ 62,780,591</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accrued liabilities | \$ 4,640,531 | | \$ 658,531 | | \$ 5,299,062 |
| Due to other funds | 718,144 | | | | 718,144 |
| Advances from grantors & third parties | 6,687,768 | \$ 1,102,363 | | | 7,790,131 |
| Total liabilities | <u>12,046,443</u> | <u>1,102,363</u> | <u>658,531</u> | | <u>13,807,337</u> |
| Fund balances: | | | | | |
| Nonspendable | | 86,089 | | \$ 226,871 | 312,960 |
| Restricted | 9,360,877 | 15,142,664 | 4,938,367 | | 29,441,908 |
| Committed | 17,252,248 | | 1,380,972 | | 18,633,220 |
| Assigned | 132,969 | | 452,197 | | 585,166 |
| Total fund balances | <u>26,746,094</u> | <u>15,228,753</u> | <u>6,771,536</u> | <u>226,871</u> | <u>48,973,254</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 38,792,537</u> | <u>\$ 16,331,116</u> | <u>\$ 7,430,067</u> | <u>\$ 226,871</u> | <u>\$ 62,780,591</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2016

| | Special Revenue Funds | Debt Service Funds | Capital Projects Fund | Permanent Fund Perpetual Conservation Easement | Total Nonmajor Governmental Funds |
|---|-----------------------------|--------------------------|-----------------------------|--|--|
| REVENUES | | | | | |
| Taxes and assessments | \$ 15,154,464 | | | | \$ 15,154,464 |
| Licenses, permits and franchise fees | 4,400 | | | | 4,400 |
| Fines, forfeitures and penalties | 709,152 | \$ 668,286 | | | 1,377,438 |
| Revenue from use of money and property | 1,435,205 | 235,769 | \$ 75,844 | \$ 2,821 | 1,749,639 |
| Aid from other governmental agencies | 15,274,593 | 2,204,726 | | | 17,479,319 |
| Charges for current services | 1,105,764 | | | | 1,105,764 |
| Other revenues | 1,659,323 | 7,093,093 | 808,652 | | 9,561,068 |
| Total revenues | <u>35,342,901</u> | <u>10,201,874</u> | <u>884,496</u> | <u>2,821</u> | <u>46,432,092</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,854,223 | | | | 1,854,223 |
| Public protection | 25,967,775 | | 74,661 | | 26,042,436 |
| Health and sanitation | 4,002,194 | | | | 4,002,194 |
| Public assistance | 1,560,560 | | | | 1,560,560 |
| Debt service: | | | | | |
| Principal | | 8,920,000 | | | 8,920,000 |
| Interest | | 3,308,718 | | | 3,308,718 |
| Administration | | 14,756 | | | 14,756 |
| Capital outlay | | | 1,990,381 | | 1,990,381 |
| Total expenditures | <u>33,384,752</u> | <u>12,243,474</u> | <u>2,065,042</u> | | <u>47,693,268</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,958,149</u> | <u>(2,041,600)</u> | <u>(1,180,546)</u> | <u>2,821</u> | <u>(1,261,176)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | | 829,658 | 2,228,065 | | 3,057,723 |
| Transfers out | (124,189) | | | | (124,189) |
| Total other financing sources (uses) | <u>(124,189)</u> | <u>829,658</u> | <u>2,228,065</u> | | <u>2,933,534</u> |
| Net change in fund balances | <u>1,833,960</u> | <u>(1,211,942)</u> | <u>1,047,519</u> | <u>2,821</u> | <u>1,672,358</u> |
| Fund balances - beginning | 24,912,134 | 16,440,695 | 5,724,017 | 224,050 | 47,300,896 |
| Fund balances - ending | <u>\$ 26,746,094</u> | <u>\$ 15,228,753</u> | <u>\$ 6,771,536</u> | <u>\$ 226,871</u> | <u>\$ 48,973,254</u> |

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 is 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, 2016

| | <u>Fire</u> | <u>First Five Merced County</u> | <u>Child Support Services Agency</u> | <u>Sheriff - Inmate Welfare</u> | <u>Light and Drainage Districts</u> | <u>Medical Assistance Program</u> |
|---|----------------------|---|--|---|---|---|
| ASSETS & DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Assets: | | | | | | |
| Equity in pooled cash and investments | \$ 14,048,693 | \$ 6,615,099 | \$ 762,563 | \$ 1,559,397 | \$ 5,038,170 | \$ 730,652 |
| Receivables, net | | | | | | |
| Accounts | 171,608 | 622,677 | | 60,528 | 11,126 | 64,342 |
| Notes | | | | | | |
| Taxes and assessments | 484,360 | | | | | |
| Due from other funds | 123 | | 189 | | | 87,054 |
| Total assets | <u>14,704,784</u> | <u>7,237,776</u> | <u>762,752</u> | <u>1,619,925</u> | <u>5,049,296</u> | <u>882,048</u> |
| Total assets & deferred outflows of resources | <u>\$ 14,704,784</u> | <u>\$ 7,237,776</u> | <u>\$ 762,752</u> | <u>\$ 1,619,925</u> | <u>\$ 5,049,296</u> | <u>\$ 882,048</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accrued liabilities | \$ 3,231,023 | \$ 569,734 | \$ 406,845 | \$ 52,424 | \$ 66,432 | \$ 103,022 |
| Due to other funds | 49,778 | 85,428 | 347,227 | 1,694 | 5,097 | 93,890 |
| Advances from grantors & third parties | 837,812 | | | | | |
| Total liabilities | <u>4,118,613</u> | <u>655,162</u> | <u>754,072</u> | <u>54,118</u> | <u>71,529</u> | <u>196,912</u> |
| Fund balances: | | | | | | |
| Restricted | 3,182,488 | 1,181,124 | 10 | 163,057 | 1,844,327 | 685,136 |
| Committed | 7,329,742 | 5,401,490 | 8,594 | 1,389,359 | 3,123,063 | |
| Assigned | 73,941 | | 76 | 13,391 | 10,377 | |
| Total fund balances | <u>10,586,171</u> | <u>6,582,614</u> | <u>8,680</u> | <u>1,565,807</u> | <u>4,977,767</u> | <u>685,136</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 14,704,784</u> | <u>\$ 7,237,776</u> | <u>\$ 762,752</u> | <u>\$ 1,619,925</u> | <u>\$ 5,049,296</u> | <u>\$ 882,048</u> |

COUNTY OF MERCED
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016

| | 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 | \$ 32,554 | \$ 183,034 | \$ 34,337 | \$ 1,457,588 | \$ 799,638 | \$ 31,261,725 |
| Receivables, net | | | | | | |
| Accounts | 127,029 | 53,800 | 847 | | | 1,111,957 |
| Notes | | | | 5,640,593 | 205,799 | 5,846,392 |
| Taxes and assessments | | | | | | 484,360 |
| Due from other funds | | | | | 737 | 88,103 |
| Total assets | 159,583 | 236,834 | 35,184 | 7,098,181 | 1,006,174 | 38,792,537 |
| Total assets & deferred outflows of resources | \$ 159,583 | \$ 236,834 | \$ 35,184 | \$ 7,098,181 | \$ 1,006,174 | \$ 38,792,537 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accrued liabilities | \$ 159,047 | \$ 51,455 | | | \$ 549 | \$ 4,640,531 |
| Due to other funds | 536 | 134,494 | | | | 718,144 |
| Advances from grantors & third parties | | 3,564 | | \$ 5,640,593 | 205,799 | 6,687,768 |
| Total liabilities | 159,583 | 189,513 | | 5,640,593 | 206,348 | 12,046,443 |
| Fund balances: | | | | | | |
| Restricted | | 47,321 | | 1,457,588 | 799,826 | 9,360,877 |
| Committed | | | | | | 17,252,248 |
| Assigned | | | \$ 35,184 | | | 132,969 |
| Total fund balances | | 47,321 | 35,184 | 1,457,588 | 799,826 | 26,746,094 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 159,583 | \$ 236,834 | \$ 35,184 | \$ 7,098,181 | \$ 1,006,174 | \$ 38,792,537 |

COUNTY OF MERCED
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended June 30, 2016

| | Fire | First Five Merced County | Child Support Services Agency | Sheriff - Inmate Welfare | Light and Drainage Districts | Medical Assistance Program |
|---|----------------------|--------------------------------|--|--------------------------------|------------------------------------|----------------------------------|
| REVENUES | | | | | | |
| Taxes and assessments | \$ 15,103,599 | | | | 50,865 | |
| Licenses, permits and franchise fees | 4,400 | | | | | |
| Fines, forfeitures and penalties | | | | | | \$ 701,234 |
| Revenue from use of money and property | 169,781 | \$ 88,009 | \$ 8,021 | \$ 264,365 | \$ 61,293 | 8,643 |
| Aid from other governmental agencies | 1,330,996 | 3,765,930 | 8,368,329 | | | 192,124 |
| Charges for current services | 154,886 | | 190 | 1,118 | 935,809 | 1,102 |
| Other revenues | 42,284 | 36,385 | 733 | 260,861 | 31,574 | 5,199 |
| Total revenues | <u>16,805,946</u> | <u>3,890,324</u> | <u>8,377,273</u> | <u>526,344</u> | <u>1,079,541</u> | <u>908,302</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | | | | | | |
| Public protection | 16,033,743 | | 8,570,463 | 423,266 | 934,303 | |
| Health and sanitation | | 3,182,175 | | | | 820,019 |
| Public assistance | | | | | | |
| Total expenditures | <u>16,033,743</u> | <u>3,182,175</u> | <u>8,570,463</u> | <u>423,266</u> | <u>934,303</u> | <u>820,019</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>772,203</u> | <u>708,149</u> | <u>(193,190)</u> | <u>103,078</u> | <u>145,238</u> | <u>88,283</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers out | (58,050) | | | (60,010) | | |
| Total other financing sources (uses) | <u>(58,050)</u> | | | <u>(60,010)</u> | | |
| Net change in fund balances | 714,153 | 708,149 | (193,190) | 43,068 | 145,238 | 88,283 |
| Fund balances - beginning | 9,872,018 | 5,874,465 | 201,870 | 1,522,739 | 4,832,529 | 596,853 |
| Fund balances - ending | <u>\$ 10,586,171</u> | <u>\$ 6,582,614</u> | <u>\$ 8,680</u> | <u>\$ 1,565,807</u> | <u>\$ 4,977,767</u> | <u>\$ 685,136</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended June 30, 2016

| | Workforce Investment Act | Spring Fair | Fish and Game | Housing Loan Program | Business Loan Program | Total |
|---|--------------------------------|------------------|------------------|----------------------------|-----------------------------|----------------------|
| REVENUES | | | | | | |
| Taxes and assessments | | | | | | \$ 15,154,464 |
| Licenses, permits and franchise fees | | | | | | 4,400 |
| Fines, forfeitures and penalties | | | \$ 7,918 | | | 709,152 |
| Revenue from use of money and property | 268 | \$ 758,553 | 415 | \$ 48,917 | \$ 26,940 | 1,435,205 |
| Aid from other governmental agencies | \$ 1,542,205 | 75,009 | | | | 15,274,593 |
| Charges for current services | | (1,993) | | | 14,652 | 1,105,764 |
| Other revenues | | 993,286 | | 272,425 | 16,576 | 1,659,323 |
| Total revenues | <u>1,542,473</u> | <u>1,824,855</u> | <u>8,333</u> | <u>321,342</u> | <u>58,168</u> | <u>35,342,901</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | | 1,854,223 | | | | 1,854,223 |
| Public protection | | | 6,000 | | | 25,967,775 |
| Health and sanitation | | | | | | 4,002,194 |
| Public assistance | 1,542,473 | | | 16,229 | 1,858 | 1,560,560 |
| Total expenditures | <u>1,542,473</u> | <u>1,854,223</u> | <u>6,000</u> | <u>16,229</u> | <u>1,858</u> | <u>33,384,752</u> |
| Excess (deficiency) of revenues over (under) expenditures | | <u>(29,368)</u> | <u>2,333</u> | <u>305,113</u> | <u>56,310</u> | <u>1,958,149</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers out | | (6,129) | | | | (124,189) |
| Total other financing sources (uses) | | <u>(6,129)</u> | | | | <u>(124,189)</u> |
| Net change in fund balances | | (35,497) | 2,333 | 305,113 | 56,310 | 1,833,960 |
| Fund balances - beginning | | 82,818 | 32,851 | 1,152,475 | 743,516 | 24,912,134 |
| Fund balances - ending | <u>\$</u> | <u>\$ 47,321</u> | <u>\$ 35,184</u> | <u>\$ 1,457,588</u> | <u>\$ 799,826</u> | <u>\$ 26,746,094</u> |

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE
For the Fiscal Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 14,297,281 | \$ 14,297,281 | \$ 15,103,599 | \$ 806,318 |
| Licenses, permits and franchise fees | 10,000 | 10,000 | 4,400 | (5,600) |
| Revenue from use of money and property | 60,000 | 60,000 | 169,781 | 109,781 |
| Aid from other governmental agencies | 1,010,584 | 1,355,400 | 1,330,996 | (24,404) |
| Charges for current services | 342,300 | 342,300 | 154,886 | (187,414) |
| Other revenues | 19,501 | 19,501 | 42,284 | 22,783 |
| Total revenues | <u>15,739,666</u> | <u>16,084,482</u> | <u>16,805,946</u> | <u>721,464</u> |
| EXPENDITURES | | | | |
| Public protection | | | | |
| Salaries and employee benefits | 1,527,315 | 1,527,726 | 1,095,689 | 432,037 |
| Services and supplies | 19,102,915 | 19,473,910 | 14,383,573 | 5,090,337 |
| Intrafund and interfund transfers | 5,763 | 5,763 | (14,480) | 20,243 |
| Capital outlay | 728,195 | 726,895 | 568,961 | 157,934 |
| Total expenditures | <u>21,364,188</u> | <u>21,734,294</u> | <u>16,033,743</u> | <u>5,700,551</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,624,522)</u> | <u>(5,649,812)</u> | <u>772,203</u> | <u>6,422,015</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 146,957 | 146,957 | | (146,957) |
| Transfers out | <u>(95,410)</u> | <u>(70,120)</u> | <u>(58,050)</u> | <u>12,070</u> |
| Total other financing sources (uses) | <u>51,547</u> | <u>76,837</u> | <u>(58,050)</u> | <u>(134,887)</u> |
| Net change in fund balance | (5,572,975) | (5,572,975) | 714,153 | 6,287,128 |
| Fund balance - beginning | 12,291,264 | 12,291,264 | 9,872,018 | (2,419,246) |
| Fund balance - ending | <u>\$ 6,718,289</u> | <u>\$ 6,718,289</u> | <u>\$ 10,586,171</u> | <u>\$ 3,867,882</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from use of money and property | \$ 43,236 | \$ 43,236 | \$ 88,009 | \$ 44,773 |
| Aid from other governmental agencies | 5,142,108 | 5,142,108 | 3,765,930 | (1,376,178) |
| Other revenues | | | 36,385 | 36,385 |
| Total revenues | <u>5,185,344</u> | <u>5,185,344</u> | <u>3,890,324</u> | <u>(1,295,020)</u> |
| EXPENDITURES | | | | |
| Health and sanitation | | | | |
| Salaries and employee benefits | 899,114 | 903,674 | 656,094 | 247,580 |
| Services and supplies | 5,139,380 | 5,134,820 | 2,526,081 | 2,608,739 |
| Total expenditures | <u>6,038,494</u> | <u>6,038,494</u> | <u>3,182,175</u> | <u>2,856,319</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(853,150)</u> | <u>(853,150)</u> | <u>708,149</u> | <u>1,561,299</u> |
| Net change in fund balance | (853,150) | (853,150) | 708,149 | 1,561,299 |
| Fund balance - beginning | 6,254,647 | 6,254,647 | 5,874,465 | (380,182) |
| Fund balance - ending | <u>\$ 5,401,497</u> | <u>\$ 5,401,497</u> | <u>\$ 6,582,614</u> | <u>\$ 1,181,117</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from use of money and property | \$ 3,000 | \$ 3,000 | \$ 8,021 | \$ 5,021 |
| Aid from other governmental agencies | 10,023,606 | 10,023,606 | 8,368,329 | (1,655,277) |
| Charges for current services | 30,000 | 30,000 | 190 | (29,810) |
| Other revenues | | | 733 | 733 |
| Total revenues | <u>10,056,606</u> | <u>10,056,606</u> | <u>8,377,273</u> | <u>(1,679,333)</u> |
| EXPENDITURES | | | | |
| Public protection | | | | |
| Salaries and employee benefits | 8,422,968 | 8,387,108 | 7,059,682 | 1,327,426 |
| Services and supplies | 1,637,898 | 1,636,258 | 1,473,769 | 162,489 |
| Capital outlay | | 37,500 | 37,012 | 488 |
| Total expenditures | <u>10,060,866</u> | <u>10,060,866</u> | <u>8,570,463</u> | <u>1,490,403</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,260)</u> | <u>(4,260)</u> | <u>(193,190)</u> | <u>(188,930)</u> |
| Net change in fund balance | (4,260) | (4,260) | (193,190) | (188,930) |
| Fund balance - beginning | 532,440 | 532,440 | 201,870 | (330,570) |
| Fund balance - ending | <u>\$ 528,180</u> | <u>\$ 528,180</u> | <u>\$ 8,680</u> | <u>\$ (519,500)</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from use of money and property | \$ 446,000 | \$ 446,000 | \$ 264,365 | \$ (181,635) |
| Charges for current services | | | 1,118 | 1,118 |
| Other revenues | 238,891 | 238,891 | 260,861 | 21,970 |
| Total revenues | <u>684,891</u> | <u>684,891</u> | <u>526,344</u> | <u>(158,547)</u> |
| EXPENDITURES | | | | |
| Public protection | | | | |
| Salaries and employee benefits | 304,316 | 304,316 | 254,387 | 49,929 |
| Services and supplies | 371,169 | 347,169 | 168,879 | 178,290 |
| Total expenditures | <u>675,485</u> | <u>651,485</u> | <u>423,266</u> | <u>228,219</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>9,406</u> | <u>33,406</u> | <u>103,078</u> | <u>69,672</u> |
| OTHER FINANCING USES | | | | |
| Transfers out | (110,585) | (134,585) | (60,010) | 74,575 |
| Total other financing uses | <u>(110,585)</u> | <u>(134,585)</u> | <u>(60,010)</u> | <u>74,575</u> |
| Net change in fund balance | (101,179) | (101,179) | 43,068 | 144,247 |
| Fund balance - beginning | 1,506,056 | 1,506,056 | 1,522,739 | 16,683 |
| Fund balance - ending | <u>\$ 1,404,877</u> | <u>\$ 1,404,877</u> | <u>\$ 1,565,807</u> | <u>\$ 160,930</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes and assessments | | | \$ 50,865 | \$ 50,865 |
| Revenue from use of money and property | \$ 31,818 | \$ 31,818 | 61,293 | 29,475 |
| Charges for current services | 1,049,988 | 1,049,988 | 935,809 | (114,179) |
| Other revenues | 11,800 | 11,800 | 31,574 | 19,774 |
| Total revenues | <u>1,093,606</u> | <u>1,093,606</u> | <u>1,079,541</u> | <u>(14,065)</u> |
| EXPENDITURES | | | | |
| Public protection | | | | |
| Services and supplies | 2,177,351 | 2,177,351 | 932,764 | 1,244,587 |
| Contingencies | 619,022 | 619,022 | 1,539 | 617,483 |
| Total expenditures | <u>2,796,373</u> | <u>2,796,373</u> | <u>934,303</u> | <u>1,862,070</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,702,767)</u> | <u>(1,702,767)</u> | <u>145,238</u> | <u>1,848,005</u> |
| Net change in fund balance | (1,702,767) | (1,702,767) | 145,238 | 1,848,005 |
| Fund balance - beginning | 4,825,830 | 4,825,830 | 4,832,529 | 6,699 |
| Fund balance - ending | <u>\$ 3,123,063</u> | <u>\$ 3,123,063</u> | <u>\$ 4,977,767</u> | <u>\$ 1,854,704</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|--------------------------|--------------------------|--------------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes and assessments | | | | |
| Licenses, permits and franchise fees | | | | |
| Fines, forfeitures and penalties | \$ 1,338,582 | \$ 1,338,582 | \$ 701,234 | \$ (637,348) |
| Revenue from use of money and property | 235 | 235 | 8,643 | 8,408 |
| Aid from other governmental agencies | 700,062 | 700,062 | 192,124 | (507,938) |
| Charges for current services | | | 1,102 | 1,102 |
| Other revenues | | | 5,199 | 5,199 |
| Total revenues | <u>2,038,879</u> | <u>2,038,879</u> | <u>908,302</u> | <u>(1,130,577)</u> |
| EXPENDITURES | | | | |
| Health and sanitation | | | | |
| Services and supplies | <u>2,668,057</u> | <u>2,668,057</u> | <u>820,019</u> | <u>1,848,038</u> |
| Total expenditures | <u>2,668,057</u> | <u>2,668,057</u> | <u>820,019</u> | <u>1,848,038</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(629,178)</u> | <u>(629,178)</u> | <u>88,283</u> | <u>717,461</u> |
| Net change in fund balance | (629,178) | (629,178) | 88,283 | 717,461 |
| Fund balance - beginning | <u>629,178</u> | <u>629,178</u> | <u>596,853</u> | <u>(32,325)</u> |
| Fund balance - ending | <u>\$ <u>629,178</u></u> | <u>\$ <u>629,178</u></u> | <u>\$ <u>685,136</u></u> | <u>\$ <u>685,136</u></u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from use of money and property | | | \$ 268 | \$ 268 |
| Aid from other governmental agencies | \$ 2,470,381 | \$ 2,542,381 | 1,542,205 | (1,000,176) |
| Total revenues | <u>2,470,381</u> | <u>2,542,381</u> | <u>1,542,473</u> | <u>(999,908)</u> |
| EXPENDITURES | | | | |
| Public assistance | | | | |
| Services and supplies | 811,710 | 876,710 | 776,883 | 99,827 |
| Other charges | 1,669,818 | 1,676,818 | 765,590 | 911,228 |
| Total expenditures | <u>2,481,528</u> | <u>2,553,528</u> | <u>1,542,473</u> | <u>1,011,055</u> |
| (Deficiency) of revenues (under) expenditures | <u>(11,147)</u> | <u>(11,147)</u> | | <u>11,147</u> |
| Net change in fund balance | (11,147) | (11,147) | | 11,147 |
| Fund balance - beginning | 14,502 | 14,502 | | (14,502) |
| Fund balance - ending | <u>\$ 3,355</u> | <u>\$ 3,355</u> | <u>\$</u> | <u>\$ (3,355)</u> |

COUNTY OF MERCED
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPRING FAIR
For the Fiscal Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from use of money and property | \$ 872,200 | \$ 872,200 | \$ 758,553 | \$ (113,647) |
| Aid from other governmental agencies | 33,000 | 33,000 | 75,009 | 42,009 |
| Charges for current services | | | (1,993) | (1,993) |
| Other revenues | 497,000 | 1,497,000 | 993,286 | (503,714) |
| Total revenues | <u>1,402,200</u> | <u>2,402,200</u> | <u>1,824,855</u> | <u>(577,345)</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Salaries and employee benefits | 633,081 | 750,081 | 701,722 | 48,359 |
| Services and supplies | 595,175 | 1,558,175 | 1,151,941 | 406,234 |
| Other charges | 6,000 | 6,000 | 560 | 5,440 |
| Capital outlay | 155,000 | 75,000 | | 75,000 |
| Total expenditures | <u>1,389,256</u> | <u>2,389,256</u> | <u>1,854,223</u> | <u>535,033</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>12,944</u> | <u>12,944</u> | <u>(29,368)</u> | <u>(42,312)</u> |
| OTHER FINANCING (USES) | | | | |
| Transfers out | (6,129) | (6,129) | (6,129) | |
| Total other financing (uses) | <u>(6,129)</u> | <u>(6,129)</u> | <u>(6,129)</u> | |
| Net change in fund balance | 6,815 | 6,815 | (35,497) | (42,312) |
| Fund balance - beginning | 52,575 | 52,575 | 82,818 | 30,243 |
| Fund balance - ending | <u>\$ 59,390</u> | <u>\$ 59,390</u> | <u>\$ 47,321</u> | <u>\$ (12,069)</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|-----------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Fines, forfeitures and penalties | \$ 9,540 | \$ 9,540 | \$ 7,918 | \$ (1,622) |
| Revenue from use of money and property | 160 | 160 | 415 | 255 |
| Total revenues | <u>9,700</u> | <u>9,700</u> | <u>8,333</u> | <u>(1,367)</u> |
| EXPENDITURES | | | | |
| Public protection | | | | |
| Services and supplies | <u>42,077</u> | <u>42,077</u> | <u>6,000</u> | <u>36,077</u> |
| Total expenditures | <u>42,077</u> | <u>42,077</u> | <u>6,000</u> | <u>36,077</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(32,377)</u> | <u>(32,377)</u> | <u>2,333</u> | <u>34,710</u> |
| Net change in fund balance | (32,377) | (32,377) | 2,333 | 34,710 |
| Fund balance - beginning | 32,377 | 32,377 | 32,851 | 474 |
| Fund balance - ending | <u>\$</u> | <u>\$</u> | <u>\$ 35,184</u> | <u>\$ 35,184</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from use of money and property | \$ 250 | \$ 250 | \$ 48,917 | \$ 48,667 |
| Aid from other governmental agencies | 700,000 | 700,000 | | (700,000) |
| Other revenues | 668,250 | 668,250 | 272,425 | (395,825) |
| Total revenues | <u>1,368,500</u> | <u>1,368,500</u> | <u>321,342</u> | <u>(1,047,158)</u> |
| EXPENDITURES | | | | |
| Public assistance | | | | |
| Services and supplies | 1,368,500 | 1,368,500 | 16,229 | 1,352,271 |
| Total expenditures | <u>1,368,500</u> | <u>1,368,500</u> | <u>16,229</u> | <u>1,352,271</u> |
| Excess of revenues over expenditures | | | <u>305,113</u> | <u>305,113</u> |
| Net change in fund balance | | | 305,113 | 305,113 |
| Fund balance - beginning | 849 | 849 | 1,152,475 | 1,151,626 |
| Fund balance - ending | <u>\$ 849</u> | <u>\$ 849</u> | <u>\$ 1,457,588</u> | <u>\$ 1,456,739</u> |

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 (COP) 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.

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.

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, 2016

| | Juvenile Hall 2013 COP | Pension Obligation Bonds | Courthouse Construction COP | Merced County Tobacco Funding Corporation | Total |
|---|------------------------------|--------------------------------|-----------------------------------|---|--------------------------|
| ASSETS & DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Assets: | | | | | |
| Equity in pooled cash and investments | \$ 131 | \$ 9,172,830 | | | \$ 9,172,961 |
| Receivables, net | | | | | |
| Accounts | | | | \$ 1,102,363 | 1,102,363 |
| Prepaid items | 86,089 | | | | 86,089 |
| Restricted assets | | 100 | \$ 778,178 | 5,191,425 | 5,969,703 |
| Total assets | <u>86,220</u> | <u>9,172,930</u> | <u>778,178</u> | <u>6,293,788</u> | <u>16,331,116</u> |
| Total assets & deferred outflows of resources | <u>\$ 86,220</u> | <u>\$ 9,172,930</u> | <u>\$ 778,178</u> | <u>\$ 6,293,788</u> | <u>\$ 16,331,116</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Advances from grantors & third parties | | | | \$ 1,102,363 | \$ 1,102,363 |
| Total liabilities | | | | <u>1,102,363</u> | <u>1,102,363</u> |
| Fund balances: | | | | | |
| Nonspendable | \$ 86,089 | | | | \$ 86,089 |
| Restricted | 131 | \$ 9,172,930 | \$ 778,178 | \$ 5,191,425 | 15,142,664 |
| Total fund balances | <u>86,220</u> | <u>9,172,930</u> | <u>778,178</u> | <u>5,191,425</u> | <u>15,228,753</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 86,220</u> | <u>\$ 9,172,930</u> | <u>\$ 778,178</u> | <u>\$ 6,293,788</u> | <u>\$ 16,331,116</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 For the Fiscal Year Ended June 30, 2016

| | Juvenile Hall 2013 COP | Pension Obligation Bonds | Courthouse Construction COP | Merced County Tobacco Funding Corporation | Total |
|--|------------------------------|--------------------------------|-----------------------------------|---|----------------------|
| REVENUES | | | | | |
| Fines, forfeitures and penalties | | | \$ 668,286 | | \$ 668,286 |
| Revenue from use of money and property | \$ 151 | \$ 100,815 | 4,117 | \$ 130,686 | 235,769 |
| Aid from other governmental agencies | | | | 2,204,726 | 2,204,726 |
| Other revenues | | 7,093,093 | | | 7,093,093 |
| Total revenues | <u>151</u> | <u>7,193,908</u> | <u>672,403</u> | <u>2,335,412</u> | <u>10,201,874</u> |
| EXPENDITURES | | | | | |
| Debt service: | | | | | |
| Principal | 460,000 | 7,990,000 | 360,000 | 110,000 | 8,920,000 |
| Interest | 367,650 | 801,875 | 303,706 | 1,835,487 | 3,308,718 |
| Administration | 7,767 | 2,400 | 4,580 | 9 | 14,756 |
| Total expenditures | <u>835,417</u> | <u>8,794,275</u> | <u>668,286</u> | <u>1,945,496</u> | <u>12,243,474</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(835,266)</u> | <u>(1,600,367)</u> | <u>4,117</u> | <u>389,916</u> | <u>(2,041,600)</u> |
| OTHER FINANCING SOURCES | | | | | |
| Transfers in | 829,658 | | | | 829,658 |
| Total other financing sources | <u>829,658</u> | | | | <u>829,658</u> |
| Net change in fund balances | <u>(5,608)</u> | <u>(1,600,367)</u> | <u>4,117</u> | <u>389,916</u> | <u>(1,211,942)</u> |
| Fund balances - beginning | 91,828 | 10,773,297 | 774,061 | 4,801,509 | 16,440,695 |
| Fund balances - ending | <u>\$ 86,220</u> | <u>\$ 9,172,930</u> | <u>\$ 778,178</u> | <u>\$ 5,191,425</u> | <u>\$ 15,228,753</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from use of money and property | \$ 65,000 | \$ 82,458 | \$ 102,902 | \$ 20,444 |
| Other revenues | 273,000 | 288,040 | 119,977 | (168,063) |
| Total revenues | <u>338,000</u> | <u>370,498</u> | <u>222,879</u> | <u>(147,619)</u> |
| EXPENDITURES | | | | |
| Public assistance | | | | |
| Debt service | | | | |
| Principal | 863,941 | 878,981 | 894,019 | (15,038) |
| Interest | 143,829 | 161,287 | 113,748 | 47,539 |
| Total expenditures | <u>1,007,770</u> | <u>1,040,268</u> | <u>1,007,767</u> | <u>32,501</u> |
| (Deficiency) of revenues (under) expenditures | <u>(669,770)</u> | <u>(669,770)</u> | <u>(784,888)</u> | <u>(115,118)</u> |
| OTHER FINANCING (USES) | | | | |
| Transfers in | | | | |
| Transfers out | (36,000) | (36,000) | | 36,000 |
| Total other financing (uses) | <u>(36,000)</u> | <u>(36,000)</u> | | <u>36,000</u> |
| Net change in fund balance | (705,770) | (705,770) | (784,888) | (79,118) |
| Fund balance - beginning | 4,491,077 | 4,491,077 | 5,165,627 | 674,550 |
| Fund balance - ending | <u>\$ 3,785,307</u> | <u>\$ 3,785,307</u> | <u>\$ 4,380,739</u> | <u>\$ 595,432</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from use of money and property | \$ 100 | \$ 100 | \$ 151 | \$ 51 |
| Total revenues | <u>100</u> | <u>100</u> | <u>151</u> | <u>51</u> |
| EXPENDITURES | | | | |
| Public protection | | | | |
| Debt service | | | | |
| Principal | 460,000 | 460,000 | 460,000 | |
| Interest | 367,651 | 367,651 | 367,650 | 1 |
| Administration | 5,100 | 5,100 | 7,767 | (2,667) |
| Total expenditures | <u>832,751</u> | <u>832,751</u> | <u>835,417</u> | <u>(2,666)</u> |
| (Deficiency) of revenues (under) expenditures | <u>(832,651)</u> | <u>(832,651)</u> | <u>(835,266)</u> | <u>(2,615)</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 846,129 | 846,129 | 829,658 | (16,471) |
| Total other financing sources | <u>846,129</u> | <u>846,129</u> | <u>829,658</u> | <u>(16,471)</u> |
| Net change in fund balance | 13,478 | 13,478 | (5,608) | (19,086) |
| Fund balance - beginning | | | 91,828 | 91,828 |
| Fund balance - ending | <u>\$ 13,478</u> | <u>\$ 13,478</u> | <u>\$ 86,220</u> | <u>\$ 72,742</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|----------------------|----------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from use of money and property | \$ 40,000 | \$ 40,000 | \$ 100,815 | \$ 60,815 |
| Other revenues | 8,500,000 | 8,500,000 | 7,093,093 | (1,406,907) |
| Total revenues | <u>8,540,000</u> | <u>8,540,000</u> | <u>7,193,908</u> | <u>(1,346,092)</u> |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | 7,990,000 | 7,990,000 | 7,990,000 | |
| Interest | 801,875 | 801,875 | 801,875 | |
| Administration | 5,100 | 5,100 | 2,400 | 2,700 |
| Total expenditures | <u>8,796,975</u> | <u>8,796,975</u> | <u>8,794,275</u> | <u>2,700</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(256,975)</u> | <u>(256,975)</u> | <u>(1,600,367)</u> | <u>(1,343,392)</u> |
| Net change in fund balance | (256,975) | (256,975) | (1,600,367) | (1,343,392) |
| Fund balance - beginning | 10,497,632 | 10,497,632 | 10,773,297 | 275,665 |
| Fund balance - ending | <u>\$ 10,240,657</u> | <u>\$ 10,240,657</u> | <u>\$ 9,172,930</u> | <u>\$ (1,067,727)</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|----------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Fines, forfeitures and penalties | \$ 668,807 | \$ 668,807 | \$ 668,286 | \$ (521) |
| Revenue from use of money and property | | | 4,117 | 4,117 |
| Total revenues | <u>668,807</u> | <u>668,807</u> | <u>672,403</u> | <u>3,596</u> |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | 360,000 | 360,000 | 360,000 | |
| Interest | 303,707 | 303,707 | 303,706 | 1 |
| Administration | 5,100 | 5,100 | 4,580 | 520 |
| Total expenditures | <u>668,807</u> | <u>668,807</u> | <u>668,286</u> | <u>521</u> |
| Excess of revenues over expenditures | | | <u>4,117</u> | <u>4,117</u> |
| Net change in fund balance | | | 4,117 | 4,117 |
| Fund balance - beginning | | | 774,061 | 774,061 |
| Fund balance - ending | <u>\$</u> | <u>\$</u> | <u>\$ 778,178</u> | <u>\$ 778,178</u> |

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, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from use of money and property | \$ 10,000 | \$ 10,000 | \$ 75,844 | \$ 65,844 |
| Other revenues | 415,000 | 415,000 | 808,652 | 393,652 |
| Total revenues | <u>425,000</u> | <u>425,000</u> | <u>884,496</u> | <u>459,496</u> |
| EXPENDITURES | | | | |
| Services and supplies | 1,075,879 | 1,075,879 | 74,661 | 1,001,218 |
| Contingencies | 1,419,509 | 1,635,566 | | 1,635,566 |
| Capital outlay | 3,573,159 | 3,810,573 | 1,990,381 | 1,820,192 |
| Total expenditures | <u>6,068,547</u> | <u>6,522,018</u> | <u>2,065,042</u> | <u>4,456,976</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,643,547)</u> | <u>(6,097,018)</u> | <u>(1,180,546)</u> | <u>4,916,472</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 3,163,144 | 3,616,615 | 2,228,065 | (1,388,550) |
| Transfers out | (1,896,957) | (1,896,957) | | 1,896,957 |
| Total other financing sources (uses) | <u>1,266,187</u> | <u>1,719,658</u> | <u>2,228,065</u> | <u>508,407</u> |
| Net change in fund balance | (4,377,360) | (4,377,360) | 1,047,519 | 5,424,879 |
| Fund balance - beginning | 5,758,332 | 5,758,332 | 5,724,017 | (34,315) |
| Fund balance - ending | <u>\$ 1,380,972</u> | <u>\$ 1,380,972</u> | <u>\$ 6,771,536</u> | <u>\$ 5,390,564</u> |

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 position 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, 2016

| | <u>Medical Facility Lease Operations</u> | <u>Castle Water and Sewer</u> | <u>Total</u> |
|---|--|---------------------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Equity in pooled cash and investments | \$ 13,161,760 | \$ 120,364 | \$ 13,282,124 |
| Receivables, net | 400 | 9,772 | 10,172 |
| Due from other funds | | 1,847 | 1,847 |
| Total current assets | <u>13,162,160</u> | <u>131,983</u> | <u>13,294,143</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land | 1,688,740 | | 1,688,740 |
| Land improvements | 525,530 | | 525,530 |
| Buildings and improvements | 17,066,852 | 10,134 | 17,076,986 |
| Equipment | | 19,495 | 19,495 |
| Less accumulated depreciation and amortization | <u>(17,012,191)</u> | <u>(16,879)</u> | <u>(17,029,070)</u> |
| Total noncurrent assets | <u>2,268,931</u> | <u>12,750</u> | <u>2,281,681</u> |
| Total assets | <u>15,431,091</u> | <u>144,733</u> | <u>15,575,824</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accrued liabilities | | <u>5,277</u> | <u>5,277</u> |
| Total current liabilities | <u>0</u> | <u>5,277</u> | <u>5,277</u> |
| Total liabilities | <u>0</u> | <u>5,277</u> | <u>5,277</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,268,931 | 12,750 | 2,281,681 |
| Unrestricted | <u>13,162,160</u> | <u>126,706</u> | <u>13,288,866</u> |
| Total net position | <u>\$ 15,431,091</u> | <u>\$ 139,456</u> | <u>\$ 15,570,547</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2016

| | Medical Facility Lease Operations | Castle Water and Sewer | Totals |
|---------------------------------------|---|------------------------------|----------------------|
| Operating revenues: | | | |
| Charges for services | | \$ 337,723 | \$ 337,723 |
| Other operating revenues | \$ 4,000 | | 4,000 |
| Total operating revenues | <u>4,000</u> | <u>337,723</u> | <u>341,723</u> |
| Operating expenses: | | | |
| Professional and specialized services | | 129,157 | 129,157 |
| Special departmental expense | | 2,396 | 2,396 |
| General and administrative | | 70,539 | 70,539 |
| Repairs and maintenance | | 36,248 | 36,248 |
| Depreciation and amortization | 154,379 | 3,291 | 157,670 |
| Total operating expenses | <u>154,379</u> | <u>241,631</u> | <u>396,010</u> |
| Operating income (loss) | <u>(150,379)</u> | <u>96,092</u> | <u>(54,287)</u> |
| Non-operating revenues: | | | |
| Interest income | 81,281 | 941 | 82,222 |
| Total non-operating revenues | <u>81,281</u> | <u>941</u> | <u>82,222</u> |
| Net income (loss) | (69,098) | 97,033 | 27,935 |
| Change in net position | <u>(69,098)</u> | <u>97,033</u> | <u>27,935</u> |
| Total net position - beginning | 15,500,189 | 42,423 | 15,542,612 |
| Total net position - ending | <u>\$ 15,431,091</u> | <u>\$ 139,456</u> | <u>\$ 15,570,547</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2016

| | <u>Medical Facility Lease Operations</u> | <u>Castle Water and Sewer</u> | <u>Total</u> |
|--|--|---------------------------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | \$ 329,134 | \$ 329,134 |
| Payments to suppliers | | (238,348) | (238,348) |
| Other receipts | \$ 3,600 | | 3,600 |
| Net cash provided by operating activities | <u>3,600</u> | <u>90,786</u> | <u>94,386</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received on investments | 81,281 | 941 | 82,222 |
| Net cash provided by investing activities | <u>81,281</u> | <u>941</u> | <u>82,222</u> |
| Net increase in cash and cash equivalents | 84,881 | 91,727 | 176,608 |
| Cash and cash equivalents - beginning of the year | 13,076,879 | 28,637 | 13,105,516 |
| Cash and cash equivalents - end of the year | <u>\$ 13,161,760</u> | <u>\$ 120,364</u> | <u>\$ 13,282,124</u> |
| Reconciliation to Statement of Fund Net Position: | | | |
| Equity in pooled cash and investments | \$ 13,161,760 | \$ 120,364 | \$ 13,282,124 |
| Total cash and cash equivalents | <u>\$ 13,161,760</u> | <u>\$ 120,364</u> | <u>\$ 13,282,124</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2016

| | Medical Facility Lease Operations | Castle Water and Sewer | Total |
|--|---|------------------------------|-------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (150,379) | \$ 96,092 | \$ (54,287) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 154,379 | 3,291 | 157,670 |
| Decrease (increase) in: | | | |
| Receivables | (400) | (6,742) | (7,142) |
| Due from other funds | | (1,847) | (1,847) |
| Increase (decrease) in: | | | |
| Accrued liabilities | | (8) | (8) |
| Net cash provided by operating activities | \$ 3,600 | \$ 90,786 | \$ 94,386 |

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 management 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, 2016

| | <u>Fleet Service Management</u> | <u>Administrative Services</u> | <u>Insurance Pool</u> | <u>Total</u> |
|--|---|------------------------------------|---------------------------|----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Equity in pooled cash and investments | \$ 225,688 | \$ 2,677,802 | \$ 34,181,944 | \$ 37,085,434 |
| Receivables, net | 2,670 | 40,555 | 1,764,074 | 1,807,299 |
| Due from other funds | 530,927 | 1,290,350 | 55,451 | 1,876,728 |
| Inventories | 88,041 | 48,637 | | 136,678 |
| Restricted assets | <u>3,734,887</u> | <u>217,558</u> | | <u>3,952,445</u> |
| Total current assets | <u>4,582,213</u> | <u>4,274,902</u> | <u>36,001,469</u> | <u>44,858,584</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Buildings and improvements | 757,116 | 492,140 | | 1,249,256 |
| Infrastructure | | 219,279 | | 219,279 |
| Equipment | 7,654,563 | 4,132,993 | | 11,787,556 |
| Construction in progress | 28,652 | 634,028 | | 662,680 |
| Other capital assets: | | | | |
| Software | | 481,561 | | 481,561 |
| Less accumulated depreciation and amortization | <u>(5,645,701)</u> | <u>(3,923,031)</u> | | <u>(9,568,732)</u> |
| Total noncurrent assets | <u>2,794,630</u> | <u>2,036,970</u> | | <u>4,831,600</u> |
| Total assets | <u>7,376,843</u> | <u>6,311,872</u> | <u>36,001,469</u> | <u>49,690,184</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred pensions | <u>162,576</u> | <u>1,383,333</u> | | <u>1,545,909</u> |
| Total deferred outflows of resources | <u>162,576</u> | <u>1,383,333</u> | | <u>1,545,909</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accrued liabilities | 62,606 | 447,041 | 47,430 | 557,077 |
| Due to other funds | 17,830 | 2,653 | 45,223 | 65,706 |
| Compensated absences | 11,920 | 91,264 | | 103,184 |
| Liability for self-insurance | | | 4,560,460 | 4,560,460 |
| Total current liabilities | <u>92,356</u> | <u>540,958</u> | <u>4,653,113</u> | <u>5,286,427</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences | 46,523 | 259,111 | | 305,634 |
| Long-term self-insurance debt | | | 14,324,104 | 14,324,104 |
| Other post employment benefits (OPEB) obligation | 86,290 | 734,567 | | 820,857 |
| Net pension liability | <u>1,271,573</u> | <u>10,810,100</u> | | <u>12,081,673</u> |
| Total noncurrent liabilities | <u>1,404,386</u> | <u>11,803,778</u> | <u>14,324,104</u> | <u>27,532,268</u> |
| Total liabilities | <u>1,496,742</u> | <u>12,344,736</u> | <u>18,977,217</u> | <u>32,818,695</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred pensions | <u>45,415</u> | <u>380,337</u> | | <u>425,752</u> |
| Total deferred inflows of resources | <u>45,415</u> | <u>380,337</u> | | <u>425,752</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 2,794,630 | 2,036,970 | | 4,831,600 |
| Restricted | 3,734,887 | | | 3,734,887 |
| Unrestricted | <u>(532,255)</u> | <u>(7,066,838)</u> | <u>17,024,252</u> | <u>9,425,159</u> |
| Total net position | <u>\$ 5,997,262</u> | <u>\$ (5,029,868)</u> | <u>\$ 17,024,252</u> | <u>\$ 17,991,646</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended June 30, 2016

| | Fleet Service Management | Administrative Services | Insurance Pool | Total |
|--|--------------------------------|----------------------------|----------------------|----------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 3,002,853 | \$ 11,317,320 | \$ 48,043,315 | \$ 62,363,488 |
| Total operating revenues | <u>3,002,853</u> | <u>11,317,320</u> | <u>48,043,315</u> | <u>62,363,488</u> |
| Operating expenses: | | | | |
| Salaries and benefits | 587,974 | 4,738,185 | | 5,326,159 |
| Materials and supplies | 1,132,481 | | | 1,132,481 |
| Insurance | 146,751 | 15,391 | 36,593,422 | 36,755,564 |
| Professional and specialized services | 275,099 | 227,746 | 1,390,400 | 1,893,245 |
| Special departmental expense | 46,302 | 1,489,913 | 747,300 | 2,283,515 |
| General and administrative | 44,185 | 2,005,452 | 7,959 | 2,057,596 |
| Repairs and maintenance | 10,320 | 515,636 | 130,367 | 656,323 |
| Rents and leases | 288 | 34,404 | | 34,692 |
| Depreciation and amortization | 653,808 | 287,433 | | 941,241 |
| Claims | | | 7,395,136 | 7,395,136 |
| Total operating expenses | <u>2,897,208</u> | <u>9,314,160</u> | <u>46,264,584</u> | <u>58,475,952</u> |
| Operating income (loss) | <u>105,645</u> | <u>2,003,160</u> | <u>1,778,731</u> | <u>3,887,536</u> |
| Non-operating revenues (expenses): | | | | |
| Interest income | 54,397 | 28,140 | 363,093 | 445,630 |
| (Loss) on disposition of capital assets | (64,513) | 4,827 | | (59,686) |
| Total non-operating revenues (expenses) | <u>(10,116)</u> | <u>32,967</u> | <u>363,093</u> | <u>385,944</u> |
| Income (loss) before capital contributions and transfers | 95,529 | 2,036,127 | 2,141,824 | 4,273,480 |
| Capital contributions | 8,563 | | | 8,563 |
| Transfers in | | 397,740 | | 397,740 |
| Transfers out | (5,634) | | | (5,634) |
| Change in net position | <u>98,458</u> | <u>2,433,867</u> | <u>2,141,824</u> | <u>4,674,149</u> |
| Total net position - beginning | 5,898,804 | (7,463,735) | 8,807,440 | 7,242,509 |
| Prior period adjustment | | | 6,074,988 | 6,074,988 |
| Total net position (deficit) - beginning, as restated | 5,898,804 | (7,463,735) | 14,882,428 | 13,317,497 |
| Total net position (deficit) - ending | <u>\$ 5,997,262</u> | <u>\$ (5,029,868)</u> | <u>\$ 17,024,252</u> | <u>\$ 17,991,646</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended June 30, 2016

| | Fleet Service Management | Administrative Services | Insurance Pool | Total |
|---|--------------------------------|----------------------------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from interfund services provided | \$ 2,663,703 | \$ 10,687,288 | \$ 48,232,165 | \$ 61,583,156 |
| Payments to suppliers | (1,745,075) | (4,667,308) | (38,981,837) | (45,394,220) |
| Payments to employees | (636,115) | (5,142,117) | | (5,778,232) |
| Claims paid | | | (7,746,111) | (7,746,111) |
| Other receipts | 29,954 | | | 29,954 |
| Net cash provided by operating activities | <u>312,467</u> | <u>877,863</u> | <u>1,504,217</u> | <u>2,694,547</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | (1,226,026) | (190,810) | | (1,416,836) |
| Proceeds from sale of capital assets | 13,114 | 2,518 | | 15,632 |
| Net cash used in capital and related financing activities | <u>(1,212,912)</u> | <u>(188,292)</u> | | <u>(1,401,204)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest earned on investments | 54,397 | 28,140 | 363,093 | 445,630 |
| Net cash provided by investing activities | <u>54,397</u> | <u>28,140</u> | <u>363,093</u> | <u>445,630</u> |
| Net increase (decrease) in cash and cash equivalents | (846,048) | 717,711 | 1,867,310 | 1,738,973 |
| Cash and cash equivalents - beginning of the year | 4,806,623 | 2,177,649 | 26,239,646 | 33,223,918 |
| Prior period adjustment | | | 6,074,988 | 6,074,988 |
| Cash and cash equivalents - end of the year | <u>\$ 3,960,575</u> | <u>\$ 2,895,360</u> | <u>\$ 34,181,944</u> | <u>\$ 41,037,879</u> |
| Reconciliation to Statement of Fund Net Position: | | | | |
| Equity in pooled cash and investments | \$ 225,688 | \$ 2,677,802 | \$ 34,181,944 | \$ 37,085,434 |
| Restricted assets | 3,734,887 | 217,558 | | 3,952,445 |
| Total cash and cash equivalents | <u>\$ 3,960,575</u> | <u>\$ 2,895,360</u> | <u>\$ 34,181,944</u> | <u>\$ 41,037,879</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended June 30, 2016

| | Fleet Service Management | Administrative Services | Insurance Pool | Total |
|---|--------------------------------|----------------------------|---------------------|---------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 105,645 | \$ 2,003,160 | \$ 1,778,731 | \$ 3,887,536 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 653,808 | 287,433 | | 941,241 |
| Decrease (increase) in: | | | | |
| Prepaid items | | 15,984 | | 15,984 |
| Receivables | (1,091) | (28,765) | 227,009 | 197,153 |
| Due from other funds | (308,105) | (729,650) | (32,017) | (1,069,772) |
| Inventories | 21,311 | 457 | | 21,768 |
| Deferred outflows of resources - Deferred pensions | (19,613) | (168,273) | | (187,886) |
| Increase (decrease) in: | | | | |
| Accrued liabilities | (117,925) | (209,122) | (387,442) | (714,489) |
| Due to other funds | 13,153 | 2,189 | (9,178) | 6,164 |
| Compensated absences | 2,693 | 25,159 | | 27,852 |
| Liability for self-insurance | | | (72,886) | (72,886) |
| Other post employment benefits (OPEB) obligation | (2,283) | (19,342) | | (21,625) |
| Net pension liability | 35,105 | 301,189 | | 336,294 |
| Deferred inflows of resources - Deferred pensions | (70,231) | (602,556) | | (672,787) |
| Net cash provided by operating activities | <u>\$ 312,467</u> | <u>\$ 877,863</u> | <u>\$ 1,504,217</u> | <u>\$ 2,694,547</u> |
| Noncash investing, capital, and financing activities: | | | | |
| Capital contributions | \$ 8,563 | \$ | \$ | \$ 8,563 |
| Disposal of capital assets | 97,401 | | | 97,401 |
| Total noncash investing, capital, and financing activities | <u>\$ 105,964</u> | <u>\$</u> | <u>\$</u> | <u>\$ 105,964</u> |

FIDUCIARY FUNDS

TRUST FUNDS

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

PARS Other Post Employment Benefits (OPEB) Trust - This fund is used to account for the County plan for post employment benefits other than pensions.

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

Merced County Redevelopment Agency (RDA) Successor Agency - This fund accounts for the assets of the successor agency for the Merced County Redevelopment Agency (RDA) after the RDA's dissolution in accordance with Section 34179 of the Health and Safety Code.

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, 2016

| <u>PROPERTY TAX COLLECTION</u> | <u>Balance</u> <u>July 1, 2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2016</u> |
|---------------------------------------|---------------------------------------|-----------------------|-----------------------|--|
| Assets: | | | | |
| Equity in pooled cash and investments | \$ 29,223,195 | \$ 263,813,658 | \$ 260,330,994 | \$ 32,705,859 |
| Taxes receivable | 3,483,712 | 7,427,366 | 3,483,712 | 7,427,366 |
| Total assets | <u>\$ 32,706,907</u> | <u>\$ 271,241,024</u> | <u>\$ 263,814,706</u> | <u>\$ 40,133,225</u> |
| Liabilities: | | | | |
| Agency obligations | \$ 32,706,907 | \$ 7,426,318 | \$ | \$ 40,133,225 |
| Total liabilities | <u>\$ 32,706,907</u> | <u>\$ 7,426,318</u> | <u>\$</u> | <u>\$ 40,133,225</u> |
| <u>TRIAL COURTS</u> | | | | |
| Assets: | | | | |
| Equity in pooled cash and investments | \$ 359 | \$ 2 | \$ | \$ 361 |
| Total assets | <u>\$ 359</u> | <u>\$ 2</u> | <u>\$</u> | <u>\$ 361</u> |
| Liabilities: | | | | |
| Agency obligations | \$ 359 | \$ 2 | \$ | \$ 361 |
| Total liabilities | <u>\$ 359</u> | <u>\$ 2</u> | <u>\$</u> | <u>\$ 361</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Fiscal Year Ended June 30, 2016

| <u>LOCAL AGENCY FORMATION COMMISSION</u> | <u>Balance</u> <u>July 1, 2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2016</u> |
|---|---------------------------------------|---------------------|---------------------|--|
| Assets: | | | | |
| Equity in pooled cash and investments | \$ 82,366 | \$ 13,475 | \$ 86,650 | \$ 9,191 |
| Accounts receivable | | 44,277 | | 44,277 |
| Total assets | <u>\$ 82,366</u> | <u>\$ 57,752</u> | <u>\$ 86,650</u> | <u>\$ 53,468</u> |
| Liabilities: | | | | |
| Agency obligations | \$ 82,366 | | \$ 28,898 | \$ 53,468 |
| Total liabilities | <u>\$ 82,366</u> | <u>\$</u> | <u>\$ 28,898</u> | <u>\$ 53,468</u> |
| <u>PUBLIC GUARDIAN/ADMINISTRATOR/CONSERVATOR</u> | | | | |
| Assets: | | | | |
| Equity in pooled cash and investments | \$ 1,273,234 | \$ 4,082,881 | \$ 3,798,080 | \$ 1,558,035 |
| Total assets | <u>\$ 1,273,234</u> | <u>\$ 4,082,881</u> | <u>\$ 3,798,080</u> | <u>\$ 1,558,035</u> |
| Liabilities: | | | | |
| Agency obligations | \$ 1,273,234 | \$ 284,801 | \$ | \$ 1,558,035 |
| Total liabilities | <u>\$ 1,273,234</u> | <u>\$ 284,801</u> | <u>\$</u> | <u>\$ 1,558,035</u> |

COUNTY OF MERCED
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Fiscal Year Ended June 30, 2016

| <u>TOTAL ALL AGENCY FUNDS</u> | <u>Balance</u> <u>July 1, 2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2016</u> |
|---------------------------------------|---------------------------------------|-----------------------|-----------------------|--|
| Assets: | | | | |
| Equity in pooled cash and investments | \$ 30,579,154 | \$ 267,910,016 | \$ 264,215,724 | \$ 34,273,446 |
| Accounts receivable | | 44,277 | | 44,277 |
| Taxes receivable | 3,483,712 | 7,427,366 | 3,483,712 | 7,427,366 |
| Total assets | <u>\$ 34,062,866</u> | <u>\$ 275,381,659</u> | <u>\$ 267,699,436</u> | <u>\$ 41,745,089</u> |
| Liabilities: | | | | |
| Agency obligations | \$ 34,062,866 | \$ 7,711,121 | \$ 28,898 | \$ 41,745,089 |
| Total liabilities | <u>\$ 34,062,866</u> | <u>\$ 7,711,121</u> | <u>\$ 28,898</u> | <u>\$ 41,745,089</u> |

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.

129- 135

Revenue Capacity

This segment contains information to help the reader assess the County's most significant local revenue source, the property tax.

136 - 139

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.

140 - 143

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.

144 - 145

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.

146- 150

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

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

| | Fiscal Year Ending June 30, | | | | | | | | | |
|---|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 280,779,540 | \$ 290,265,561 | \$ 301,103,956 | \$ 310,405,482 | \$ 316,349,380 | \$ 311,333,561 | \$ 334,137,124 | \$ 343,869,904 | \$ 344,021,929 | \$ 351,410,112 |
| Restricted | 40,394,378 | 40,155,192 | 45,277,373 | 43,866,234 | 39,099,384 | 47,893,405 | 43,835,354 | 48,798,839 | 38,731,421 | 39,447,742 |
| Unrestricted | 94,181,376 | 97,157,406 | 86,801,417 | 51,655,598 | 32,139,511 | 15,049,701 | (5,700,362) | 9,797,620 | (373,928,170) | (325,042,084) |
| Total governmental activities net position | <u>\$ 415,355,294</u> | <u>\$ 427,578,159</u> | <u>\$ 433,182,746</u> | <u>\$ 405,927,314</u> | <u>\$ 387,588,275</u> | <u>\$ 374,276,667</u> | <u>\$ 372,272,116</u> | <u>\$ 402,466,363</u> | <u>\$ 8,825,180</u> | <u>\$ 65,815,770</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 206,770,650 | \$ 182,902,361 | \$ 179,274,001 | \$ 174,483,066 | \$ 156,269,910 | \$ 135,596,376 | \$ 129,360,168 | \$ 123,700,262 | \$ 118,350,822 | \$ 112,866,000 |
| Restricted | 563,063 | 4,194,116 | 7,609,738 | 7,227,293 | 10,661,801 | 84,527 | 79,439 | 218,207 | 268,738 | 557,411 |
| Unrestricted | 20,212,038 | 24,392,304 | 18,871,005 | 18,515,362 | 13,515,796 | 13,497,190 | 12,777,500 | 12,970,749 | 11,474,251 | 12,359,902 |
| Total business-type activities net position | <u>\$ 227,545,751</u> | <u>\$ 211,488,781</u> | <u>\$ 205,754,744</u> | <u>\$ 200,225,721</u> | <u>\$ 180,447,507</u> | <u>\$ 149,178,093</u> | <u>\$ 142,217,107</u> | <u>\$ 136,889,218</u> | <u>\$ 130,093,811</u> | <u>\$ 125,783,313</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 487,550,190 | \$ 473,167,922 | \$ 480,377,957 | \$ 484,888,548 | \$ 472,619,290 | \$ 446,929,937 | \$ 463,497,292 | \$ 467,570,166 | \$ 462,372,751 | \$ 464,276,112 |
| Restricted | 40,957,441 | 44,349,308 | 52,887,111 | 51,093,527 | 49,761,185 | 47,977,932 | 43,914,793 | 49,017,046 | 39,000,159 | 40,005,153 |
| Unrestricted | 114,393,414 | 121,549,710 | 105,672,422 | 70,170,960 | 45,655,307 | 28,546,891 | 7,727,326 | 22,768,369 | (362,453,919) | (312,682,182) |
| Total primary government net position | <u>\$ 642,901,045</u> | <u>\$ 639,066,940</u> | <u>\$ 638,937,490</u> | <u>\$ 606,153,035</u> | <u>\$ 568,035,782</u> | <u>\$ 523,454,760</u> | <u>\$ 515,139,411</u> | <u>\$ 539,355,581</u> | <u>\$ 138,918,991</u> | <u>\$ 191,599,083</u> |

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

| | Fiscal Year Ending June 30, | | | | | | | | | |
|--|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Expenses | | | | | | | | | | |
| <i>Governmental activities:</i> | | | | | | | | | | |
| General government | \$ 29,976,604 | \$ 32,131,457 | \$ 35,484,452 | \$ 36,097,602 | \$ 34,608,193 | \$ 36,273,963 | \$ 31,403,707 | \$ 30,891,693 | \$ 30,675,489 | \$ 29,696,757 |
| Public protection | 100,136,938 | 106,819,781 | 119,365,045 | 119,328,257 | 120,615,253 | 119,342,431 | 114,776,068 | 115,836,569 | 115,413,015 | 120,019,155 |
| Public ways and facilities | 22,154,764 | 21,426,715 | 21,080,639 | 21,297,725 | 20,204,378 | 22,765,096 | 21,614,446 | 22,209,375 | 21,493,430 | 19,803,192 |
| Health and sanitation | 50,155,629 | 50,494,787 | 52,896,845 | 48,886,890 | 50,113,738 | 52,397,777 | 52,697,318 | 53,862,698 | 56,004,315 | 61,569,056 |
| Public assistance | 168,143,099 | 183,243,000 | 200,965,534 | 225,517,132 | 151,064,814 | 143,000,892 | 147,570,494 | 152,691,574 | 155,942,493 | 154,865,659 |
| Education | 2,511,619 | 2,879,863 | 3,198,645 | 3,066,038 | 2,994,690 | 2,873,434 | 2,478,600 | 2,454,648 | 2,573,481 | 2,934,193 |
| Recreation and cultural services | 1,864,855 | 1,988,594 | 2,347,335 | 2,478,768 | 2,119,557 | 2,014,859 | 2,041,973 | 1,836,800 | 1,768,035 | 1,858,781 |
| Interest on long-term debt | 7,717,217 | 7,493,372 | 7,206,929 | 6,861,186 | 6,528,263 | 6,157,458 | 5,305,114 | 4,330,600 | 3,812,452 | 3,269,802 |
| Total governmental activities expenses | <u>382,660,725</u> | <u>406,477,569</u> | <u>442,545,424</u> | <u>463,533,598</u> | <u>388,248,886</u> | <u>384,825,910</u> | <u>377,887,720</u> | <u>384,113,957</u> | <u>387,682,710</u> | <u>394,016,595</u> |
| <i>Business-type activities:</i> | | | | | | | | | | |
| Medical Facilities Lease Operations | 272,949 | 272,950 | 272,950 | 272,950 | 437,825 | 429,800 | 444,262 | 313,216 | 254,973 | 154,379 |
| Solid Waste Operations | 10,139,620 | 10,349,122 | 10,799,567 | 8,216,414 | 9,201,537 | - | - | - | - | - |
| Castle Airport Development Center | 5,626,817 | 21,998,813 | 8,385,611 | 9,144,950 | 9,238,082 | 9,060,282 | 8,364,699 | 8,249,039 | 7,858,109 | 7,605,707 |
| County-wide transit system | 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 | 320,129 | 264,085 | 241,631 |
| Total business-type activities expenses | <u>25,263,698</u> | <u>42,266,142</u> | <u>29,270,671</u> | <u>27,647,390</u> | <u>19,386,191</u> | <u>9,774,510</u> | <u>9,086,206</u> | <u>8,882,384</u> | <u>8,377,167</u> | <u>8,001,717</u> |
| Total primary government expenses | <u>\$ 407,924,423</u> | <u>\$ 448,743,711</u> | <u>\$ 471,816,095</u> | <u>\$ 491,180,988</u> | <u>\$ 407,635,077</u> | <u>\$ 394,600,420</u> | <u>\$ 386,973,926</u> | <u>\$ 392,996,341</u> | <u>\$ 396,059,877</u> | <u>\$ 402,018,312</u> |
| Program revenues | | | | | | | | | | |
| <i>Governmental activities:</i> | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | \$ 22,984,154 | \$ 16,665,477 | \$ 19,656,448 | \$ 16,840,697 | \$ 21,516,723 | \$ 17,163,746 | \$ 18,508,027 | \$ 16,961,963 | \$ 17,673,096 | \$ 15,720,542 |
| Public protection | 18,834,579 | 17,600,607 | 18,764,317 | 18,498,362 | 16,599,827 | 17,231,284 | 16,497,116 | 16,066,172 | 16,682,534 | 15,252,521 |
| Public ways and facilities | 3,932,615 | 5,515,645 | 4,268,945 | 3,410,628 | 3,414,838 | 3,745,223 | 4,451,184 | 4,395,594 | 3,527,281 | 1,909,411 |
| Health and sanitation | 3,917,251 | 4,378,310 | 4,177,011 | 4,817,259 | 5,030,536 | 8,435,482 | 5,958,507 | 5,475,011 | 5,981,082 | 7,059,855 |
| Public assistance | 247,175 | 261,916 | 265,137 | 343,784 | 471,149 | 447,241 | 766,541 | 534,315 | 234,471 | 131,331 |
| Education | 80,349 | 108,468 | 154,632 | 174,657 | 65,615 | 70,489 | 69,871 | 73,298 | 64,137 | 77,107 |
| Recreation and cultural services | 843,912 | 1,038,989 | 1,157,509 | 1,237,949 | 1,053,824 | 1,181,794 | 1,091,147 | 1,081,283 | 1,001,082 | 1,022,498 |
| Operating grants and contributions | 254,552,084 | 256,284,322 | 296,726,367 | 297,855,343 | 235,597,183 | 235,749,446 | 238,404,695 | 272,498,960 | 273,006,826 | 294,876,234 |
| Capital grants and contributions | 3,443,836 | 12,409,571 | 7,732,523 | 11,572,886 | 6,507,682 | 4,698,652 | 5,603,565 | 5,198,678 | 2,127,726 | 3,054,935 |
| Total governmental activities program revenues | <u>\$ 308,835,955</u> | <u>\$ 314,263,305</u> | <u>\$ 352,902,889</u> | <u>\$ 354,751,565</u> | <u>\$ 290,257,377</u> | <u>\$ 288,723,357</u> | <u>\$ 291,350,653</u> | <u>\$ 322,285,274</u> | <u>\$ 320,298,235</u> | <u>\$ 339,104,434</u> |

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

| | Fiscal Year Ending June 30, | | | | | | | | | |
|---|-----------------------------|------------------|-----------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Program revenues (con't) | | | | | | | | | | |
| <i>Business-type activities:</i> | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Medical facilities lease operations | \$ 120,000 | \$ 120,000 | \$ 120,000 | \$ 120,000 | \$ - | \$ 839 | \$ 6,936 | \$ 9,868 | \$ 4,800 | \$ 4,000 |
| Solid waste enterprise | 10,493,074 | 9,358,613 | 7,858,035 | 8,152,584 | 9,747,808 | - | - | - | - | - |
| Castle airport development center | 1,979,633 | 1,978,557 | 978,716 | 2,123,875 | 1,990,369 | 1,761,862 | 1,748,277 | 2,061,340 | 2,062,853 | 2,650,668 |
| County-wide transit system | 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 | 311,230 | 268,023 | 337,723 |
| Operating grants and contributions | 7,191,660 | 8,251,192 | 6,523,718 | 6,506,280 | 10,000 | 265,536 | - | 933,609 | 1,069,993 | 600,107 |
| Capital grants and contributions | 168,985,749 | 2,475,933 | 4,390,894 | 2,356,810 | 935,130 | - | - | - | - | - |
| Total business-type activities program revenues | 189,779,645 | 23,677,689 | 21,583,508 | 21,045,916 | 12,897,959 | 2,274,163 | 2,027,061 | 3,316,047 | 3,405,669 | 3,592,498 |
| Total primary government program revenues | \$ 498,615,600 | \$ 337,940,994 | \$ 374,486,397 | \$ 375,797,481 | \$ 303,155,336 | \$ 290,997,520 | \$ 293,377,714 | \$ 325,601,321 | \$ 323,703,904 | \$ 342,696,932 |
| Net revenue/(expense) | | | | | | | | | | |
| <i>Governmental activities</i> | \$ (73,824,770) | \$ (92,214,264) | \$ (89,642,535) | \$ (108,782,033) | \$ (97,991,509) | \$ (96,102,553) | \$ (86,537,067) | \$ (61,828,683) | \$ (67,384,475) | \$ (54,912,161) |
| <i>Business-type activities</i> | 164,515,947 | (18,588,453) | (7,687,163) | (6,601,474) | (6,488,232) | (7,500,347) | (6,978,986) | (5,566,337) | (4,971,498) | (4,409,219) |
| Total primary government net revenue/(expense) | \$ 90,691,177 | \$ (110,802,717) | \$ (97,329,698) | \$ (115,383,507) | \$ (104,479,741) | \$ (103,602,900) | \$ (93,516,053) | \$ (67,395,020) | \$ (72,355,973) | \$ (59,321,380) |
| General revenues and other changes in net position | | | | | | | | | | |
| <i>Governmental activities:</i> | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 76,165,932 | \$ 78,817,755 | \$ 76,519,682 | \$ 65,605,897 | \$ 64,069,182 | \$ 63,364,518 | \$ 66,259,112 | \$ 73,250,554 | \$ 81,429,875 | \$ 86,367,758 |
| Sales and use taxes | 5,164,179 | 5,232,773 | 4,770,136 | 4,163,246 | 4,548,149 | 5,376,938 | 5,671,642 | 6,367,322 | 7,474,698 | 7,663,552 |
| Other taxes | 1,461,090 | 1,271,019 | 1,072,934 | 841,405 | 924,722 | 1,381,364 | 1,045,535 | 1,084,285 | 1,476,235 | 1,271,667 |
| Unrestricted investment earnings | 14,544,405 | 15,057,488 | 8,759,659 | 5,514,597 | 3,060,882 | 4,325,799 | 1,108,793 | 2,468,975 | 2,047,915 | 2,841,838 |
| Other | 7,753,124 | 4,175,103 | 4,691,430 | 6,050,314 | 7,135,523 | 7,363,927 | 12,230,817 | 8,951,593 | 9,729,538 | 7,682,948 |
| Transfers in/(out) | (210,018) | (117,009) | (566,719) | (648,858) | (85,988) | 978,399 | (18,000) | (99,799) | - | - |
| Gain on sale of capital assets | - | - | - | - | - | - | - | - | - | - |
| Total governmental activities | 104,878,712 | 104,437,129 | 95,247,122 | 81,526,601 | 79,652,470 | 82,790,945 | 86,297,899 | 92,022,930 | 102,158,261 | 105,827,763 |
| <i>Business-type activities:</i> | | | | | | | | | | |
| Unrestricted investment earnings | 1,735,099 | 2,394,476 | 1,363,944 | 399,598 | 332,426 | 175,410 | - | 138,649 | 122,226 | 98,721 |
| Other | 22,800 | 19,998 | 22,463 | 23,994 | 8,505 | 347,581 | - | - | - | - |
| Transfers in/(out) | 210,018 | 117,009 | 566,719 | 648,858 | (13,630,913) | (24,292,058) | 18,000 | 99,799 | - | - |
| Total business-type activities | 1,967,917 | 2,531,483 | 1,953,126 | 1,072,450 | (13,289,982) | (23,769,067) | 18,000 | 238,448 | 122,226 | 98,721 |
| Total primary government | \$ 106,846,629 | \$ 106,968,612 | \$ 97,200,248 | \$ 82,599,051 | \$ 66,362,488 | \$ 59,021,878 | \$ 86,315,899 | \$ 92,261,378 | \$ 102,280,487 | \$ 105,926,484 |
| Change in net position | | | | | | | | | | |
| <i>Governmental activities</i> | \$ 31,053,942 | \$ 12,222,865 | \$ 5,604,587 | \$ (27,255,432) | \$ (18,339,039) | \$ (13,311,608) | \$ (239,168) | \$ 30,194,247 | \$ 34,773,786 | \$ 50,915,602 |
| <i>Business-type activities</i> | 166,483,864 | (16,056,970) | (5,734,037) | (5,529,024) | (19,778,214) | (31,269,414) | (6,960,986) | (5,327,889) | (4,849,272) | (4,310,498) |
| Total primary government | \$ 197,537,806 | \$ (3,834,105) | \$ (129,450) | \$ (32,784,456) | \$ (38,117,253) | \$ (44,581,022) | \$ (7,200,154) | \$ 24,866,358 | \$ 29,924,514 | \$ 46,605,104 |

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

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General fund | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ 1,462,168 |
| Restricted | - | - | - | - | 59,658 |
| Committed | - | - | - | - | 39,379,252 |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | 45,924,967 |
| Reserved | 35,888,516 | 35,195,503 | 38,782,729 | 22,933,666 | - |
| Unreserved | 81,621,843 | 85,305,893 | 76,356,898 | 74,183,240 | - |
| Total general fund | <u>117,510,359</u> | <u>120,501,396</u> | <u>115,139,627</u> | <u>97,116,906</u> | <u>86,826,045</u> |
| All other governmental funds | - | - | - | - | - |
| Nonspendable | - | - | - | - | 872,965 |
| Restricted | - | - | - | - | 57,253,454 |
| Committed | - | - | - | - | 14,363,300 |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | (1,919,740) |
| Reserved | 77,059,028 | 84,850,255 | 72,059,024 | 63,475,145 | - |
| Unreserved, reported in: | - | - | - | - | - |
| Special revenue funds | 14,195,723 | 1,505,261 | 12,655,858 | 7,885,841 | - |
| Capital projects fund | (6,215,073) | (5,728,178) | (1,334,917) | (80,063) | - |
| Debt service funds | 11,064,926 | 12,529,504 | 11,465,941 | 12,952,407 | - |
| Permanent funds | 8,739 | - | - | - | - |
| Total all other governmental funds | <u>96,113,343</u> | <u>93,156,842</u> | <u>94,845,906</u> | <u>84,233,330</u> | <u>70,569,979</u> |
| Total all governmental funds | <u>\$ 213,623,702</u> | <u>\$ 213,658,238</u> | <u>\$ 209,985,533</u> | <u>\$ 181,350,236</u> | <u>\$ 157,396,024</u> |

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

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General fund | | | | | |
| Nonspendable | \$ 1,550,405 | \$ 1,381,742 | \$ 1,444,328 | \$ 1,411,251 | \$ 1,393,277 |
| Restricted | 60,215 | 59,812 | 60,448 | 60,992 | 61,760 |
| Committed | 37,450,274 | 16,359,865 | 19,570,000 | 17,383,818 | 18,570,000 |
| Assigned | - | 17,120,982 | 15,677,659 | 16,432,635 | 16,921,258 |
| Unassigned | 37,990,653 | 38,919,011 | 43,904,499 | 43,182,056 | 54,757,257 |
| Reserved | - | - | - | - | - |
| Unreserved | - | - | - | - | - |
| Total general fund | <u>77,051,547</u> | <u>73,841,412</u> | <u>80,656,934</u> | <u>78,470,752</u> | <u>91,703,552</u> |
| All other governmental funds | | | | | |
| Nonspendable | 2,111,464 | 1,377,084 | 908,514 | 417,001 | 504,241 |
| Restricted | 66,829,040 | 49,356,559 | 52,116,166 | 53,696,496 | 51,590,699 |
| Committed | 5,005,948 | 12,895,082 | 14,556,003 | 17,926,953 | 18,633,220 |
| Assigned | - | 1,350,335 | 2,942,483 | 4,380,590 | 3,872,001 |
| Unassigned | (73,754) | (651,783) | - | (819,963) | - |
| Reserved | - | - | - | - | - |
| Unreserved, reported in: | - | - | - | - | - |
| Special revenue funds | - | - | - | - | - |
| Capital projects fund | - | - | - | - | - |
| Debt service funds | - | - | - | - | - |
| Permanent funds | - | - | - | - | - |
| Total all other governmental funds | <u>73,872,698</u> | <u>64,327,277</u> | <u>70,523,166</u> | <u>75,601,077</u> | <u>74,600,161</u> |
| Total all governmental funds | <u>\$ 150,924,245</u> | <u>\$ 138,168,689</u> | <u>\$ 151,180,100</u> | <u>\$ 154,071,829</u> | <u>\$ 166,303,713</u> |

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

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|----------------------|--------------------|-----------------------|------------------------|------------------------|
| Revenues | | | | | |
| Taxes and assessments | \$ 82,437,026 | \$ 87,169,324 | \$ 81,875,313 | \$ 70,056,149 | \$ 68,387,379 |
| Licenses, permits and franchise fees | 4,430,649 | 4,328,970 | 5,285,526 | 4,168,624 | 4,139,215 |
| Fines, forfeitures and penalties | 10,383,130 | 5,967,198 | 7,694,787 | 5,340,677 | 10,332,249 |
| Revenues from use of money and property | 14,838,968 | 14,616,765 | 9,135,520 | 6,350,276 | 4,140,159 |
| Aid from other governmental agencies | 252,543,873 | 257,809,958 | 295,192,046 | 300,316,486 | 236,716,795 |
| Charges for current services | 35,135,646 | 34,041,524 | 33,806,475 | 35,669,375 | 33,357,348 |
| Other revenues | 12,264,366 | 11,699,230 | 13,399,047 | 13,351,821 | 12,820,384 |
| Total revenues | <u>412,033,658</u> | <u>415,632,969</u> | <u>446,388,714</u> | <u>435,253,408</u> | <u>369,893,529</u> |
| Expenditures | | | | | |
| General Government | 28,768,634 | 29,893,091 | 31,768,814 | 39,400,426 | 39,317,191 |
| Public protection | 101,620,408 | 109,964,497 | 118,988,941 | 114,738,658 | 120,725,489 |
| Public ways and facilities | 14,630,288 | 19,615,150 | 20,232,576 | 21,219,765 | 16,540,501 |
| Health and sanitation | 50,621,875 | 50,942,439 | 51,874,308 | 47,673,182 | 49,145,669 |
| Public assistance | 170,339,941 | 183,620,540 | 199,840,894 | 222,297,121 | 150,058,281 |
| Education | 2,659,074 | 2,923,242 | 3,117,951 | 2,912,006 | 2,914,439 |
| Recreation and cultural services | 2,168,127 | 2,908,787 | 3,003,737 | 2,311,923 | 2,515,192 |
| Retirement past service cost | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Principal | 3,909,472 | 4,477,681 | 5,402,148 | 5,441,222 | 6,296,432 |
| Interest | 6,906,194 | 6,708,549 | 6,473,938 | 6,178,219 | 5,879,371 |
| Administration | 151,993 | 162,206 | 220,121 | 138,090 | 107,853 |
| Bond issuance costs | - | - | - | - | - |
| Capital outlay | 11,668,896 | 4,410,794 | 8,032,254 | 994,031 | 307,109 |
| Total expenditures | <u>393,444,902</u> | <u>415,626,976</u> | <u>448,955,682</u> | <u>463,304,643</u> | <u>393,807,527</u> |
| Excess/(deficiency) of revenues over/(under) expenditures | <u>18,588,756</u> | <u>5,993</u> | <u>(2,566,968)</u> | <u>(28,051,235)</u> | <u>(23,913,998)</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 12,317,580 | 2,356,609 | 5,815,609 | 14,686,735 | 11,379,225 |
| Transfers (out) | (12,527,598) | (2,473,618) | (6,686,381) | (15,351,093) | (11,465,213) |
| Proceeds from refunding debt | - | - | - | - | - |
| Discount on refunded bond debt | - | - | - | - | - |
| Payment to refunded debt escrow agent | - | - | - | - | - |
| Resources from capital leases | 166,953 | 145,552 | - | 80,296 | 45,774 |
| Bond premiums (discounts) | - | - | - | - | - |
| Long-term debt proceeds | - | - | - | - | - |
| Transfer to other governments | - | - | - | - | - |
| Total other financing sources | <u>(43,065)</u> | <u>28,543</u> | <u>(870,772)</u> | <u>(584,062)</u> | <u>(40,214)</u> |
| Net changes in fund balances | <u>\$ 18,545,691</u> | <u>\$ 34,536</u> | <u>\$ (3,437,740)</u> | <u>\$ (28,635,297)</u> | <u>\$ (23,954,212)</u> |
| Debt service as a percentage of noncapital expenditures | 2.89% | 2.82% | 2.80% | 2.65% | 3.28% |

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

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-----------------------|------------------------|----------------------|---------------------|----------------------|
| Revenues | | | | | |
| Taxes and assessments | \$ 69,463,610 | \$ 72,307,162 | \$ 80,059,865 | \$ 89,774,188 | \$ 94,864,940 |
| Licenses, permits and franchise fees | 4,326,564 | 4,426,688 | 5,090,245 | 5,675,349 | 5,396,820 |
| Fines, forfeitures and penalties | 6,996,000 | 7,205,022 | 7,050,453 | 7,286,717 | 6,384,434 |
| Revenues from use of money and property | 5,311,837 | 2,399,172 | 3,748,120 | 3,210,404 | 4,295,593 |
| Aid from other governmental agencies | 236,325,851 | 238,626,613 | 267,726,811 | 263,222,209 | 284,749,019 |
| Charges for current services | 32,711,096 | 32,237,383 | 35,643,498 | 38,716,590 | 36,860,585 |
| Other revenues | 15,503,699 | 16,780,322 | 15,854,890 | 14,940,121 | 12,859,457 |
| Total revenues | <u>370,638,657</u> | <u>373,982,362</u> | <u>415,173,882</u> | <u>422,825,578</u> | <u>445,410,848</u> |
| Expenditures | | | | | |
| General Government | 33,625,747 | 29,019,999 | 29,126,916 | 29,665,867 | 32,322,936 |
| Public protection | 116,563,941 | 110,692,518 | 116,009,102 | 118,532,764 | 128,214,810 |
| Public ways and facilities | 15,693,096 | 27,076,693 | 32,413,874 | 31,822,362 | 25,011,912 |
| Health and sanitation | 51,018,634 | 51,136,447 | 53,946,200 | 58,451,086 | 65,743,396 |
| Public assistance | 140,845,038 | 145,777,884 | 152,979,166 | 163,149,391 | 161,235,858 |
| Education | 2,946,752 | 2,456,429 | 2,433,962 | 2,689,119 | 3,128,541 |
| Recreation and cultural services | 1,879,403 | 1,918,084 | 1,895,733 | 1,792,395 | 1,943,796 |
| Retirement past service cost | | | | | |
| Debt service | | | | | |
| Principal | 7,012,297 | 21,103,905 | 8,049,282 | 8,771,364 | 9,814,019 |
| Interest | 5,524,302 | 5,141,653 | 4,405,215 | 3,942,767 | 3,422,466 |
| Administration | 99,410 | 661,841 | 84,534 | 61,640 | 82,213 |
| Bond issuance costs | - | - | - | - | - |
| Capital outlay | 2,897,339 | 1,981,260 | 615,783 | 731,197 | 1,990,381 |
| Total expenditures | <u>378,105,959</u> | <u>396,966,713</u> | <u>401,959,767</u> | <u>419,609,952</u> | <u>432,910,328</u> |
| Excess/(deficiency) of revenues over/(under) expenditures | <u>(7,467,302)</u> | <u>(22,984,351)</u> | <u>13,214,115</u> | <u>3,215,626</u> | <u>12,500,520</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 7,989,002 | 17,611,138 | 1,545,170 | 3,527,319 | 4,341,126 |
| Transfers (out) | (8,038,852) | (17,678,824) | (1,767,104) | (3,865,476) | (4,733,232) |
| Proceeds from refunding debt | - | - | - | - | - |
| Discount on refunded bond debt | - | - | - | - | - |
| Payment to refunded debt escrow agent | - | - | - | - | - |
| Resources from capital leases | 37,124 | 61,669 | 19,230 | 14,260 | 123,470 |
| Bond premiums (discounts) | - | - | - | - | - |
| Long-term debt proceeds | - | 10,885,000 | - | - | - |
| Transfer to other governments | 1,008,249 | - | - | - | - |
| Total other financing sources | <u>995,523</u> | <u>10,878,983</u> | <u>(202,704)</u> | <u>(323,897)</u> | <u>(268,636)</u> |
| Net changes in fund balances | <u>\$ (6,471,779)</u> | <u>\$ (12,105,368)</u> | <u>\$ 13,011,411</u> | <u>\$ 2,891,729</u> | <u>\$ 12,231,884</u> |
| Debt service as a percentage of noncapital expenditures | 3.46% | 7.06% | 3.32% | 3.25% | 3.24% |

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 | (5) Total Direct Tax Rate |
|----------------|-------------------|------------------|----------------|----------------|---------------------------------|------------------------------|
| 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% |
| 2013-14 | 16,530,562,146 | 1,357,660,084 | 499,521,434 | 857,896,793 | 17,529,846,871 | 1.00% |
| 2014-15 | 18,097,459,259 | 1,445,344,675 | 526,009,741 | 882,002,781 | 19,186,810,894 | 1.00% |
| 2015-16 | 19,594,870,287 | 1,533,439,064 | 577,739,780 | 878,965,724 | 20,827,083,407 | 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.
- (5) 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

| Fiscal Year | Basic Rate | General Obligation Debt Service | Total Direct Rate | Property Tax Rate Among Overlapping Governments | | | | | |
|-------------|------------|---------------------------------|-------------------|---|-------------|--------|------------------|-------------------|--------|
| | | | | County | County Fire | Cities | School Districts | Special Districts | Total |
| 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 |
| 13-14 | \$1.00 | 0.6784 | \$1.6784 | 16.39 | 7.25 | 12.42 | 60.36 | 3.58 | 100.00 |
| 14-15 | \$1.00 | 0.6930 | \$1.6930 | 16.41 | 7.20 | 12.79 | 60.05 | 3.55 | 100.00 |
| 15-16 | \$1.00 | 0.8178 | \$1.8178 | 16.45 | 7.19 | 12.70 | 60.08 | 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

| Taxpayer | Type of Business | 2016 | | | 2007 | | |
|----------------------------------|------------------|-----------------------|------|--------------------------------------|-----------------------|------|--------------------------------------|
| | | 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 | \$ 6,094,748 | 1 | 2.49% | \$ 2,817,416 | 1 | 1.35% |
| Gallo Winery E & J | Agricultural | 4,895,483 | 2 | 2.00% | 1,142,705 | 4 | 0.55% |
| Liberty Packing Co., LLC | Agricultural | 2,082,547 | 3 | 0.85% | 1,227,211 | 3 | 0.59% |
| Foster Poultry Farms | Agricultural | 1,848,114 | 4 | 0.75% | 609,320 | 7 | 0.29% |
| Fresno Farming LLC | Agricultural | 1,622,007 | 5 | 0.66% | | | |
| QG Printing II Corp | Industrial | 1,135,070 | 6 | 0.46% | | | |
| Ingomar Packing Company LLC | Agricultural | 1,039,891 | 7 | 0.42% | 471,586 | 8 | 0.23% |
| Dole Packaged Foods LLC | Agricultural | 1,023,305 | 8 | 0.42% | | | |
| Gallo Vineyards, Inc. | Agricultural | 919,233 | 9 | 0.38% | | | |
| HCC Properties LTD A Partnership | Commercial | 909,353 | 10 | 0.37% | | | |
| Hostetler Investments, LLC | Commercial | | | | 635,533 | 6 | 0.30% |
| World Color Press, Inc | Industrial | | | | 1,767,728 | 2 | 0.85% |
| Lakemont LWH LLC | Commercial | | | | 700,609 | 5 | 0.34% |
| Pacific Bell | Utility | | | | 470,955 | 9 | 0.23% |
| McLane Company, Inc | Industrial | | | | 440,716 | 10 | 0.21% |
| | | 21,569,751 | | 8.80% | 10,283,779 | | 4.94% |

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 | |
| 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 |
| 13-14 | 208,534,218 | 202,790,500 | 97.25% | 5,743,718 |
| 14-15 | 228,111,696 | 223,315,970 | 97.90% | 4,145,726 |
| 15-16 | 244,989,151 | 239,650,497 | 97.82% | 5,338,654 |

* 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,

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental Activities | | | | | |
| Pension Obligation Bonds | \$ 54,430,000 | \$ 51,740,000 | \$ 48,580,000 | \$ 44,900,000 | \$ 40,650,000 |
| Tobacco Settlement Asset-Backed Bonds | 35,005,411 | 35,446,296 | 35,477,180 | 36,038,065 | 36,358,950 |
| State of California | - | - | - | - | - |
| Certificates of Participation | | | | | |
| Juvenile Justice | 14,051,217 | 13,736,569 | 13,411,920 | 13,072,271 | 12,722,623 |
| Courthouse Construction | 9,676,260 | 9,401,205 | 9,116,151 | 8,821,096 | 8,516,041 |
| Term Loans Payable | - | - | - | - | - |
| Dairy Loan Program | 10,758,402 | 10,030,345 | 9,282,878 | 8,516,466 | 7,730,126 |
| Energy Retrofit Loan | 1,065,865 | 901,241 | 731,560 | 556,750 | 376,657 |
| Capital Lease Obligations | 2,229,039 | 1,890,426 | 878,687 | 390,328 | 309,823 |
| Total governmental activities | <u>127,216,194</u> | <u>123,146,082</u> | <u>117,478,376</u> | <u>112,294,976</u> | <u>106,664,220</u> |
| Business-Type Activities | | | | | |
| Solid Waste Bond | - | 33,415,000 | 32,205,000 | 30,950,000 | 29,650,000 |
| Transit Facility Certificates of Participation | 1,455,950 | 1,241,628 | 1,016,698 | 780,635 | - |
| Capital Lease Obligations | 2,527,617 | 2,643,509 | 5,545,214 | 3,998,742 | 2,697,125 |
| Total business-type activities | <u>3,983,567</u> | <u>37,300,137</u> | <u>38,766,912</u> | <u>35,729,377</u> | <u>32,347,125</u> |
| Total Primary Government | <u>\$ 131,199,761</u> | <u>\$ 160,446,219</u> | <u>\$ 156,245,288</u> | <u>\$ 148,024,353</u> | <u>\$ 139,011,345</u> |
| Percentage of Personal Income (1) | 1.88% | 2.27% | 2.20% | 2.06% | 1.97% |
| Per Capita | 525 | 632 | 612 | 576 | 542 |

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 144 for personal income and population data.

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

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities | | | | | |
| Pension Obligation Bonds | \$ 35,780,000 | \$ 30,230,000 | \$ 23,935,000 | \$ 16,825,000 | \$ 8,835,000 |
| Tobacco Settlement Asset-Backed Bonds | 36,629,835 | 34,929,727 | 34,851,619 | 34,897,511 | 34,833,403 |
| State of California Certificates of Participation | - | - | - | - | - |
| Juvenile Justice | 12,357,974 | 10,885,000 | 10,440,000 | 9,995,000 | 9,535,000 |
| Courthouse Construction | 8,205,987 | 7,880,932 | 7,545,877 | 7,199,178 | 6,840,767 |
| Term Loans Payable | - | - | - | - | - |
| Dairy Loan Program | 6,923,342 | 6,095,581 | 5,246,299 | 4,374,935 | 3,480,916 |
| Energy Retrofit Loan | 191,144 | - | - | - | - |
| Capital Lease Obligations | 277,184 | 258,954 | 193,231 | 115,171 | 165,715 |
| Total governmental activities | <u>100,365,466</u> | <u>90,280,194</u> | <u>82,212,026</u> | <u>73,406,795</u> | <u>63,690,801</u> |
| Business-Type Activities | | | | | |
| Solid Waste Bond | - | - | - | - | - |
| Transit Facility Certificates of Participation | - | - | - | - | - |
| Capital Lease Obligations | - | - | 57,663 | 46,430 | 34,844 |
| Total business-type activities | <u>0</u> | <u>0</u> | <u>57,663</u> | <u>46,430</u> | <u>34,844</u> |
| Total Primary Government | <u>\$ 100,365,466</u> | <u>\$ 90,280,194</u> | <u>\$ 82,269,689</u> | <u>\$ 73,453,225</u> | <u>\$ 63,725,645</u> |
| Percentage of Personal Income (1) | 1.42% | 1.12% | 0.97% | 0.82% | 0.65% |
| Per Capita | 388 | 344 | 311 | 276 | 235 |

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 144 for personal income and population data.

COUNTY OF MERCED
SCHEDULE OF DIRECT AND OVERLAPPING DEBT
FISCAL YEAR 2015-2016

| | | | |
|--|---------------------|-------------------------|----------------------------------|
| ASSESSED VALUATION | \$ 48,370,252,730 | | |
| | Net Bonded Debt | Percentage | Estimated Share |
| <u>Overlapping Tax and Assessment Debt</u> | <u>Outstanding</u> | <u>Applicable</u> | <u>of Direct and</u> |
| | | to Merced County | Overlapping Debt |
| Atwater Elementary School (2004 Series) | \$ 7,510,603 | 100.00% | \$ 7,510,603 |
| Gustine Unified School District | 4,000,000 | 100.00% | 4,000,000 |
| Planada Elementary School District (1993 Series) | 4,359,939 | 100.00% | 4,359,939 |
| Delhi Unified School District (1994 Series) | 3,516,408 | 100.00% | 3,516,408 |
| Dos Palos Oro Loma Jt Unif (2002, 2003A Series) | 1,742,697 | 56.53% | 985,147 |
| Le Grand Union High School (2002 Series) | 5,732,980 | 100.00% | 5,732,980 |
| Livingston School District (2005A GO Bond) | 3,915,000 | 100.00% | 3,915,000 |
| Los Banos Unified School District (1996, 2002 Series) | 51,201,356 | 100.00% | 51,201,356 |
| Merced Union High School District (1999 Series) | 85,678,739 | 100.00% | 85,678,739 |
| Merced River Elementary School District (1999 Series) | 1,745,000 | 100.00% | 1,745,000 |
| Merced City School District (2004 & 2005 Series) | 46,999,619 | 100.00% | 46,999,619 |
| Weaver Union Elem School District (2000, 2002) | 13,251,120 | 100.00% | 13,251,120 |
| Hilmar Unified School District (2003 Series) | 932,943 | 100.00% | 932,943 |
| Merced Community College (03,06 series) SFID #1 | 33,535,000 | 89.75% | 30,097,663 |
| Merced Community College (03,05 series) SFID #2 | <u>9,040,000</u> | 96.69% | <u>8,740,776</u> |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | \$ 273,161,404 | | \$ 268,667,293 |
| | Net Bonded Debt | Percentage Applicable | |
| <u>Direct and Overlapping General Fund Obligation Debt</u> | <u>Outstanding</u> | <u>to Merced County</u> | |
| Merced County 1915 Act Bonds | \$ <u>3,590,000</u> | 100.00% | \$ <u>3,590,000</u> |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT | \$ 3,590,000 | | |
| GROSS COMBINED TOTAL DEBT | | | \$ <u><u>272,257,293</u></u> |
| RATIO OF 2015-2016 ASSESSED VALUATION TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | 0.5647% | | |
| RATIO TO ADJUSTED ASSESSED VALUATION GROSS COMBINED TOTAL DEBT | 0.5629% | | |

Notes:

- (1) Excludes tax and revenue anticipation notes
- (2) Debt as of June 30, 2016

Source: Merced County Auditor-Controller

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

| <u>Fiscal Year</u> | <u>Assessed Value</u> | <u>Legal Debt Limit</u> | <u>Debt Applicable To Limit</u> | <u>Legal Debt Margin</u> | <u>Legal Debt Margin/Debt Limit</u> |
|--------------------|-----------------------|-------------------------|---------------------------------|--------------------------|-------------------------------------|
| 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% |
| 2013-2014 | 39,826,625,471 | 541,768,427 | 215,382,185 | 326,386,242 | 60% |
| 2014-2015 | 43,613,054,978 | 591,228,255 | 237,830,649 | 353,397,606 | 60% |
| 2015-2016 | 48,370,252,730 | 649,826,335 | 273,161,404 | 376,664,931 | 58% |

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.

Source: 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.) |
|------|------------|---|---------------------------------------|----------------------|-----------------------------|
| 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% |
| 2014 | 264,922 | 8,460,284 | 31,935 | 56,461 | 12.2% |
| 2015 | 266,134 | 9,012,628 | 33,865 | 57,011 | 10.4% |
| 2016 | 271,579 | 9,827,086 | 36,185 | 57,477 | 10.4% |

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

| Employer | 2016 | | | 2007 | | |
|-----------------------------------|-----------|------|---------------------------------------|-----------|------|---------------------------------------|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Foster Farms Inc. | 3,214 | 1 | 3.09% | 3,500 | 1 | 3.83% |
| UC Merced | 1,997 | 2 | 1.92% | 800 | 9 | 0.87% |
| County of Merced | 1,956 | 3 | 1.88% | 2,175 | 2 | 2.38% |
| Mercy Medical Center | 1,337 | 4 | | 1,000 | 6 | 1.09% |
| Dole Packaged Foods LLC | 1,235 | 5 | 1.19% | | | |
| Merced City School District | 1,127 | 6 | 1.08% | 1,300 | 3 | 1.42% |
| Merced Union High School District | 1,060 | 7 | 1.02% | 1,000 | 5 | 1.09% |
| Merced College | 883 | 8 | 0.85% | 800 | 8 | 0.87% |
| Liberty Packing Company LLC | 650 | 9 | 0.62% | 650 | 10 | 0.71% |
| Quad Graphic Merced | 420 | 10 | 0.40% | | | |
| Quebecor | | | | 1,000 | 4 | 1.09% |
| AT & T | | | | 907 | 7 | 0.99% |
| | 13,879 | | 12.05% | 13,132 | | 14.34% |

Source: State Employment Development Department

COUNTY OF MERCED
COUNTY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Full-time Equivalent Employees as of June 30,

| <u>Function/Program</u> | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General government | | | | | | | | | | |
| Legislative and administrative | 22 | 25 | 26 | 25 | 25 | 18 | 18 | 19 | 19 | 19 |
| Finance | 117 | 121 | 122 | 119 | 109 | 96 | 94 | 92 | 92 | 83 |
| Counsel | 12 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Personnel | 14 | 13 | 13 | 12 | 12 | 9 | 8 | 8 | 9 | 9 |
| Elections | 5 | 5 | 6 | 6 | 5 | 6 | 6 | 6 | 6 | 6 |
| Property management | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 15 | 15 | 15 |
| Promotion | 13 | 13 | 14 | 13 | 12 | 10 | 9 | 9 | 9 | 8 |
| Other general | 31 | 32 | 32 | 32 | 24 | 18 | 18 | 17 | 17 | 17 |
| Public protection | | | | | | | | | | |
| Judicial | 90 | 106 | 110 | 108 | 97 | 86 | 84 | 85 | 85 | 84 |
| Police protection | 134 | 150 | 150 | 152 | 146 | 134 | 141 | 140 | 141 | 146 |
| Detention and correction | 271 | 280 | 281 | 280 | 267 | 216 | 237 | 241 | 252 | 259 |
| Fire protection | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 |
| Protective inspection | 73 | 73 | 71 | 71 | 51 | 38 | 37 | 36 | 38 | 37 |
| Other protection | 60 | 67 | 65 | 64 | 55 | 43 | 43 | 44 | 44 | 45 |
| Public ways and facilities | 56 | 60 | 60 | 59 | 56 | 64 | 65 | 66 | 63 | 63 |
| Health and sanitation | | | | | | | | | | |
| Health | 159 | 159 | 160 | 141 | 116 | 116 | 117 | 121 | 121 | 127 |
| Mental health | 227 | 174 | 185 | 181 | 155 | 157 | 192 | 198 | 224 | 239 |
| Hospital care | 21 | 21 | 17 | 13 | 10 | 10 | 10 | 2 | 1 | 0 |
| Public assistance | | | | | | | | | | |
| Administration | 610 | 630 | 620 | 531 | 561 | 559 | 559 | 601 | 596 | 650 |
| Other assistance | 76 | 76 | 77 | 64 | 56 | 32 | 38 | 37 | 36 | 36 |
| Education | | | | | | | | | | |
| Library services | 25 | 26 | 26 | 26 | 26 | 24 | 22 | 21 | 22 | 21 |
| Agricultural extension | 5 | 5 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 |
| Recreation and cultural services | 17 | 19 | 19 | 19 | 17 | 13 | 14 | 14 | 14 | 14 |
| Internal service departments | | | | | | | | | | |
| Fleet service management | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 6 |
| Administrative services | 46 | 46 | 46 | 46 | 44 | 43 | 41 | 41 | 40 | 40 |
| Communications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Enterprise fund departments | | | | | | | | | | |
| Solid waste enterprise | 48 | 48 | 50 | 49 | 36 | 0 | 0 | 0 | 0 | 0 |
| Castle airport development | 12 | 12 | 13 | 12 | 13 | 13 | 13 | 11 | 9 | 9 |
| Castle water and sewer | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | <u>2,170</u> | <u>2,202</u> | <u>2,207</u> | <u>2,067</u> | <u>1,936</u> | <u>1,748</u> | <u>1,808</u> | <u>1,853</u> | <u>1,882</u> | <u>1,956</u> |

Source: County Budget Book

COUNTY OF MERCED
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

| Function | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| General government | | | | | | | | | | |
| Legislative and administrative | | | | | | | | | | |
| Finance | | | | | | | | | | |
| Payroll checks issued | 66,066 | 63,531 | 66,963 | 66,274 | 56,836 | 54,184 | 51,532 | 52,494 | 54,158 | 56,446 |
| Claims paid | 52,800 | 54,485 | 64,507 | 64,828 | 55,687 | 50,754 | 47,486 | 43,612 | 43,166 | 39,209 |
| Warrants issued | 250,745 | 246,758 | 239,187 | 224,106 | 209,618 | 197,092 | 186,004 | 183,726 | 180,389 | 179,412 |
| Counsel | | | | | | | | | | |
| Board agenda items/agreements reviewed | 2,000 | 2,250 | 2,217 | 2,260 | 2,281 | 2,140 | 2,195 | 2,069 | 2,345 | 2,401 |
| Cases handled (Juvenile, Probate, Civil, Personnel) | 3,093 | 3,224 | 2,690 | 3,440 | 3,488 | 3,246 | 3,544 | 3,448 | 3,555 | 3,357 |
| Personnel | | | | | | | | | | |
| Applications processed | 6,540 | 8,160 | 11,703 | 8,468 | 5,939 | 9,226 | 11,175 | 13,923 | 15,924 | 15,737 |
| Elections | | | | | | | | | | |
| Registered voters | 85,171 | 91,741 | 97,210 | 92,517 | 90,476 | 92,759 | 95,362 | 95,453 | 85,979 | 95,270 |
| Property management | | | | | | | | | | |
| Facility maint. work requests | 6,540 | 6,176 | 6,432 | 6,732 | 5,825 | 5,450 | 5,401 | 5,411 | 5,393 | 5,714 |
| Procurement | | | | | | | | | | |
| Purchase orders | 1,392 | 1,613 | 1,112 | 1,291 | 1,236 | 1,199 | 1,097 | 1,441 | 1,054 | 1,939 |
| Blanket purchase orders | 1,030 | 526 | 527 | 436 | 503 | 389 | 395 | 451 | 475 | 465 |
| Bids/request for proposals | 108 | 98 | 87 | 71 | 69 | 61 | 48 | 53 | 31 | 51 |
| Contracts issued | 91 | 187 | 98 | 121 | 465 | 397 | 368 | 522 | 546 | 478 |
| Public protection | | | | | | | | | | |
| Judicial | | | | | | | | | | |
| Referrals/reviews | - | - | - | - | - | 11,234 | 7,106 | 10,497 | 9,605 | 9,366 |
| Felony filings | 3,600 | 3,378 | 3,357 | 2,804 | 2,980 | 2,799 | 2,550 | 2,853 | 2,059 | 1,746 |
| Misdemeanor filings | 7,635 | 8,579 | 8,803 | 6,956 | 6,252 | 4,132 | 3,701 | 4,662 | 4,317 | 5,772 |
| Juvenile filings | 1,109 | 1,237 | 1,122 | 1,510 | 1,053 | 1,154 | 745 | 387 | 303 | 287 |
| Police protection | | | | | | | | | | |
| Call for service | 48,500 | 49,400 | 42,693 | 39,407 | 44,558 | 42,004 | 42,055 | 40,102 | 42,209 | 51,145 |
| Arrests | 5,200 | 5,300 | 5,096 | 5,050 | 4,811 | 1,879 | 1,997 | 1,908 | 1,925 | 2,079 |
| Citations | 2,350 | 2,400 | 2,652 | 2,820 | 1,114 | 639 | 664 | 727 | 805 | 667 |
| Detention and correction | | | | | | | | | | |
| Bookings | 13,224 | 15,000 | 15,775 | 15,699 | 10,179 | 10,798 | 10,179 | 9,826 | 9,665 | 9,215 |
| Fire protection | | | | | | | | | | |
| Total number of incidents | 8,023 | 8,112 | 11,688 | 8,475 | 8,393 | 8,538 | 12,097 | 11,559 | 13,153 | 13,294 |
| Public ways and facilities | | | | | | | | | | |
| Centerline miles of road maintained | 1,749 | 1,753 | 1,761 | 1,761 | 1,761 | 1,761 | 1,756 | 1,756 | 1,756 | 1,756 |
| Health and sanitation | | | | | | | | | | |
| Health | | | | | | | | | | |
| TB clinic visits | 1,797 | 1,091 | 1,027 | 404 | 2,307 | 2,837 | 3,480 | 3,375 | 2,111 | 2,627 |
| Flu immunization | 2,921 | 4,072 | 5,034 | 5,997 | 5,051 | 2,002 | 1,748 | 1,915 | 2,289 | 2,048 |
| Mental health | | | | | | | | | | |
| IMD (Institution Mental Disease) bed days | 1,950 | 3,659 | 1,932 | 1,702 | 2,047 | 1,909 | 1,330 | 3,036 | 17,015 | 18,242 |
| Acute inpatient days | 3,488 | 5,186 | 3,586 | 3,137 | 2,453 | 2,118 | 2,162 | 2,462 | 3,818 | 4,084 |

Sources: County Budget Book and various County Departments

* Case Management System installed in 2012 that tracks referrals/reviews

COUNTY OF MERCED
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

| Function (continued) | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Public assistance | | | | | | | | | | |
| Administration | | | | | | | | | | |
| CalWorks cases | 7,084 | 7,298 | 7,853 | 8,223 | 8,429 | 8,298 | 8,236 | 8,192 | 8,180 | 7,691 |
| Food Stamps cases | 10,830 | 11,873 | 14,168 | 17,338 | 19,550 | 21,850 | 22,987 | 23,650 | 25,013 | 25,386 |
| Medi-Cal cases | 17,093 | 17,844 | 18,317 | 20,676 | 21,898 | 28,086 | 29,244 | 33,632 | 52,815 | 54,456 |
| Child Welfare/Foster Care/AAP cases | 2,284 | 2,250 | 2,281 | 2,614 | 2,583 | 2,844 | 3,024 | 3,138 | 2,919 | 2,529 |
| IHSS/Adult Services | 2,940 | 3,145 | 3,562 | 3,561 | 3,364 | 3,141 | 2,700 | 2,560 | 2,991 | 3,186 |
| Education | | | | | | | | | | |
| Library services | | | | | | | | | | |
| Volumes in collection | 417,222 | 396,639 | 375,929 | 350,480 | 346,926 | 336,131 | 340,668 | 328,545 | 312,235 | 283,964 |
| Library materials borrowed | 352,803 | 546,632 | 228,207 | 225,097 | 300,403 | 274,841 | 264,427 | 239,159 | 228,594 | 226,943 |
| Registered library borrowers | 62,246 | 44,430 | 37,836 | 41,381 | 43,559 | 45,668 | 45,800 | 44,793 | 42,608 | 40,816 |
| Cooperative extension | | | | | | | | | | |
| Contacts | 53,039 | 53,790 | 61,333 | 88,722 | 54,515 | 618,966 | 150,169 | 183,518 | 114,316 | 125,328 |
| Newsletters (mailed/emails began 08-09) | 17,287 | 23,283 | 60,162 | 19,460 | 50,545 | 52,058 | 44,898 | 51,081 | 51,001 | 47,621 |
| Research plots with local cooperators | 68 | 72 | 75 | 72 | 133 | 57 | 60 | 53 | 42 | 90 |
| 4 H Group members | 3,482 | 3,149 | 2,474 | 3,765 | 1,138 | 1,095 | 992 | 1,471 | 1,124 | 1,349 |
| Volunteers | 312 | 307 | 311 | 492 | 330 | 365 | 291 | 296 | 351 | 349 |
| Recreation and cultural services | | | | | | | | | | |
| Courthouse museum visitors | 7,250 | 8,000 | 7,070 | 7,394 | 7,394 | 6,147 | 7,210 | 7,500 | 7,000 | 7,000 |
| Docent and volunteer hours | 4,685 | 2,300 | 2,092 | 2,546 | 3,966 | 3,982 | 4,150 | 4,250 | 4,000 | 4,000 |
| County park maintenance (acres) | 233 | 233 | 233 | 233 | 228 | 228 | 229 | 229 | 229 | 229 |
| Internal service departments | | | | | | | | | | |
| Fleet service management | | | | | | | | | | |
| Total vehicles in fleet | 629 | 629 | 629 | 627 | 566 | 511 | 517 | 504 | 489 | 559 |
| Total miles driven | 6,059,717 | 6,100,000 | 6,152,102 | 5,327,857 | 4,896,883 | 4,778,292 | 4,734,744 | 4,989,633 | 4,545,305 | 5,187,049 |
| Communications | | | | | | | | | | |
| Maintenance - radios/related equipment | 474 | 500 | 507 | 515 | 512 | 516 | 512 | 673 | 670 | 680 |
| Information Systems | | | | | | | | | | |
| Programming hours | 25,508 | 20,883 | 18,600 | 21,664 | 21,664 | 19,584 | 20,800 | N/A | N/A | N/A |
| Billable programming hours | - | - | - | - | - | - | - | 8,183 | 9,050 | 6,821 |
| Enterprise fund departments | | | | | | | | | | |
| Solid waste enterprise | | | | | | | | | | |
| Tons of refuse received | 327,578 | 304,845 | 275,649 | 277,565 | 311,528 | N/A | N/A | N/A | N/A | N/A * |
| Tons of recycled and diverted materials | 64,981 | 63,999 | 59,604 | 55,410 | 45,607 | N/A | N/A | N/A | N/A | N/A * |
| Castle airport development | | | | | | | | | | |
| Based aircraft | 94 | 112 | 96 | 76 | 68 | 69 | 73 | 71 | 79 | 73 |
| Aircraft flight operations | 124,727 | 133,923 | 125,842 | 72,150 | 40,706 | 67,756 | 96,710 | 108,911 | 101,349 | 67,825 |

* Entity no longer part of Merced County

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

| Function | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <u>General government</u> | | | | | | | | | | |
| Occupancy by sq. ft. (Admin. Building) | | | | | | | | | | |
| Legislative and administrative | 5,819 | 6,130 | 6,130 | 6,130 | 6,130 | 6,130 | 6,130 | 6,130 | 6,130 | 6,130 |
| Finance | 23,169 | 23,169 | 23,169 | 23,169 | 23,169 | 23,169 | 23,169 | 23,169 | 23,169 | 23,169 |
| Counsel | 2,401 | 2,401 | 2,401 | 2,401 | 2,401 | 2,401 | 2,401 | 2,401 | 2,401 | 2,401 |
| Personnel | 3,234 | 2,923 | 2,923 | 2,923 | 2,923 | 2,923 | 2,923 | 2,923 | 2,923 | 2,923 |
| Elections | 1,509 | 1,509 | 1,509 | 1,509 | 1,509 | 1,509 | 1,509 | 1,509 | 1,509 | 1,509 |
| Other general | 808 | 808 | 808 | 808 | 808 | 808 | 808 | 808 | 808 | 808 |
| <u>Public protection</u> | | | | | | | | | | |
| Judicial | | | | | | | | | | |
| District Attorney facilities | 5 | 5 | 5 | 5 | 5 | 2 | 2 | 2 | 2 | 2 |
| Police protection | | | | | | | | | | |
| Stations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Patrol Units | 46 | 47 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Detention and correction | | | | | | | | | | |
| Correction facility capacities | | | | | | | | | | |
| Main facility | 199 | 191 | 199 | 199 | 199 | 189 | 189 | 189 | 189 | 189 |
| Sandy Mush facility | 624 | 620 | 620 | 620 | 620 | 564 | 564 | 564 | 564 | 564 |
| Juvenile Hall facility | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Fire protection | | | | | | | | | | |
| Number of County fire stations | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| <u>Public ways and facilities</u> | | | | | | | | | | |
| Centerline miles of County roads | 1,749 | 1,753 | 1,761 | 1,761 | 1,761 | 1,761 | 1,756 | 1,756 | 1,756 | 1,756 |
| Pavement miles of County roads | 1,586 | 1,590 | 1,601 | 1,601 | 1,601 | 1,601 | 1,601 | 1,601 | 1,601 | 1,593 |
| Bridges | 400 | 400 | 404 | 404 | 404 | 404 | 404 | 404 | 404 | 404 |
| <u>Health and sanitation</u> | | | | | | | | | | |
| Health | | | | | | | | | | |
| Public Health service locations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Other Health service locations | 3 | 3 | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 1 |

Sources: County Budget Book and various County departments

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

| Function (continued) | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Mental health | | | | | | | | | | |
| Mental health treatment facilities | 5 | 4 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Alcohol & Drugs treatment facilities | 5 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Hospital care | | | | | | | | | | |
| Lease out facility | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public assistance | | | | | | | | | | |
| Administration | | | | | | | | | | |
| Public assistance service locations | 11 | 11 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 8 |
| 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 | 12 | 13 | 13 |
| Recreation and cultural services | | | | | | | | | | |
| Number of County parks | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| County park (acres) | 233 | 233 | 228 | 228 | 228 | 228 | 229 | 229 | 229 | 229 |
| Internal service departments | | | | | | | | | | |
| Fleet service management | | | | | | | | | | |
| Total vehicles in fleet | 629 | 629 | 629 | 627 | 566 | 511 | 517 | 504 | 489 | 559 |
| Information systems | | | | | | | | | | |
| Network connections | 2,478 | 2,586 | 2,395 | 3,238 | 3,642 | 2,361 | 2,422 | 2,801 | 3,717 | 3,781 |
| Communications | | | | | | | | | | |
| Phone ports | 4,009 | 4,219 | 3,911 | 4,440 | 3,711 | 4,176 | 3,236 | 3,789 | 3,798 | 3,814 |
| Cell phones | 702 | 722 | 728 | 736 | 967 | 703 | 758 | 974 | 1,526 | 1,720 |
| Phone switches | 27 | 18 | 14 | 14 | 8 | 14 | 14 | 8 | 3 | 3 |
| Enterprise fund departments | | | | | | | | | | |
| Solid waste enterprise | | | | | | | | | | |
| Number of landfills | 2 | 2 | 2 | 2 | 2 | N/A | N/A | N/A | N/A | N/A |
| Number of heavy landfill equipment | 45 | 42 | 46 | 39 | 39 | N/A | N/A | N/A | 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