

COUNTY OF INYO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2012

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COUNTY OF INYO

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Inyo, California, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Inyo, California. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit First 5 Inyo County which represents 100 percent of the assets, liabilities, and revenues of the discretely presented component unit. These financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion as it relates to the amounts included for the First 5 Inyo County is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Inyo, California, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated March 22, 2013, on our consideration of the County of Inyo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Supervisors and the Grand Jury
County of Inyo

The Management's Discussion and Analysis (MD & A) on pages 3 through 12 and the required supplementary information on pages 53 through 57, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Inyo's financial statements. The accompanying information identified in the table of contents as combining and individual nonmajor fund statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and budgetary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Roseville, California
March 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

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COUNTY OF INYO

Management's Discussion and Analysis (MD & A) June 30, 2012

As management of the County of Inyo we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here along with the information presented in the County's basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

Government-wide financial analysis

The assets of the County exceeded its liabilities at the end of the fiscal year by \$79,577,774 (net assets). Of this amount, \$15,144,893 (unrestricted net assets) can be used to meet the County's ongoing services and obligations to citizens and creditors \$8,434,156 is restricted and must be used for specific purposes and \$55,998,725 is invested in capital assets, net of related debt.

Fund financial analysis

Total fund balances for the County's governmental funds amounted to \$34,052,195 as of June 30, 2012, an increase of \$636,167 from the prior fiscal year.

Spendable fund balance in the General Fund, at year end was \$25.9 million, or 51.1% of its total expenditures for the year.

Capital asset and long-term liabilities

The County's investment in capital assets has decreased by \$4.1 million, from \$60,539,583 to \$56,092,072. These balances consisted of \$49,604,032 for the governmental activities and \$6,394,693 for the business-type activities.

The County's outstanding long term liabilities have increased by \$1,476,145 due to an increase of \$1.4 million in additional closure post closure liability along with a new capital lease for solid waste equipment.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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

COUNTY OF INYO

Management's Discussion and Analysis (MD & A) June 30, 2012

are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned, but unused vacation leave, long-term debt and grant funds expended but not received as of fiscal year end).

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

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements.

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

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

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

The County maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Road Fund and Grant Programs, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregate presentation under the Other Governmental heading. Individual data for the other governmental funds can be found in Other Supplementary Information on pages 61-66.

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

The basic governmental fund financial statements can be found on pages 17-20 of this report.

COUNTY OF INYO

Management's Discussion and Analysis (MD & A) June 30, 2012

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

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

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

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

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

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

The fiduciary fund financial statements can be found on pages 25-26 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-52 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparison schedules for the General Fund and all major special revenue funds as well as the schedules of funding progress for the retirement programs. Required Supplementary Information can be found on pages 53-57 of this report.

COUNTY OF INYO

Management's Discussion and Analysis (MD & A)
June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. In the case of the County of Inyo, assets exceeded liabilities by \$79,577,774 at June 30, 2012.

Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total		Total % Change
	2012	2011	2012	2011	2012	2011	
Assets:							
Current and other assets	\$ 45,149,272	\$ 44,105,685	\$ 2,659,201	\$ 2,323,946	\$ 47,808,473	\$ 46,429,631	2.97%
Capital assets	49,604,032	54,041,607	6,488,040	6,497,973	56,092,072	60,539,580	-7.35%
Total assets	94,753,304	98,147,292	9,147,241	8,821,919	103,900,545	106,969,211	-2.87%
Liabilities:							
Current and other liabilities	10,439,013	9,747,365	344,631	367,694	10,783,644	10,115,059	6.61%
Long-term liabilities	8,523,873	6,764,577	5,015,254	3,515,690	13,539,127	10,280,267	31.70%
Total liabilities	18,962,886	16,511,942	5,359,885	3,883,384	24,322,771	20,395,326	19.26%
Net Assets:							
Invested in capital assets, net of related debt	49,604,032	57,654,806	6,394,693	6,497,973	55,998,725	64,152,779	-12.71%
Restricted	8,434,156	7,370,674	--	--	8,434,156	7,370,674	14.43%
Unrestricted	17,752,230	16,609,870	(2,607,337)	(1,559,438)	15,144,893	15,050,432	0.63%
Total net assets	\$ 75,790,418	\$ 81,635,350	\$ 3,787,356	\$ 4,938,535	\$ 79,577,774	\$ 86,573,885	-8.08%

By far the largest portion of the County's net assets is its investment in capital assets (e.g., land, buildings, machinery, equipment, roads and other related infrastructure), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens and residents; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

COUNTY OF INYO

Management's Discussion and Analysis (MD & A)
June 30, 2012

Analysis of Net Assets

At the end of the fiscal year, the County is able to report positive balances in total net assets of both governmental-type and business-type net assets. However, at year-end unrestricted net assets for business-type activities reported a deficit balance due to the liability for post closure costs. The following table indicates the changes in net assets for governmental and business-type activities.

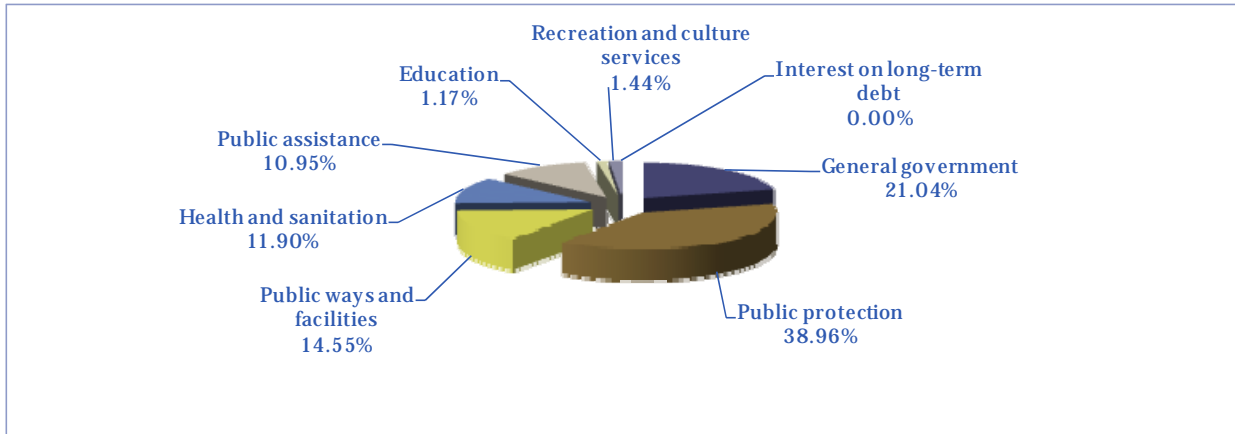
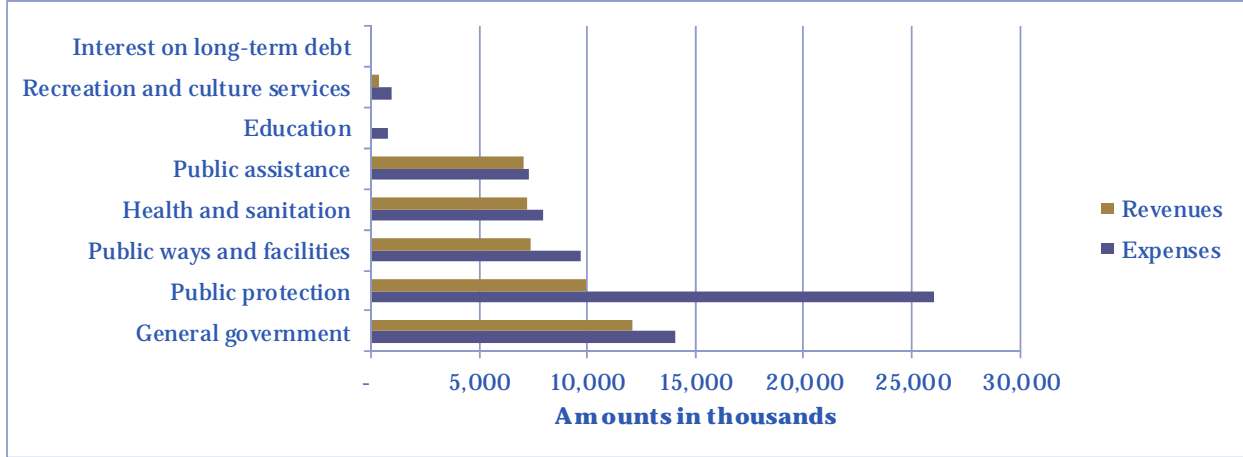
Condensed Statement of Changes in Net Assets							
	Governmental Activities		Business-type Activities		Total		Total % Change
	2012	2011	2012	2011	2012	2011	
Revenues:							
Program revenues:							
Charges for services	\$ 10,864,976	\$ 8,215,729	\$ 2,993,009	\$ 2,536,965	\$ 13,857,985	\$ 10,752,694	28.88%
Operating grants and contributions	33,146,633	35,984,116	301,700	294,969	33,448,333	36,279,085	-7.80%
Capital grants and contributions	234,486	--	--	--	234,486	--	--
General revenues:							
Property taxes	11,928,166	12,405,400	--	--	11,928,166	12,405,400	-3.85%
Sales and use taxes	937,220	875,457	--	--	937,220	875,457	7.05%
Other taxes	3,225,656	3,014,017	1,234,332	1,222,253	4,459,988	4,236,270	5.28%
Interest and investment earnings	438,864	775,609	256,812	116,042	695,676	891,651	-21.98%
Other revenue	521,653	169,921	1,227	--	522,880	169,921	207.72%
Total revenues	61,297,654	61,440,249	4,787,080	4,170,229	66,084,734	65,610,478	0.72%
Expenses:							
General government	14,069,247	12,067,048	--	--	14,069,247	12,067,048	16.59%
Public protection	26,053,593	24,011,663	--	--	26,053,593	24,011,663	8.50%
Public ways and facilities	9,732,010	13,531,465	--	--	9,732,010	13,531,465	-28.08%
Health and sanitation	7,955,465	8,022,069	--	--	7,955,465	8,022,069	-0.83%
Public assistance	7,321,525	7,221,941	--	--	7,321,525	7,221,941	1.38%
Education	779,573	847,106	--	--	779,573	847,106	-7.97%
Recreation and culture services	961,731	979,742	--	--	961,731	979,742	-1.84%
Interest on long-term debt	--	9,207	--	--	--	9,207	-100.00%
Airport	--	--	1,535,542	1,389,954	1,535,542	1,389,954	10.47%
Solid Waste	--	--	3,735,860	2,854,297	3,735,860	2,854,297	30.89%
Water System	--	--	451,646	449,012	451,646	449,012	0.59%
CSA #2	--	--	37,010	31,252	37,010	31,252	18.42%
Mosquito Abatement	--	--	447,643	467,579	447,643	467,579	-4.26%
Total Expenses	66,873,144	66,690,241	6,207,701	5,192,094	73,080,845	71,882,335	1.67%
Change in net assets before transfers	(5,575,490)	(5,249,992)	(1,420,621)	(1,021,865)	(6,996,111)	(6,271,857)	11.55%
Transfers	(269,442)	(571,556)	269,442	571,556	--	--	
Change in net assets	(5,844,932)	(5,821,548)	(1,151,179)	(450,309)	(6,996,111)	(6,271,857)	11.55%
Net assets, beginning	81,635,350	87,456,898	4,938,535	5,388,844	86,573,885	92,845,742	-6.76%
Net assets, ending	\$ 75,790,418	\$ 81,635,350	\$ 3,787,356	\$ 4,938,535	\$ 79,577,774	\$ 86,573,885	-8.08%

COUNTY OF INYO

Management's Discussion and Analysis (MD & A)
June 30, 2012

Analysis of Changes in Net Assets

Governmental activities experienced a decrease in net change in assets of nearly \$5.9 million in part due to additional other post-employment benefits expense of \$2.1 million.



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

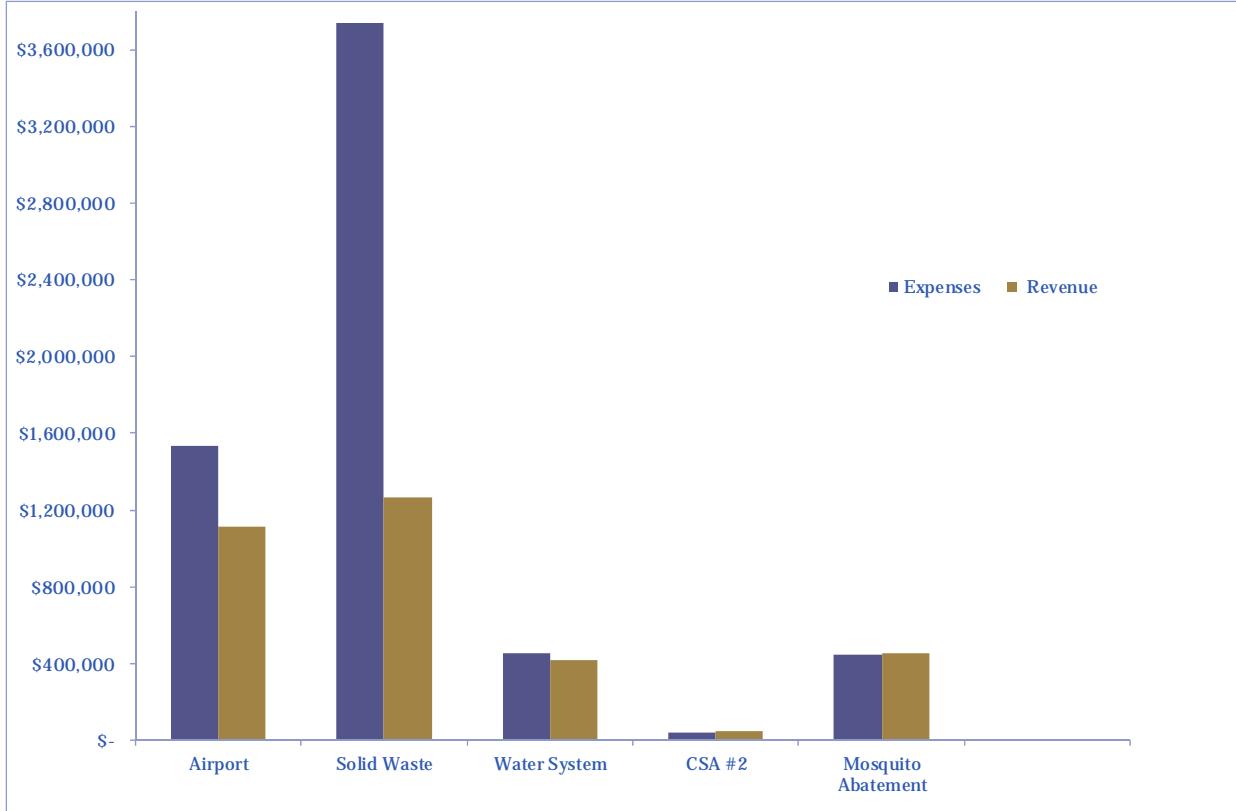
- Operating Grants and Contributions comprise the largest portion of the County's revenue, which indicates a high reliance on state and federal funding to maintain many core programs.
- Charges for services are also a fairly large component of the County's budget and can be used as indicator to see how well the County is recovering many of its program costs that are not mandated.
- Combined taxes continue to generate a large portion of the County's discretionary revenues that are used to fund critical programs.
- Governmental activities expenses total \$66,873,144, with public protection expenses of \$26,053,593 being the largest component. This is an indication of the County's operating philosophy that the safety and welfare of the County's citizens and residents is very important.

COUNTY OF INYO

Management's Discussion and Analysis (MD & A)
June 30, 2012

- Public ways and facilities is the third largest function, \$9,732,010, which is consistent with the fact that geographically, Inyo is the second largest county in the state. With a little over 10,000 square miles, it has a lot of infrastructure to maintain.
- The lack of debt service interest expense incurred by the County reflects the conservative nature of the County and the philosophy to whenever possible, pay as you go.

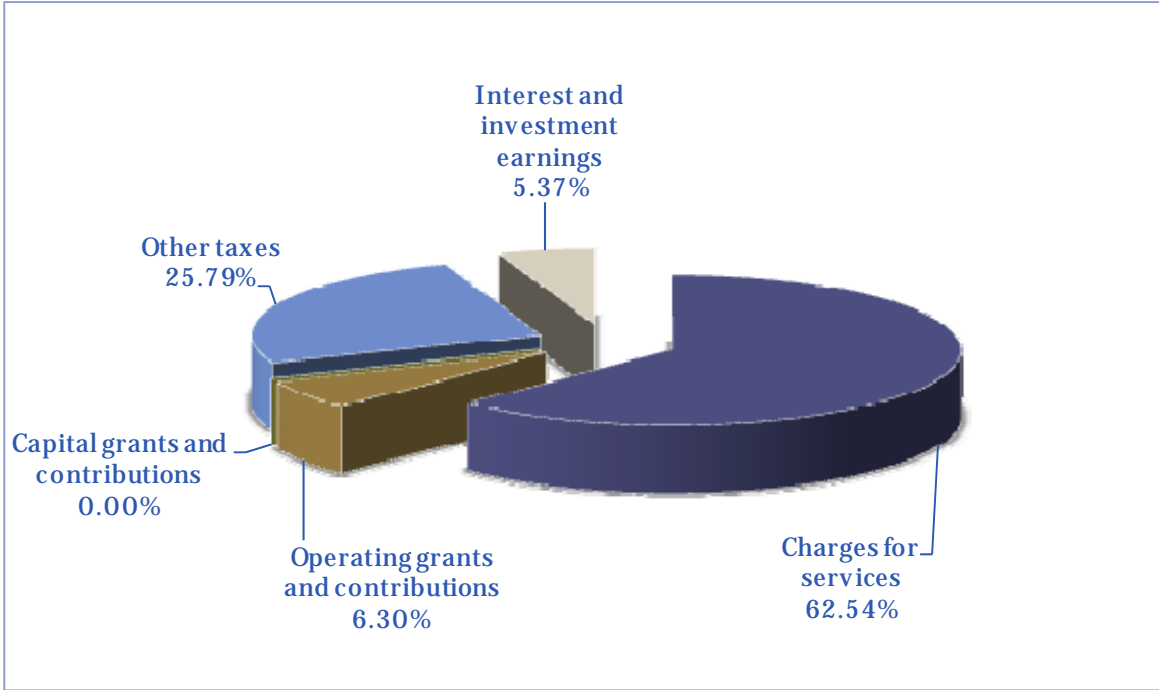
Business-type activities expenses and program revenue are shown on the following charts.



Total program revenue for business-type activities was \$3,294,709 and charges for services accounted for \$2,993,009 of the total.

COUNTY OF INYO

Management's Discussion and Analysis (MD & A)
June 30, 2012



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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds: The Governmental Funds are accounted for in the General Fund, Road Fund, Grant Programs and Other Governmental funds. The functional areas encompassed by these funds are identified in pages 29-30 of the report. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- **Fund Balance:** At June 30, 2012, the County's governmental funds reported combined ending fund balances of \$34,052,195. Fund balance by definition is simply the difference between the assets and liabilities of a governmental fund. Because governmental funds report only *financial* assets and certain *near-term* liabilities, it may be tempting to view total fund balance as a measure of expendable available financial resources. However, not all of the financial resources of the fund may be available to liquidate liabilities of the current period. A long-term receivable, for instance, cannot be used to liquidate a liability that is currently due and payable. Consequently, fund balance in total is not a good measure of expendable available financial resources in a governmental fund.

COUNTY OF INYO

Management's Discussion and Analysis (MD & A)
June 30, 2012

Proprietary funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All proprietary funds, except Solid Waste, had positive net asset balances on June 30, 2012. The Statement of Revenues, Expenses and Changes in Fund Net Assets for Proprietary Funds can be found on page 21 of this report.

BUDGETARY HIGHLIGHTS FOR GENERAL FUND

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

CAPITAL ASSETS

Capital Assets: The County's investment in capital assets for its governmental and business type activities as of June 30, 2012, amount to \$56,092,072 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, park facilities, roads, highways, and bridges. Additional information on the County's capital assets can be found in Note 5 on pages 42-43 of this report.

LONG-TERM LIABILITIES

The following table depicts the County's long-term obligations for the governmental activities and business-type activities for the past two years. Additional information on long-term liabilities can be found in Notes 7-9 on pages 43-46, and Note 13 on pages 50-52.

Long term Liabilities						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital leases payable	\$ --	\$ --	\$ 93,347	\$ --	\$ 93,347	\$ --
Compensated absences	1,411,023	1,404,441	67,046	79,278	1,478,069	1,483,719
Claims liability	303,000	342,000	--	--	303,000	342,000
Closure-post closure liability	--	--	4,943,108	3,515,690	4,943,108	3,515,690
Other post employment benefits	8,320,873	6,522,577	--	--	8,320,873	6,522,577
Total	\$ 10,034,896	\$ 8,269,018	\$ 5,103,501	\$ 3,594,968	\$ 15,138,397	\$ 11,863,986

COUNTY OF INYO

Management's Discussion and Analysis (MD & A)
June 30, 2012

Economic Factors and Next Year's Budget

- ❑ In spite of continuing State budget uncertainties, the County budget is remarkably stable. It maintains core County programs and services, retains critical but discretionary programs and services, does not call for any lay-offs, provides funding to sustain Grants-In-Support programs and Advertising County Services programs (including Community Project Sponsorship Grants program) and moves forward with several capital initiatives.
- ❑ The County anticipates continuing to make a modest contribution to the OPEB trust in an effort to pre-fund the retiree health benefits and reduce the County's liability.
- ❑ The County plans to continue funding critical technology infrastructure needs including replacing the obsolete property tax software system and implementation of the Tech Refresh program that insures the County stays on top of computer and software replacement and upgrade needs.
- ❑ While the County is moving forward on some deferred maintenance projects, because of County budget constraints, several deferred maintenance projects will be postponed indefinitely, some vacant positions will be eliminated, personnel actions will be delayed, and many departments will continue to be underfunded.

Of course, as the State struggles to balance its budget, all of this could change quickly, so we remain vigilant and conservative.

Requests for Information

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

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

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COUNTY OF INYO

Statement of Net Assets
Saturday, June 30, 2012

	Primary Government			Component Unit First 5
	Governmental Activities	Business-Type Activities	Totals	
Assets				
Cash and investments	\$ 38,579,089	\$ 2,178,341	\$ 40,757,430	\$ 831,341
Imprest cash	4,580	1,165	5,745	--
Cash with fiscal agent	103,629	--	103,629	--
Internal balances	27,100	(27,100)	--	--
Due from external parties	2,294,657	--	2,294,657	--
Accounts receivable	1,048,270	382,001	1,430,271	--
Taxes receivable	30	--	30	--
Interest receivable	52,619	2,389	55,008	912
Prepaid expenses	67,360	258	67,618	478
Deposits with others	41,700	--	41,700	--
Notes receivable	805,000	--	805,000	--
Inventories	428,307	49,053	477,360	--
Due from other governmental agencies	1,696,931	73,094	1,770,025	31,274
Capital assets:				
Nondepreciable	11,911,293	1,851,399	13,762,692	--
Depreciable, net	37,692,739	4,636,641	42,329,380	--
Total assets	<u>\$ 94,753,304</u>	<u>\$ 9,147,241</u>	<u>\$ 103,900,545</u>	<u>\$ 864,005</u>
Liabilities				
Accounts payable	\$ 2,545,514	\$ 202,067	\$ 2,747,581	\$ 94,283
Deferred revenue	6,382,446	51,579	6,434,025	--
Due to other governments	--	2,200	2,200	--
Interest payable	--	538	538	--
Long-term liabilities				
Portion due or payable within one year:				
Compensated absences	1,411,053	67,046	1,478,099	1,493
Claims liability	100,000	--	100,000	--
Capital leases payable	--	21,201	21,201	--
Portion due or payable after one year:				
Compensated absences	--	--	--	1,492
Claims liability	203,000	--	203,000	--
Capital leases payable	--	72,146	72,146	--
Closure/post closure liability	--	4,943,108	4,943,108	--
Other post-employment benefit liability	8,320,873	--	8,320,873	--
Total liabilities	<u>18,962,886</u>	<u>5,359,885</u>	<u>24,322,771</u>	<u>97,268</u>
Net Assets				
Invested in capital assets, net of related debt	49,604,032	6,394,693	55,998,725	--
Restricted for public ways programs	3,429,676	--	3,429,676	--
Restricted for other purposes	5,004,480	--	5,004,480	766,737
Unrestricted	17,752,230	(2,607,337)	15,144,893	--
Total Net Assets	<u>75,790,418</u>	<u>3,787,356</u>	<u>79,577,774</u>	<u>766,737</u>
Total liabilities and net assets	<u>\$ 94,753,304</u>	<u>\$ 9,147,241</u>	<u>\$ 103,900,545</u>	<u>\$ 864,005</u>

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

COUNTY OF INYO

Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 14,069,247	\$ 4,957,338	\$ 7,171,027	\$ --
Public protection	26,053,593	2,343,592	7,404,447	234,486
Public ways and facilities	9,732,010	1,831,265	5,590,930	--
Health and sanitation	7,955,465	1,446,225	5,797,309	--
Public assistance	7,321,525	58,426	6,985,917	--
Education	779,573	1,467	37,571	--
Recreation and culture	961,731	226,663	159,432	--
Interest on long-term debt	--	--	--	--
Total governmental activities	<u>66,873,144</u>	<u>10,864,976</u>	<u>33,146,633</u>	<u>234,486</u>
Business-type Activities:				
Airport	1,535,542	1,031,903	81,910	--
Solid Waste	3,735,860	1,147,176	119,763	--
Water System	451,646	414,221	--	--
CSA #2	37,010	50,132	--	--
Mosquito Abatement	447,643	349,577	100,027	--
Total business-type activities	<u>6,207,701</u>	<u>2,993,009</u>	<u>301,700</u>	<u>--</u>
Total primary government	<u>\$ 73,080,845</u>	<u>\$ 13,857,985</u>	<u>\$ 33,448,333</u>	<u>\$ 234,486</u>
Component Unit				
First Five Inyo	<u>\$ 325,520</u>	<u>\$ --</u>	<u>\$ 373,176</u>	<u>\$ --</u>

General Revenues:

Taxes:

 Property taxes

 Sales and use taxes

 Other

Miscellaneous

Unrestricted interest and investment earnings

Transfers

 Total general revenues and transfers

Change in net assets

 Net assets, beginning of year, as restated

 Net assets, end of year

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	First Five Inyo
\$ (1,940,882)	\$ --	\$ (1,940,882)	\$ --
(16,071,068)	--	(16,071,068)	--
(2,309,815)	--	(2,309,815)	--
(711,931)	--	(711,931)	--
(277,182)	--	(277,182)	--
(740,535)	--	(740,535)	--
(575,636)	--	(575,636)	--
--	--	--	--
<u>(22,627,049)</u>	<u>--</u>	<u>(22,627,049)</u>	<u>--</u>
--	(421,729)	(421,729)	--
--	(2,468,921)	(2,468,921)	--
--	(37,425)	(37,425)	--
--	13,122	13,122	--
--	1,961	1,961	--
<u>--</u>	<u>(2,912,992)</u>	<u>(2,912,992)</u>	<u>--</u>
<u>\$ (22,627,049)</u>	<u>\$ (2,912,992)</u>	<u>\$ (25,540,041)</u>	<u>\$ --</u>
			\$ 47,656
\$ 11,928,166	\$ --	\$ 11,928,166	--
937,220	1,234,332	2,171,552	--
3,225,656	--	3,225,656	--
521,653	1,227	522,880	322
438,864	256,812	695,676	3,059
(269,442)	269,442	--	--
<u>16,782,117</u>	<u>1,761,813</u>	<u>18,543,930</u>	<u>3,381</u>
(5,844,932)	(1,151,179)	(6,996,111)	51,037
<u>81,635,350</u>	<u>4,938,535</u>	<u>86,573,885</u>	<u>715,700</u>
<u>\$ 75,790,418</u>	<u>\$ 3,787,356</u>	<u>\$ 79,577,774</u>	<u>\$ 766,737</u>

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

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**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

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COUNTY OF INYO

Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Road</u>	<u>Grant Programs</u>	<u>Other Governmental</u>	<u>Total</u>
Assets					
Cash and investments	\$28,713,942	\$4,549,074	\$1,940,144	\$ 1,784,250	\$36,987,410
Restricted Assets:					
Cash with fiscal agent	103,629	--	--	--	103,629
Imprest cash	3,580	--	--	1,000	4,580
Interest receivable	43,369	4,986	1,566	1,496	51,417
Accounts receivable	566,766	149,522	324,773	903	1,041,964
Due from other funds	2,746,684	--	--	--	2,746,684
Due from other governments	1,467,037	44,224	147,290	38,380	1,696,931
Loans receivable	25,000	--	780,000	--	805,000
Inventory	--	424,484	--	--	424,484
Deposits with others	41,700	--	--	--	41,700
Advances to other funds	137,000	--	--	--	137,000
Prepaid expenses	60,439	--	3,469	3,452	67,360
Total assets	<u>\$33,909,146</u>	<u>\$5,172,290</u>	<u>\$3,197,242</u>	<u>\$ 1,829,481</u>	<u>\$44,108,159</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,018,839	\$ 255,257	\$ 84,064	\$ 54,838	\$ 2,412,998
Due to other funds	--	--	436,927	--	436,927
Deferred revenue	5,811,297	1,062,873	331,869	--	7,206,039
Total liabilities	<u>7,830,136</u>	<u>1,318,130</u>	<u>852,860</u>	<u>54,838</u>	<u>10,055,964</u>
Fund balances:					
Nonspendable	137,000	424,484	--	--	561,484
Restricted	1,486,689	3,429,676	2,344,382	1,173,409	8,434,156
Assigned	4,679,836	--	--	601,234	5,281,070
Unassigned	19,775,485	--	--	--	19,775,485
Total fund balances	<u>26,079,010</u>	<u>3,854,160</u>	<u>2,344,382</u>	<u>1,774,643</u>	<u>34,052,195</u>
Total liabilities and fund balances	<u>\$33,909,146</u>	<u>\$5,172,290</u>	<u>\$3,197,242</u>	<u>\$ 1,829,481</u>	<u>\$44,108,159</u>

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

COUNTY OF INYO

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2012

Fund Balance - total governmental funds	\$ 34,052,195
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	48,339,934
Internal service funds are used by the County to charge the cost of unemployment insurance, dental insurance, and fleet services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:	2,376,874
Deferred revenues represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	823,593
Certain liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Accounts payable	(74,165)
Other post employment benefits liability	(8,320,873)
Compensated absences	<u>(1,407,140)</u>
Net assets of governmental activities	<u>\$ 75,790,418</u>

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

COUNTY OF INYO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Road	Grant Programs	Other Governmental	Total
Revenues					
Taxes	\$ 16,015,781	\$ --	\$ --	\$ 60,422	\$ 16,076,203
Licenses and permits	449,917	61,607	--	--	511,524
Fines, forfeitures and penalties	1,726,350	--	--	--	1,726,350
Use of money and property	407,269	17,065	5,464	5,017	434,815
Intergovernmental	24,466,182	5,291,106	2,299,792	1,497,213	33,554,293
Charges for services	6,655,113	1,770,002	3,102	198,885	8,627,102
Other revenues	438,024	2,072	--	62,517	502,613
Total revenues	<u>50,158,636</u>	<u>7,141,852</u>	<u>2,308,358</u>	<u>1,824,054</u>	<u>61,432,900</u>
Expenditures					
Current:					
General government	12,811,847	--	--	36,943	12,848,790
Public protection	22,663,636	--	1,260,951	972,372	24,896,959
Public ways and facilities	50,936	4,955,503	--	26,470	5,032,909
Health and sanitation	5,776,066	--	785,509	766,055	7,327,630
Public assistance	6,929,726	--	180,472	--	7,110,198
Education	705,780	--	--	--	705,780
Recreation and culture	804,788	--	20,506	--	825,294
Capital outlay	976,156	700,006	81,857	50,982	1,809,001
Total expenditures	<u>50,718,935</u>	<u>5,655,509</u>	<u>2,329,295</u>	<u>1,852,822</u>	<u>60,556,561</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(560,299)</u>	<u>1,486,343</u>	<u>(20,937)</u>	<u>(28,768)</u>	<u>876,339</u>
Other Financing Sources (Uses)					
Transfers in	63,345	--	15,741	544,784	623,870
Transfers out	(829,967)	--	(19,596)	(14,479)	(864,042)
Total other financing sources (uses)	<u>(766,622)</u>	<u>--</u>	<u>(3,855)</u>	<u>530,305</u>	<u>(240,172)</u>
Net change in fund balances	(1,326,921)	1,486,343	(24,792)	501,537	636,167
Fund balances, beginning of year	<u>27,405,931</u>	<u>2,367,817</u>	<u>2,369,174</u>	<u>1,273,106</u>	<u>33,416,028</u>
Fund balances, end of year	<u>\$ 26,079,010</u>	<u>\$ 3,854,160</u>	<u>\$ 2,344,382</u>	<u>\$ 1,774,643</u>	<u>\$ 34,052,195</u>

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

COUNTY OF INYO

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2012

Net change to fund balance - total governmental funds \$ 636,167

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ 1,754,773	
Less: current year depreciation	<u>(6,178,565)</u>	(4,423,792)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. (190,354)

Long-term debt proceeds provide current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in other post employment benefits	(1,798,296)	
Other payables	(74,165)	
Change in compensated absences	<u>(5,909)</u>	(1,878,370)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain activities of the internal service funds is reported with governmental activities. 11,417

Change in net assets of governmental activities (page 14)		<u><u>\$ (5,844,932)</u></u>
---	--	------------------------------

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

COUNTY OF INYO

Statement of Fund Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds				Governmental
	Airport	Solid Waste	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 208,870	\$ 121,401	\$ 699,097	\$ 1,029,368	\$ 1,591,679
Imprest cash	265	900	--	1,165	--
Accounts receivable	45,531	166,801	169,669	382,001	6,306
Taxes receivable	--	--	--	--	30
Due from other governments	51,387	1,584	20,123	73,094	--
Interest receivable	343	1,270	776	2,389	1,202
Prepaid expenses	--	--	258	258	--
Inventory	49,053	--	--	49,053	3,823
Noncurrent assets:					
Restricted cash	--	1,148,973	--	1,148,973	--
Capital assets:					
Nondepreciable	1,851,399	--	--	1,851,399	6,979
Depreciable, net	2,350,905	380,845	1,904,891	4,636,641	1,257,119
Total assets	<u>\$ 4,557,753</u>	<u>\$ 1,821,774</u>	<u>\$ 2,794,814</u>	<u>\$ 9,174,341</u>	<u>\$ 2,867,138</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 67,275	\$ 78,460	\$ 56,332	\$ 202,067	58,351
Due to other funds	27,100	--	--	27,100	--
Compensated absences	13,406	37,713	15,927	67,046	3,913
Advances from other funds	--	--	--	--	125,000
Interest payable	--	538	--	538	--
Unearned revenue	31,155	20,424	--	51,579	--
Due to other governments	2,200	--	--	2,200	--
Liability for self-insurance	--	--	--	--	303,000
Capital leases payable	--	21,201	--	21,201	--
Noncurrent liabilities:					
Capital leases payable	--	72,146	--	72,146	--
Estimated liability for landfill closure/ postclosure costs	--	4,943,108	--	4,943,108	--
Total liabilities	<u>141,136</u>	<u>5,173,590</u>	<u>72,259</u>	<u>5,386,985</u>	<u>490,264</u>
Net Assets					
Invested in capital assets, net of related debt	4,202,304	287,498	1,904,891	6,394,693	1,264,098
Unrestricted	214,313	(3,639,314)	817,664	(2,607,337)	1,112,776
Total net assets	<u>4,416,617</u>	<u>(3,351,816)</u>	<u>2,722,555</u>	<u>3,787,356</u>	<u>2,376,874</u>
Total liabilities and net assets	<u>\$ 4,557,753</u>	<u>\$ 1,821,774</u>	<u>\$ 2,794,814</u>	<u>\$ 9,174,341</u>	<u>\$ 2,867,138</u>

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

COUNTY OF INYO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental
	Airport	Solid Waste	Nonmajor Enterprise Funds	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 1,188,818	\$ 834,329	\$ 813,930	\$ 2,837,077
Other revenues	1,109	312,847	118	314,074
Total operating revenues	<u>1,189,927</u>	<u>1,147,176</u>	<u>814,048</u>	<u>3,151,151</u>
Operating Expenses:				
Salaries and benefits	277,341	1,028,757	297,491	1,603,589
Services and supplies	1,140,975	2,644,042	569,850	4,354,867
Depreciation	116,868	63,948	68,958	249,774
Total operating expenses	<u>1,535,184</u>	<u>3,736,747</u>	<u>936,299</u>	<u>6,208,230</u>
Operating income (loss)	<u>(345,257)</u>	<u>(2,589,571)</u>	<u>(122,251)</u>	<u>(3,057,079)</u>
Nonoperating Revenues (Expenses):				
Tax revenue	--	1,234,332	--	1,234,332
Reimbursements and miscellaneous revenues	--	--	--	--
Intergovernmental revenues	81,910	119,763	100,027	301,700
Interest revenue	88,959	8,434	2,504	99,897
Interest expense	--	(538)	--	(538)
Gain (loss) on sale of assets	(358)	1,425	--	1,067
Total nonoperating revenues (expenses)	<u>170,511</u>	<u>1,363,416</u>	<u>102,531</u>	<u>1,636,458</u>
Income (Loss) Before Capital Contributions and Transfers	(174,746)	(1,226,155)	(19,720)	(1,420,621)
Capital contributions	--	--	--	--
Transfers in	87,666	169,397	12,379	269,442
Transfers out	--	--	--	--
Change in net assets	<u>(87,080)</u>	<u>(1,056,758)</u>	<u>(7,341)</u>	<u>(1,151,179)</u>
Net assets, beginning of year	<u>4,503,697</u>	<u>(2,295,058)</u>	<u>2,729,896</u>	<u>4,938,535</u>
Net assets, end of year	<u>\$ 4,416,617</u>	<u>\$ (3,351,816)</u>	<u>\$ 2,722,555</u>	<u>\$ 3,787,356</u>

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

COUNTY OF INYO

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental
	Airport	Solid Waste	Nonmajor Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	\$ 1,159,661	\$ 1,055,457	\$ 785,710	\$ 3,000,828
Cash paid to suppliers for goods and services	(1,139,676)	(1,210,470)	(570,519)	(2,920,665)
Cash paid to employees for salaries and benefits	(276,043)	(1,041,267)	(298,511)	(1,615,821)
Net cash provided (used) by operating activities	(256,058)	(1,196,280)	(83,320)	(1,535,658)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Repayment from (to) other funds	24,900	(118,000)	--	(93,100)
Intergovernmental revenues	81,910	119,763	100,027	301,700
Other revenue	--	--	--	--
Transfers in	87,666	169,397	12,379	269,442
Transfers out	--	--	--	--
Tax revenue	--	1,234,332	--	1,234,332
Net cash provided (used) by noncapital financing activities	194,476	1,405,492	112,406	1,712,374
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	4,347	1,425	--	5,772
Payments related to the acquisition of capital assets	--	(123,552)	(27,647)	(151,199)
Net cash provided (used) by capital and related financing activities	4,347	(122,127)	(27,647)	(145,427)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	88,943	8,628	2,743	100,314
Net cash provided (used) by investing activities	88,943	8,628	2,743	100,314
Net Increase (Decrease) in Cash and Cash Equivalents	31,708	95,713	4,182	131,603
Cash and cash equivalents, beginning of year	177,427	1,175,561	694,915	2,047,903
Cash and cash equivalents, end of year	<u>\$ 209,135</u>	<u>\$ 1,271,274</u>	<u>\$ 699,097</u>	<u>\$ 2,179,506</u>
Reconciliation of cash and cash equivalents to the statement of fund net assets				
Cash and investments	208,870	121,401	699,097	1,029,368
Imprest cash	265	900	--	1,165
Restricted cash	--	1,148,973	--	1,148,973
	<u>\$ 209,135</u>	<u>\$ 1,271,274</u>	<u>\$ 699,097</u>	<u>\$ 2,179,506</u>

continued

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

COUNTY OF INYO

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				Governmental
	Airport	Solid Waste	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (345,257)	\$ (2,589,571)	\$ (122,251)	\$ (3,057,079)	\$ (64,643)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	116,868	63,948	68,958	249,774	506,612
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	18,775	(82,939)	(28,596)	(92,760)	(1,050)
Due from other governments	(51,387)	(1,584)	--	(52,971)	--
Inventory	17,839	--	--	17,839	150
Prepaid expenses	16,421	502	--	16,923	--
Increase (decrease) in:					
Accounts payable	(32,961)	5,652	(411)	(27,720)	(5,467)
Liability for compensated absences	1,298	(12,510)	(1,020)	(12,232)	703
Liability for self-insurance	--	--	--	--	(39,000)
Deferred revenues	2,346	(7,196)	--	(4,850)	--
Closure/postclosure liability	--	1,427,418	--	1,427,418	--
Net Cash Provided (Used) by Operating Activities	<u>\$ (256,058)</u>	<u>\$ (1,196,280)</u>	<u>\$ (83,320)</u>	<u>\$ (1,535,658)</u>	<u>\$ 397,305</u>
Schedule of non-cash capital and related financing activities:					
Contribution of capital assets	\$ --	\$ --	\$ --	\$ --	\$ 82,241

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

COUNTY OF INYO

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Investment Trust	Agency Funds
Assets		
Cash and investments	\$ 39,972,892	14,907,965
Imprest cash	3,744	60
Cash with fiscal agent	13,834	--
Accounts receivable	337,035	327,205
Due from other governments	734,759	177,774
Interest receivable	45,542	8,366
Taxes receivable	--	1,387,429
	<u>\$ 41,107,806</u>	<u>\$ 16,808,799</u>
Liabilities		
Due to other funds	104,435	2,178,222
Advances from other funds	--	12,000
Accounts payable	--	211,600
Agency obligations	--	14,406,977
	<u>104,435</u>	<u>16,808,799</u>
Net Assets		
Net assets held in trust for investment pool participants	<u>41,003,371</u>	<u>--</u>
	<u>41,003,371</u>	<u>--</u>
	<u>\$ 41,107,806</u>	<u>\$ 16,808,799</u>

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

COUNTY OF INYO

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012

	<u>Investment Trust</u>
Additions:	
Contributions to investment pool	\$ 38,086,044
Interest and investment income	<u>161,471</u>
Total Additions	<u>38,247,515</u>
Deductions:	
Distributions from investment pool	<u>(43,591,764)</u>
Total Deductions	<u>(43,591,764)</u>
Change in net assets	(5,344,249)
Net assets, beginning of year	<u>46,347,620</u>
Net assets, end of year	<u><u>\$ 41,003,371</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

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

A. Description of the Reporting Entity

The County of Inyo (County), the primary government, is a political subdivision of the State of California. It is governed by an elected board of five County Supervisors. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14 and amended by GASB Statement No. 39.

The decision to include a component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14 and amended by GASB Statement No. 39. The basic criteria used in the determination of component units is financial responsibility of the County for the component unit. Financial accountability is determined by the following:

- The County appoints a voting majority of a component unit’s governing body.
- Ability of the County to impose its will on the component unit, including the ability to affect its day-to-day operations, to remove appointed members of the governing body at will, to modify or approve its budget, to modify its rates or fee charges, to veto, overrule, or modify the decisions of its governing body.
- There is a potential for the component unit to provide specific financial benefits to or impose specific financial burden on the County.
- Fiscal dependency of the component unit on the County, including the inability of the component unit to determine its own budget, levy taxes, set rates or charges, or issue bonded debt without the approval of the County.

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 government’s operations. Blended component units are an extension of the County and so data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. Each component unit has a June 30th year end.

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

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

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

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of the Reporting Entity (continued)

Discretely Presented Component Units

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

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

B. **Basis of Presentation** (continued)

Fund Financial Statements (continued)

The County reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education and recreation services.
- The *Road Fund* is used to account for money derived from the Highway Users Tax Fund, a portion of Federal Forest Reserve (under Government Code Section 29484) and any other sources of revenue that the Board of Supervisors designates for deposit into the Road Fund. Money deposited into the Road Fund is restricted to expenditures made in accordance with Article XIX of the State Constitution and Streets and Highways Code Sections 2101 and 2150.
- The *Grant Programs Fund* is used to account for programs that receive resources from other governmental units and are required to follow special legal, contractual, accounting or reporting requirements.

The County reports the following major enterprise funds:

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

The County reports the following additional fund types:

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

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

C. Basis of Accounting

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

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

For its business-type activities and enterprise funds, the County has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America for governmental units. The County has elected not to follow subsequent private-sector guidance of the Financial Accounting Standards Board after November 30, 1989.

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

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

D. Estimates

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

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

E. Deposits and Investments

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

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

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

F. Cash and Cash Equivalents

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

G. Restricted Cash

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

H. Inventories and Prepaid Items

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

I. Receivables

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

J. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) in the balance sheet of governmental funds and

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

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

J. **Interfund Transactions** (continued)

statement of net assets for proprietary funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the government funds balance sheet, are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not available financial resources.

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

K. **Property Tax Revenue**

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

L. **Capital Assets**

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

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

The estimated useful lives are as follows:

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

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

M. **Encumbrances**

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity

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

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

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

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

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

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 2: **CASH IN TREASURY**

A. **Cash Management**

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

The County Treasurer determines the fair value of investments annually, at fiscal year-end, for the purpose of financial reporting. Participants may withdraw their investment from the pool on a dollar per dollar basis. School districts are considered involuntary participants in the investment pool and comprise 24 percent of the total treasury investment pool which includes County operational funds. Special districts and various trust funds approximate 18 percent of the investment pool and the extent of involuntary participation cannot be determined at this time. County operational funds comprise the remaining 58 percent of the investment pool.

At June 30, 2012, total County cash and investments were as follows:

Cash on hand	\$	9,549
Deposits		3,015,505
Investments		93,571,586
Total Cash and Investments	\$	<u>96,596,640</u>

Total cash and investments at June 30, 2012 were presented on the County's financial statements as follows:

Primary government	\$	40,866,804
Investment trust fund		40,821,811
Agency funds		14,908,025
Total Cash and Investments	\$	<u>96,596,640</u>

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 2: CASH IN TREASURY (CONTINUED)

A. Cash Management (continued)

Investments

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

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

At June 30, 2012, the County had the following investments:

	Interest Rates	Maturities	Par Value	Cost	Fair Value	WAM (Years)
Pooled Investments						
Federal Agency Obligations	.0500% - 1.320%	9/13/2013 - 4/25/2017	\$ 36,000,000	\$ 35,995,000	\$ 36,068,200	4.18
Commercial paper	.70% to .85%	8/31/2012 - 12/7/2012	13,500,000	13,459,123	13,268,525	1.34
Local Agency Investment Fund	Variable	On Demand	40,000,000	40,000,000	40,000,000	--
UBS Money Market	Variable	On Demand	3,000,000	3,000,000	3,000,000	--
AIM Money Market	Variable	On Demand	1,000,000	1,000,000	1,000,000	--
Total Pooled Investments			<u>\$ 93,500,000</u>	<u>93,454,123</u>	<u>93,336,725</u>	1.81
Non-Pooled Investments						
Cash with fiscal agent	Variable	On Demand		117,463	117,463	
Total Investments				<u>\$ 93,571,586</u>	<u>\$ 93,454,188</u>	

Interest Rate Risk

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

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

A. **Cash Management** (continued)

Credit Risk

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

Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total County investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount Reported</u>
Federal Farm Credit Bank	Federal Agency Obligations	\$ 6,009,460
Federal Home Loan Bank	Federal Agency Obligations	11,999,750
Federal National Mortgage Assn.	Federal Agency Obligations	9,003,780
HSBC Finance Corp.	Commercial Paper	3,996,020
UBS Finance	Commercial Paper	9,472,505

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's value at June 30, 2012.

	<u>S&P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Federal Agency Obligations	AAA	AAA	37.00%
Local Agency Investment Fund	Unrated	Unrated	40.82%
UBS Money Market	N/A	N/A	5.10%
AIM Money Market	N/A	N/A	4.08%
Commercial paper	N/A	N/A	13.00%
Total			<u>100.00%</u>

Custodial Credit Risk

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

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

A. **Cash Management** (continued)

Local Agency Investment Fund

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

At June 30, 2012, the County’s investment position in the State of California Local Agency Investment Fund (LAIF) was \$40,000,000, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$60.50 billion. Of that amount, 3.47% was invested in structured notes and asset-backed securities with the remaining 96.53% invested in other non-derivative financial products.

County Investment Pool Condensed Financial Statements

The following represents a condensed statement of net assets and changes in net assets for the Treasurer’s investment pool as of June 30, 2012:

Statement of Net Assets

Assets:

Investments	\$ 93,571,586
Other deposits	3,025,054
Total Assets	<u>\$ 96,596,640</u>

Net Assets:

Equity of internal pool participants	\$ 55,774,829
Equity of external pool participants	40,821,811
Total Net Assets	<u><u>\$ 96,596,640</u></u>

Statement of Changes in Net Assets

Net assests at July 1, 2011	\$ 102,290,114
Net deductions from pool participants	(5,693,474)
Net assets at June 30, 2012	<u><u>\$ 96,596,640</u></u>

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

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

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

B. Allocations of Interest Income Among Funds (continued)

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

C. Authorized Investments

State statutes and adopted investment policy authorize the County to invest in bonds issued by the County of Inyo, obligations of the U.S. Treasury, its agencies and instrumentality's, registered warrants and bonds of the State of California, registered warrants and bonds of any local agency in the State of California, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record's, certificates of deposit, bankers' acceptances from banks with 'A' rating or better by a nationally recognized rating service, medium term corporate notes issued by companies rated 'A' or better by a nationally recognized rating service, mortgage pass-through securities and collateralized mortgage obligations having a rating of 'AA' or higher by a nationally recognized rating agency, repurchase agreements and the State Treasurer's investment pool. The County is also authorized to enter in reverse repurchase agreements. Investments for bond proceeds and funds held by bond fiscal agent or trustees are governed and restricted by the bond documents. The permitted investment language in each bond transaction is usually unique to each transaction and at times can either be more permissive or less permissive than the County's investment policy over other investments.

D. Fair Value of Investments

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

E. Methods and Assumptions Used to Estimate Fair Value

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

The County has determined that cost to fair values are not materially different (fair value is 100.09 percent of cost) so that no adjustment has been reported on these financial statements.

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 3: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2012 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Grant Programs Fund	\$ 436,927	Cash flow reimbursement grants
	Business Type Fund	27,100	Provide short term cash flow
	Investment Trust Funds	104,435	Provide short term cash flow
	Agency Funds	2,178,222	Provide short term cash flow
		<u>\$ 2,746,684</u>	

Advances to/from other funds:

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

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

Transfers

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

Between Governmental and Business-Type Activities:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Solid Waste	\$ 169,397	To augment ongoing operations
	Airports	87,666	To augment ongoing operations
	Water Systems	12,379	To augment ongoing operations
		<u>269,442</u>	
Internal Service Funds	General Fund	29,270	
		<u>\$ 298,712</u>	

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

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

Transfers (continued)

Between Funds Within the Governmental or Business-Type Activities:

Transfer from	Transfer to	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 379,750	Capital expenditures
	Nonmajor Governmental Funds	165,034	To augment ongoing operations
	Grants	15,741	To augment ongoing operations
		<u>560,525</u>	
Nonmajor Governmental	General Fund	<u>14,479</u>	To augment ongoing operations
Grants	General Fund	19,596	Close out grants
		<u>\$ 594,600</u>	
	Total Transfers	<u>\$ 893,312</u>	

NOTE 4: **DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues considered unavailable to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2012, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Grant advances prior to meeting all eligibility requirements	\$ -	\$ 6,382,446	\$ 6,382,446
Receivables collected after the period of availability	<u>823,593</u>	<u>-</u>	<u>823,593</u>
Total	<u>\$ 823,593</u>	<u>\$ 6,382,446</u>	<u>\$ 7,206,039</u>

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Balance June 30, 2012</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 8,899,171	\$ --	\$ --	\$ --	\$ 8,899,171
Construction in progress	2,729,389	545,320	--	(262,587)	3,012,122
Total capital assets, not being depreciated	<u>11,628,560</u>	<u>545,320</u>	<u>--</u>	<u>(262,587)</u>	<u>11,911,293</u>
Capital assets, being depreciated:					
Infrastructure	197,648,970	--	--	--	197,648,970
Land improvements	4,643,692	64,507	--	--	4,708,199
Structures and improvements	10,950,292	838,847	--	--	11,789,139
Equipment	15,496,117	781,362	(316,492)	371,286	16,332,273
Total capital assets, being depreciated	<u>228,739,071</u>	<u>1,684,716</u>	<u>(316,492)</u>	<u>371,286</u>	<u>230,478,581</u>
Less accumulated depreciation for:					
Infrastructure	(168,159,879)	(5,088,330)	--	--	(173,248,209)
Land improvements	(1,304,590)	(120,054)	--	--	(1,424,644)
Structures and improvements	(5,109,210)	(260,915)	--	--	(5,370,125)
Equipment	(11,752,344)	(1,215,876)	315,751	(90,395)	(12,742,864)
Total accumulated depreciation	<u>(186,326,023)</u>	<u>(6,685,175)</u>	<u>315,751</u>	<u>(90,395)</u>	<u>(192,785,842)</u>
Total capital assets, being depreciated, net	<u>42,413,048</u>	<u>(5,000,459)</u>	<u>(741)</u>	<u>280,891</u>	<u>37,692,739</u>
Governmental activities capital assets, net	<u>\$ 54,041,608</u>	<u>\$ (4,455,139)</u>	<u>\$ (741)</u>	<u>\$ 18,304</u>	<u>\$ 49,604,032</u>
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,851,399	\$ --	\$ --	\$ --	\$ 1,851,399
Total capital assets, not being depreciated	<u>1,851,399</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,851,399</u>
Capital assets, being depreciated:					
Infrastructure	18,564,805	15,189	--	--	18,579,994
Land improvements	2,708,346	--	--	--	2,708,346
Structures and improvements	2,700,103	88,532	(16,802)	--	2,771,833
Equipment	2,190,599	140,823	(41,296)	14,080	2,304,206
Total capital assets, being depreciated	<u>26,163,853</u>	<u>244,544</u>	<u>(58,098)</u>	<u>14,080</u>	<u>26,364,379</u>
Less accumulated depreciation for:					
Infrastructure	(16,175,232)	(64,869)	--	--	(16,240,101)
Land improvements	(1,938,205)	(42,804)	--	--	(1,981,009)
Structures and improvements	(1,487,202)	(59,825)	12,264	--	(1,534,763)
Equipment	(1,916,638)	(82,276)	41,129	(14,080)	(1,971,865)
Total accumulated depreciation	<u>(21,517,277)</u>	<u>(249,774)</u>	<u>53,393</u>	<u>(14,080)</u>	<u>(21,727,738)</u>
Total capital assets, being depreciated, net	<u>4,646,576</u>	<u>(5,230)</u>	<u>(4,705)</u>	<u>--</u>	<u>4,636,641</u>
Business-type activities capital assets, net	<u>\$ 6,497,975</u>	<u>\$ (5,230)</u>	<u>\$ (4,705)</u>	<u>\$ --</u>	<u>\$ 6,488,040</u>

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 5: CAPITAL ASSETS (CONTINUED)

Depreciation

Depreciation expense was charged to governmental activities as follows:

General government	\$ 885,654
Public protection	487,189
Public ways	5,169,432
Health and sanitation	39,361
Public assistance	15,802
Culture and recreation	87,737
Total depreciation expenses - governmental activities	<u>\$ 6,685,175</u>

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

Airport Fund	\$ 116,868
Solid Waste Fund	63,948
Non-Major Enterprise Funds	68,958
Total depreciation expense - business-type activities	<u>\$ 249,774</u>

NOTE 6: LOANS RECEIVABLE

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

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated absences	\$ 1,404,411	\$ 1,408,528	\$ 1,401,916	\$ 1,411,023	\$ 1,411,023
Claims liability	342,000	--	39,000	303,000	100,000
Total Governmental Activities	<u>\$ 1,746,411</u>	<u>\$ 1,408,528</u>	<u>\$ 1,440,916</u>	<u>\$ 1,714,023</u>	<u>\$ 1,511,023</u>
Business-type Activities					
Capital leases payable	\$ --	\$ 118,347	\$ 25,000	\$ 93,347	\$ 21,201
Compensated absences	79,277	52,485	64,716	67,046	67,046
Closure/post closure liability	3,515,691	1,427,417	--	4,943,108	--
Total Business-type Activities	<u>\$ 3,594,968</u>	<u>\$ 1,598,249</u>	<u>\$ 89,716</u>	<u>\$ 5,103,501</u>	<u>\$ 88,247</u>

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 7: **LONG-TERM LIABILITIES** (CONTINUED)

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

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

NOTE 8: **ESTIMATED LIABILITY FOR SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE MAINTENANCE COSTS**

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

The estimated liability of all County landfill sites for closure and postclosure maintenance costs was \$4,943,108 as of the fiscal year end, which is based on the estimated percentage usage (filled), ranging from 31.81% to 66.42%, of each landfill site. It is estimated that an additional \$7,376,426 liability will be recognized as closure and postclosure maintenance costs between the date of the balance sheet and the date the landfills are expected to be filled to capacity.

The estimated total current cost of the landfill closure and postclosure maintenance costs of \$12,319,534 is based on the amounts that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of the balance sheet date. However, the costs for landfill closure and postclosure maintenance costs are based on yearly estimates, reviewed by the California Integrated Waste Management Board, as prepared by the Geo-logic Associates of Claremont, California.

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

The County is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure maintenance costs. The County makes deposits into various accounts based on the annual liability amounts calculated by CWA. As of June 30, 2012, a total of \$1,148,973 was deposited into these accounts for the purpose of funding landfill closure costs. This amount is reported as restricted cash in the Solid Waste Fund. A Pledge of Revenue agreement with the California Integrated Waste Management Board has been established as a funding mechanism for the County's landfill postclosure costs.

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 8: ESTIMATED LIABILITY FOR SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE MAINTENANCE COSTS (CONTINUED)

The following is the information for each landfill as of June 30, 2012:

	Percent Filled	Total Closure/ Postclosure Cost Estimates	Liability 6/30/2012
Bishop Sunland	31.81%	\$ 7,443,257	\$ 2,367,792
Independence	66.42%	1,602,992	1,064,656
Lone Pine	38.33%	2,272,626	871,079
Shoshone	64.00%	462,814	296,191
Tecopa	63.85%	537,845	343,390
		<u>\$ 12,319,534</u>	<u>\$ 4,943,108</u>

NOTE 9: LEASES

Capital Leases

The County has entered into a capital lease agreement under which the related equipment will become the property of the County when all terms of the lease agreements are met.

The following is a summary of equipment leased under capital lease agreements by the County as of June 30, 2012:

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2012
Equipment	4.07%	\$ 93,347
		<u>\$ 93,347</u>

The cost of equipment under capital leases is as follows:

Equipment	\$ 118,347
Less: accumulated depreciation	<u>(8,453)</u>
	<u>\$ 109,894</u>

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 9: **LEASES** (CONTINUED)

Capital Leases (continued)

As of June 30, 2012, future minimum lease payments under capital leases was as follows:

<u>Year Ending June 30:</u>		
2013	\$	25,000
2014		25,000
2015		25,000
2016		25,000
2017		<u>3,356</u>
Total Future Minimum Lease Payments		103,356
Less: Interest		<u>(10,009)</u>
Present Value of Minimum Lease Payments	\$	<u><u>93,347</u></u>

Operating Leases

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

Future minimum operating lease commitments are as follows:

<u>Year Ended June 30</u>		
2013	\$	101,664
2014		59,304
Total	\$	<u><u>160,968</u></u>

Total rents and lease expenditures were \$108,612 for the year ended June 30, 2012.

NOTE 10: **NET ASSETS/FUND BALANCES**

Classification

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 10: NET ASSETS/FUND BALANCES (CONTINUED)

Classification (continued)

Fund balances for all major and nonmajor governmental funds as of June 30, 2012, were distributed as follows:

	General	Roads	Grants	Other Governmental Funds	Total
Nonspendable:					
Advances	\$ 137,000	\$ --	\$ --	\$ --	\$ 137,000
Inventories	--	424,484	--	--	424,484
Subtotal	<u>137,000</u>	<u>424,484</u>	<u>--</u>	<u>--</u>	<u>561,484</u>
Restricted for:					
General government	694,673	--	951	203,903	899,527
Public protection	9,065	--	2,102,682	75,863	2,187,610
Public ways & facilities	755	3,429,676	1,595	686,573	4,118,599
Health & sanitation	782,196	--	158,279	207,070	1,147,545
Public assistance	--	--	70,952	--	70,952
Recreation	--	--	9,923	--	9,923
Subtotal	<u>1,486,689</u>	<u>3,429,676</u>	<u>2,344,382</u>	<u>1,173,409</u>	<u>8,434,156</u>
Assigned to:					
General government	550,839	--	--	601,234	1,152,073
Public protection	1,406,888	--	--	--	1,406,888
Public ways & facilities	--	--	--	--	--
Health & sanitation	530,388	--	--	--	530,388
Public assistance	1,026,611	--	--	--	1,026,611
Education	725,252	--	--	--	725,252
Recreation	439,858	--	--	--	439,858
Subtotal	<u>4,679,836</u>	<u>--</u>	<u>--</u>	<u>601,234</u>	<u>5,281,070</u>
Unassigned	<u>19,775,485</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>19,775,485</u>
Total	<u>\$ 26,079,010</u>	<u>\$ 3,854,160</u>	<u>\$ 2,344,382</u>	<u>\$ 1,774,643</u>	<u>\$ 34,052,195</u>

NOTE 11: COUNTY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

A. Plan Description

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 11: **COUNTY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)** (CONTINUED)

B. Funding Policy

The County makes the contributions required of County employees on their behalf and for their account. Active plan members are required to contribute 7% or 9% of their annual salary depending on their classification. The County is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2011/2012 was 13.505% for the miscellaneous plan employees and 33.581% for the safety plan employees.

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2011/2012, the County of Inyo's annual pension cost was \$5,845,664 and the County actually contributed \$5,845,664. The required contribution for fiscal year 2011/2012 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 5,307,855	100.00%	\$ -
6/30/2011	5,334,153	100.00%	--
6/30/2012	5,845,664	100.00%	--

The County participates in the CalPERs risk pool program for its safety plan members. The risk pool program is the consolidation of public agencies with plan membership of less than one hundred employees. County information regarding the funded status of the pension plan is no longer available.

NOTE 12: **RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County has risk management funds (Internal Service Funds) to account for the County's General Liability and Medical Malpractice insurance programs that are self-insured. Beginning with the fiscal year ended June 30, 2003, the County's Workers' Compensation liability is no longer self-insured. Risk of insurance has been assumed by a third-party insurer.

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

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

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 12: **RISK MANAGEMENT** (CONTINUED)

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

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

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

It is the County's policy to charge to the expense of the Internal Service Fund the estimated liability for outstanding claims, as determined with the assistance of independent actuaries. The liability for self-insurance coverage reported in the internal service funds is based on the requirements of Governmental Accounting Standards Board Statements No. 10 and 30, which require that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability as of June 30, 2012 was \$303,000.

Changes in the County's claims liability for the fiscal years ended June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of year	\$ 342,000	\$ 218,000
Plus estimated claims incurred	(71,453)	252,430
Less claims payments	32,453	(128,430)
Unpaid claims, end of year	<u>\$ 303,000</u>	<u>\$ 342,000</u>

NOTE 13: **OTHER POST EMPLOYMENT BENEFITS (OPEB)**

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

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the County. The contribution is based on pay-as-you-go financing requirements, with an initial \$1 million contribution to PARS OPEB trust for the fiscal year ended June 30, 2010 to prefund benefits. For fiscal year 2011-2012, the County contributed \$1,544,157, or 46.2%, of the actuarially required contributions, to the Retiree Healthcare Plan.

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 13: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation to the retiree healthcare plan:

Annual required contribution	\$ 3,342,453
Annual OPEB cost (expense)	<u>3,342,453</u>
Contributions made	<u>(1,544,157)</u>
Increase in OPEB liability	1,798,296
Net OPEB obligation - beginning of year	<u>6,522,577</u>
Net OPEB obligation - end of year	<u><u>\$ 8,320,873</u></u>

The County’s Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan (as described in the funding policy above), and the Net OPEB Obligation for fiscal year 2011-2012 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 4,002,350	63.2%	\$ 4,337,974
6/30/2011	3,979,588	45.1%	6,522,577
6/30/2012	3,342,453	46.2%	8,320,873

Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of July 1, 2011, the plan’s most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 29,968,670
Actuarial value of plan assets	<u>3,329,600</u>
Unfunded actuarial accrued liability (UAAL)	\$ 26,639,070
Funded ratio (actuarial value of plan assets/AAL)	12.50%
Covered payroll (active plan members)	\$ 23,247,553
UAAL as a percentage of covered payroll	114.6%

COUNTY OF INYO

Notes to Financial Statements
June 30, 2012

NOTE 13: **OTHER POST EMPLOYMENT BENEFITS (OPEB)** (CONTINUED)

Actuarial Methods and Assumptions

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

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

In the July 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5% investment rate of return and assumed medical inflation of 9% graded down to 5% over 3 years. The OPEB plan's unfunded actuarial liability is being amortized by level percent of payroll contributions over 30 years. The remaining amortization period at June 30, 2012, was 27 years.

NOTE 14: **CONTINGENCIES**

A. Government Programs

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

B. Claims and Assessments

There are several pending lawsuits in which the County is involved. County Counsel believes the potential uninsured claims against the County resulting from such litigation at June 30, 2012, would not materially affect the financial statements of the County.

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REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF INYO

Required Supplementary Information
For the Fiscal Year Ended June 30, 2012

SCHEDULE OF FUNDING PROGRESS

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

Required Supplementary Information
Funded Status of Plan

Miscellaneous Plan:

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2009	\$ 118,376,982	\$ 74,386,577	\$ 43,990,405	62.8%	\$ 21,578,841	203.9%
6/30/2010	125,546,660	107,229,760	18,316,900	85.4%	22,293,876	82.2%
6/30/2011	133,832,109	112,825,400	21,006,709	84.3%	22,148,051	94.8%

Safety Plan:

Information on the individual plans with less than 100 employees is no longer available. Information is available on a pooled-basis only and can be obtained from CalPERS, P.O. Box 942709, Sacramento, CA 94229-2709.

Postemployment Health Plan:

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

Actuarial Valuation Date	Entry Age Normal Accrual Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
7/1/2007	\$ 25,092,710	\$ --	\$ 25,092,710	0.0%	\$ 24,224,174	103.6%
7/1/2009	31,214,538	--	31,214,538	0.0%	23,026,193	135.6%
7/1/2011	29,968,670	3,329,600	26,639,070	12.5%	23,247,553	114.6%

COUNTY OF INYO

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 14,952,000	\$14,952,000	\$ 16,015,781	\$ 1,063,781
Licenses and permits	398,222	396,204	449,917	53,713
Fines, forfeitures and penalties	1,293,448	1,293,500	1,726,350	432,850
Use of money and property	381,497	361,497	407,269	45,772
Intergovernmental	23,889,279	24,429,497	24,466,182	36,685
Charges for services	5,775,587	6,267,121	6,655,113	387,992
Other revenues	82,950	157,604	438,024	280,420
Total revenues	<u>46,772,983</u>	<u>47,857,423</u>	<u>50,158,636</u>	<u>2,301,213</u>
Expenditures:				
Current:				
General government	13,619,166	14,077,476	12,811,847	1,265,629
Public protection	20,861,940	21,917,602	22,663,636	(746,034)
Public ways and facilities	20,861,940	21,917,602	50,936	21,866,666
Health and sanitation	--	--	5,776,066	(5,776,066)
Public assistance	7,264,016	7,455,178	6,929,726	525,452
Education	761,330	758,014	705,780	52,234
Recreation and culture	879,397	889,397	804,788	84,609
Reserves	64,400	184,251	--	184,251
Debt Service				
Capital outlay	1,651,292	1,558,982	976,156	582,826
Total expenditures	<u>65,963,481</u>	<u>68,758,502</u>	<u>50,718,935</u>	<u>18,039,567</u>
Excess (deficiency) of revenues over expenditures	<u>(19,190,498)</u>	<u>(20,901,079)</u>	<u>(560,299)</u>	<u>20,340,780</u>
Other Financing Sources (Uses):				
Sale of capital assets	--	29,270	--	(29,270)
Transfers in	1,408,627	1,897,578	63,345	(1,834,233)
Transfers out	(1,609,348)	(3,310,933)	(829,967)	2,480,966
Total other financing sources (uses)	<u>(200,721)</u>	<u>(1,384,085)</u>	<u>(766,622)</u>	<u>617,463</u>
Net change in fund balances	(19,391,219)	(22,285,164)	(1,326,921)	20,958,243
Fund balances, beginning of year	<u>27,411,735</u>	<u>27,411,735</u>	<u>27,405,931</u>	<u>(5,804)</u>
Fund balances, end of year	<u>\$ 8,020,516</u>	<u>\$ 5,126,571</u>	<u>\$ 26,079,010</u>	<u>\$ 20,952,439</u>

COUNTY OF INYO

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Road Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 11,000	\$ 11,000	\$ 61,607	\$ 50,607
Use of money and property	8,000	8,000	17,065	9,065
Intergovernmental	6,168,294	9,211,834	5,291,106	(3,920,728)
Charges for services	631,025	631,025	1,770,002	1,138,977
Other revenues	144,688	144,796	2,072	(142,724)
Total Revenues	<u>6,963,007</u>	<u>10,006,655</u>	<u>7,141,852</u>	<u>(2,864,803)</u>
Expenditures:				
Current:				
Public ways and facilities	6,277,507	6,837,347	4,955,503	1,881,844
Reserves	--	1,004	--	1,004
Capital outlay	1,035,526	3,824,012	700,006	3,124,006
Total Expenditures	<u>7,313,033</u>	<u>10,662,363</u>	<u>5,655,509</u>	<u>5,006,854</u>
Net change in fund balances	<u>(350,026)</u>	<u>(655,708)</u>	<u>1,486,343</u>	<u>2,142,051</u>
Fund balances, beginning of year	<u>2,367,817</u>	<u>2,367,817</u>	<u>2,367,817</u>	<u>--</u>
Fund balances, end of year	<u>\$ 2,017,791</u>	<u>\$ 1,712,109</u>	<u>\$ 3,854,160</u>	<u>\$ --</u>

COUNTY OF INYO

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Grant Programs Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 3,864	\$ 3,864	\$ 5,464	\$ 1,600
Intergovernmental	2,688,869	3,017,464	2,299,792	(717,672)
Charges for services	4,236	4,236	3,102	(1,134)
Total revenues	<u>2,696,969</u>	<u>3,025,564</u>	<u>2,308,358</u>	<u>(717,206)</u>
Expenditures:				
Current:				
Public protection	1,412,673	2,276,173	1,260,951	1,015,222
Health and sanitation	869,639	904,623	785,509	119,114
Public assistance	168,963	227,570	180,472	47,098
Recreation and culture	1,771	20,507	20,506	1
Capital outlay	579,640	298,113	81,857	216,256
Total expenditures	<u>3,032,686</u>	<u>3,726,986</u>	<u>2,329,295</u>	<u>1,397,691</u>
Excess (deficiency) of revenues over expenditures	<u>(335,717)</u>	<u>(701,422)</u>	<u>(20,937)</u>	<u>680,485</u>
Other Financing Sources (Uses):				
Transfers in	22,826	341,646	15,741	(325,905)
Transfers out	--	(304,082)	(19,596)	284,486
Total other financing sources (uses)	<u>22,826</u>	<u>37,564</u>	<u>(3,855)</u>	<u>(41,419)</u>
Net change in fund balances	(312,891)	(663,858)	(24,792)	639,066
Fund balances, beginning of year	<u>2,369,174</u>	<u>2,369,174</u>	<u>2,369,174</u>	<u>--</u>
Fund balances, end of year	<u>\$ 2,056,283</u>	<u>\$ 1,705,316</u>	<u>\$ 2,344,382</u>	<u>\$ 639,066</u>

COUNTY OF INYO

Note to Required Supplementary Information For the Fiscal Year Ended June 30, 2012

BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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Nonmajor Governmental Funds

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

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

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COUNTY OF INYO

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	<u>Capital Projects</u>	<u>Special Revenue</u>	
	<u>Accumulative Capital Outlay</u>	<u>Recorder's Micro- graphics</u>	<u>Alcohol</u>
Assets			
Cash and investments	\$ 611,676	\$ 216,875	\$ 173,901
Imprest cash	--	--	--
Accounts receivable	--	809	--
Due from other governments	--	--	33,108
Interest receivable	187	266	151
Prepaid expense	--	--	3,452
	<u>611,676</u>	<u>216,875</u>	<u>173,901</u>
Total assets	<u>\$ 611,863</u>	<u>\$ 217,950</u>	<u>\$ 210,612</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	<u>\$ 10,629</u>	<u>\$ 14,047</u>	<u>\$ 3,542</u>
Total liabilities	<u>10,629</u>	<u>14,047</u>	<u>3,542</u>
Fund Balances:			
Restricted	--	203,903	207,070
Assigned	<u>601,234</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>601,234</u>	<u>203,903</u>	<u>207,070</u>
Total liabilities and fund balances	<u>\$ 611,863</u>	<u>\$ 217,950</u>	<u>\$ 210,612</u>

continued

COUNTY OF INYO

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue		
	Child Support Services	Special Districts Under the Board	Total
Assets			
Cash and investments	\$ 100,513	\$ 681,285	\$ 1,784,250
Imprest cash	1,000	--	1,000
Accounts receivable	--	94	903
Due from other governments	--	5,272	38,380
Interest receivable	181	711	1,496
Prepaid expense	--	--	3,452
	\$ 101,694	\$ 687,362	\$ 1,829,481
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 25,831	\$ 789	\$ 54,838
Total liabilities	25,831	789	54,838
Fund Balances:			
Restricted	75,863	686,573	1,173,409
Assigned	--	--	601,234
Total fund balances	75,863	686,573	1,774,643
Total liabilities and fund balances	\$ 101,694	\$ 687,362	\$ 1,829,481

COUNTY OF INYO

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Capital Projects</u>	<u>Special Revenue</u>	
	Accumulative Capital Outlay	Recorder's Micro- graphics	Alcohol
Revenues:			
Taxes	\$ --	\$ --	\$ --
Intergovernmental	--	--	509,636
Use of money and property	602	944	453
Charges for services	51,351	35,256	112,278
Other revenues	51,351	--	--
	<hr/>	<hr/>	<hr/>
Total revenues	103,304	36,200	622,367
	<hr/>	<hr/>	<hr/>
Expenditures:			
General government	36,943	--	--
Public protection	--	90,379	--
Public ways and facilities	--	--	--
Health and sanitation	--	--	766,055
Capital outlay	--	5,507	--
	<hr/>	<hr/>	<hr/>
Total expenditures	36,943	95,886	766,055
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	66,361	(59,686)	(143,688)
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Transfers in	379,750	--	165,034
Transfers out	--	--	(14,479)
Total other financing sources (uses)	379,750	--	150,555
	<hr/>	<hr/>	<hr/>
Net change in fund balances	446,111	(59,686)	6,867
Fund balances, Beginning of Year	155,123	263,589	200,203
	<hr/>	<hr/>	<hr/>
Fund balances, End of Year	\$ 601,234	\$ 203,903	\$ 207,070
	<hr/>	<hr/>	<hr/>

continued

COUNTY OF INYO

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue		
	Child Support Services	Special Districts Under the Board	Total
Revenues:			
Taxes	\$ --	\$ 60,422	\$ 60,422
Intergovernmental	987,161	416	1,497,213
Use of money and property	463	2,555	5,017
Charges for services	--	--	198,885
Other revenues	389	10,777	62,517
	<u>988,013</u>	<u>74,170</u>	<u>1,824,054</u>
Expenditures:			
General government	--	--	36,943
Public protection	881,993	--	972,372
Public ways and facilities	--	26,470	26,470
Health and sanitation	--	--	766,055
Capital outlay	45,475	--	50,982
	<u>927,468</u>	<u>26,470</u>	<u>1,852,822</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,545</u>	<u>47,700</u>	<u>(28,768)</u>
Other Financing Sources (Uses):			
Transfers in	--	--	544,784
Transfers out	--	--	(14,479)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>530,305</u>
Net change in fund balances	60,545	47,700	501,537
Fund balances, Beginning of Year	<u>15,318</u>	<u>638,873</u>	<u>1,273,106</u>
Fund balances, End of Year	<u>\$ 75,863</u>	<u>\$ 686,573</u>	<u>\$ 1,774,643</u>

COUNTY OF INYO

Combining Balance Sheet
Special Districts Under the Board
June 30, 2012

	<u>Big Pine Lighting</u>	<u>Independence Lighting</u>	<u>Lone Pine Lighting</u>	<u>Total</u>
Assets				
Cash and investments	\$ 249,355	\$ 260,833	\$ 171,097	\$ 681,285
Accounts receivable	--	94	--	94
Due from other governments	1,755	1,883	1,634	5,272
Interest receivable	<u>264</u>	<u>266</u>	<u>181</u>	<u>711</u>
Total assets	<u><u>\$ 251,374</u></u>	<u><u>\$ 263,076</u></u>	<u><u>\$ 172,912</u></u>	<u><u>\$ 687,362</u></u>
Liabilities				
Current Liabilities:				
Accounts payable	<u>\$ 318</u>	<u>\$ --</u>	<u>\$ 471</u>	<u>\$ 789</u>
Total liabilities	<u>318</u>	<u>--</u>	<u>471</u>	<u>789</u>
Fund Balances				
Fund Balances				
Restricted	<u>251,056</u>	<u>263,076</u>	<u>172,441</u>	<u>686,573</u>
Total fund balances	<u>251,056</u>	<u>263,076</u>	<u>172,441</u>	<u>686,573</u>
Total liabilities and fund balances	<u><u>\$ 251,374</u></u>	<u><u>\$ 263,076</u></u>	<u><u>\$ 172,912</u></u>	<u><u>\$ 687,362</u></u>

COUNTY OF INYO

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Special Districts Under the Board
For the Year Ended June 30, 2012

	<u>Big Pine Lighting</u>	<u>Independence Lighting</u>	<u>Lone Pine Lighting</u>	<u>Totals</u>
Revenues:				
Taxes	\$ 20,061	\$ 20,854	\$ 19,507	\$ 60,422
Intergovernmental	139	144	133	416
Use of money and property	901	1,038	616	2,555
Other revenues	--	10,777	--	10,777
Total revenues	<u>21,101</u>	<u>32,813</u>	<u>20,256</u>	<u>74,170</u>
Expenditures:				
Public ways and facilities	<u>6,229</u>	<u>10,538</u>	<u>9,703</u>	<u>26,470</u>
Total expenditures	<u>6,229</u>	<u>10,538</u>	<u>9,703</u>	<u>26,470</u>
Excess (deficiency) of revenues over (under) expenditures	14,872	22,275	10,553	47,700
Fund balances, beginning of year	<u>236,184</u>	<u>240,801</u>	<u>161,888</u>	<u>638,873</u>
Fund balances, end of year	<u><u>\$ 251,056</u></u>	<u><u>\$ 263,076</u></u>	<u><u>\$ 172,441</u></u>	<u><u>\$ 686,573</u></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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the County has decided that periodic determination of net income is appropriate for accountability purposes.

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COUNTY OF INYO

Combining Statement of Fund Net Assets
Nonmajor Enterprise Funds
June 30, 2012

	<u>CSA #2</u>	<u>Mosquito Abatement</u>	<u>Water System</u>	<u>Total</u>
Assets				
Current Assets:				
Cash and investments	\$ 341,513	\$ 120,535	\$ 237,049	\$ 699,097
Accounts receivable	--	79,900	89,769	169,669
Due from other governments	--	20,123	--	20,123
Interest receivable	357	163	256	776
Prepaid expense	--	258	--	258
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	341,870	220,979	327,074	889,923
Noncurrent Assets:				
Capital Assets:				
Depreciable, net	--	28,879	1,876,012	1,904,891
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 341,870</u>	<u>\$ 249,858</u>	<u>\$ 2,203,086</u>	<u>\$ 2,794,814</u>
Liabilities				
Current Liabilities:				
Accounts payable	\$ 14,477	\$ 6,100	\$ 35,755	\$ 56,332
Current portion of compensated absences	--	15,927	--	15,927
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	14,477	22,027	35,755	72,259
Net Assets				
Invested in capital assets, net of related debt	--	28,879	1,876,012	1,904,891
Unrestricted	327,393	198,952	291,319	817,664
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	327,393	227,831	2,167,331	2,722,555
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 341,870</u>	<u>\$ 249,858</u>	<u>\$ 2,203,086</u>	<u>\$ 2,794,814</u>

COUNTY OF INYO

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012

	<u>CSA #2</u>	<u>Mosquito Abatement</u>	<u>Water System</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 50,132	\$ 349,577	\$ 414,221	\$ 813,930
Other revenues	--	118	--	118
Total operating revenues	<u>50,132</u>	<u>349,695</u>	<u>414,221</u>	<u>814,048</u>
Operating Expenses:				
Salaries and benefits	--	273,299	24,192	297,491
Services and supplies	37,010	160,257	372,583	569,850
Depreciation	--	14,087	54,871	68,958
Total operating expenses	<u>37,010</u>	<u>447,643</u>	<u>451,646</u>	<u>936,299</u>
Operating income (loss)	<u>13,122</u>	<u>(97,948)</u>	<u>(37,425)</u>	<u>(122,251)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental revenues	--	100,027	--	100,027
Interest revenue	1,211	416	877	2,504
Total nonoperating revenues (expenses)	<u>1,211</u>	<u>100,443</u>	<u>877</u>	<u>102,531</u>
Income before transfers	14,333	2,495	(36,548)	(19,720)
Transfers in	<u>--</u>	<u>--</u>	<u>12,379</u>	<u>12,379</u>
Change in net assets	14,333	2,495	(24,169)	(7,341)
Net assets - beginning of year	<u>313,060</u>	<u>225,336</u>	<u>2,191,500</u>	<u>2,729,896</u>
Net assets - end of year	<u>\$ 327,393</u>	<u>\$ 227,831</u>	<u>\$ 2,167,331</u>	<u>\$ 2,722,555</u>

COUNTY OF INYO

Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012

	<u>CSA #2</u>	<u>Mosquito Abatement</u>	<u>Water System</u>	<u>Total</u>
Cash Flows from Operating Activities				
Cash receipts from customers	\$ 50,132	\$ 322,354	\$ 413,224	\$ 785,710
Cash paid to suppliers for goods and services	(24,341)	(174,261)	(371,917)	(570,519)
Cash paid to employees for salaries and benefits	--	(274,319)	(24,192)	(298,511)
	<u>25,791</u>	<u>(126,226)</u>	<u>17,115</u>	<u>(83,320)</u>
Cash Flows from Noncapital Financing Activities				
Intergovernmental revenues	--	100,027	--	100,027
Transfers in	--	--	12,379	12,379
	<u>--</u>	<u>100,027</u>	<u>12,379</u>	<u>112,406</u>
Cash Flows from Capital and Related Financing Activities				
Payments related to the acquisition of capital assets	--	(12,456)	(15,191)	(27,647)
	<u>--</u>	<u>(12,456)</u>	<u>(15,191)</u>	<u>(27,647)</u>
Cash Flows from Investing Activities				
Interest received	1,290	520	933	2,743
	<u>1,290</u>	<u>520</u>	<u>933</u>	<u>2,743</u>
Net increase (decrease) in cash and cash equivalents	27,081	(38,135)	15,236	4,182
Cash and cash equivalents, beginning of year	314,432	158,670	221,813	694,915
Cash and cash equivalents, end of year	<u>\$341,513</u>	<u>\$ 120,535</u>	<u>\$ 237,049</u>	<u>\$ 699,097</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 13,122	\$ (97,948)	\$ (37,425)	\$ (122,251)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation	--	14,087	54,871	68,958
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	--	(27,599)	(997)	(28,596)
Increase (decrease) in:				
Accounts payable	12,669	(13,746)	666	(411)
Liability for compensated absences	--	(1,020)	--	(1,020)
	<u>\$ 25,791</u>	<u>\$ (126,226)</u>	<u>\$ 17,115</u>	<u>\$ (83,320)</u>
Net cash provided (used) by operating activities	<u>\$ 25,791</u>	<u>\$ (126,226)</u>	<u>\$ 17,115</u>	<u>\$ (83,320)</u>

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Internal Service Funds

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

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

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

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

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COUNTY OF INYO

Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2012

	<u>Purchasing Revolving</u>	<u>Motor Pool</u>	<u>Workers' Compensation</u>
Assets			
Current assets:			
Pooled cash and investments	\$ 125,765	\$ 714,224	\$ 99,282
Accounts receivable	--	5,470	557
Taxes receivable	--	--	--
Interest receivable	--	549	--
Inventory	<u>3,823</u>	<u>--</u>	<u>--</u>
Total current assets	129,588	720,243	99,839
Noncurrent assets:			
Nondepreciable	--	6,979	--
Depreciable, net	<u>--</u>	<u>1,257,119</u>	<u>--</u>
Total assets	<u><u>\$ 129,588</u></u>	<u><u>\$ 1,984,341</u></u>	<u><u>\$ 99,839</u></u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 2,185	\$ 55,038	\$ 426
Liability for compensated absences	--	3,913	--
Liability for self-insurance	--	--	--
Noncurrent liabilities:			
Advances from other funds	<u>125,000</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>127,185</u>	<u>58,951</u>	<u>426</u>
Net Assets			
Invested in capital assets, net of related debt	--	1,264,098	--
Unrestricted	<u>2,403</u>	<u>661,292</u>	<u>99,413</u>
Total net assets	<u>2,403</u>	<u>1,925,390</u>	<u>99,413</u>
Total liabilities and net assets	<u><u>\$ 129,588</u></u>	<u><u>\$ 1,984,341</u></u>	<u><u>\$ 99,839</u></u>

continued

COUNTY OF INYO

Combining Statement of Fund Net Assets (continued)
Internal Service Funds
June 30, 2012

	<u>County Liability</u>	<u>Medical Malpractice</u>	<u>Total</u>
Assets			
Current assets:			
Pooled cash and investments	\$ 623,682	\$ 28,726	\$ 1,591,679
Accounts receivable	279	--	6,306
Taxes receivable	--	30	30
Interest receivable	653	--	1,202
Inventory	--	--	3,823
	<hr/>	<hr/>	<hr/>
Total current assets	624,614	28,756	1,603,040
Noncurrent assets:			
Nondepreciable	--	--	6,979
Depreciable, net	--	--	1,257,119
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 624,614</u>	<u>\$ 28,756</u>	<u>\$ 2,867,138</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 702	\$ --	\$ 58,351
Liability for compensated absences	--	--	3,913
Liability for self-insurance	303,000	--	303,000
Noncurrent liabilities:			
Advances from other funds	--	--	125,000
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>303,702</u>	<u>--</u>	<u>490,264</u>
Net Assets			
Invested in capital assets, net of related debt	--	--	1,264,098
Unrestricted	320,912	28,756	1,112,776
	<hr/>	<hr/>	<hr/>
Total net assets	<u>320,912</u>	<u>28,756</u>	<u>2,376,874</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 624,614</u>	<u>\$ 28,756</u>	<u>\$ 2,867,138</u>

COUNTY OF INYO

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Purchasing Revolving</u>	<u>Motor Pool</u>	<u>Workers' Compensation</u>
Operating Revenues:			
Charges for services	\$ 125,196	\$ 1,381,431	\$ 509,877
Total operating revenues	<u>125,196</u>	<u>1,381,431</u>	<u>509,877</u>
Operating Expenses:			
Salaries and benefits	--	80,496	--
Services and supplies	123,074	729,421	577,040
Depreciation	--	506,612	--
Total operating expenses	<u>123,074</u>	<u>1,316,529</u>	<u>577,040</u>
Operating income (loss)	<u>2,122</u>	<u>64,902</u>	<u>(67,163)</u>
Non-Operating Revenue:			
Interest revenue	--	1,792	--
Miscellaneous revenue	--	4,608	--
Gain on sale of assets	--	14,432	--
Total nonoperating revenue	<u>--</u>	<u>20,832</u>	<u>--</u>
Income (loss) before capital contributions and transfers	2,122	85,734	(67,163)
Capital contributions	--	82,241	--
Transfers out	--	(29,270)	--
Change in net assets	2,122	138,705	(67,163)
Net assets, beginning of year	<u>281</u>	<u>1,786,685</u>	<u>166,576</u>
Net assets, end of year	<u>\$ 2,403</u>	<u>\$ 1,925,390</u>	<u>\$ 99,413</u>

continued

COUNTY OF INYO

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets (continued)
Internal Service Funds
For the Year Ended June 30, 2012

	<u>County Liability</u>	<u>Medical Malpractice</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 262,584	\$ 36,728	\$ 2,315,816
Total operating revenues	<u>262,584</u>	<u>36,728</u>	<u>2,315,816</u>
Operating Expenses:			
Salaries and benefits	--	--	80,496
Services and supplies	326,286	37,530	1,793,351
Depreciation	--	--	506,612
Total operating expenses	<u>326,286</u>	<u>37,530</u>	<u>2,380,459</u>
Operating income (loss)	<u>(63,702)</u>	<u>(802)</u>	<u>(64,643)</u>
Non-Operating Revenue:			
Interest revenue	2,158	99	4,049
Miscellaneous revenue	--	--	4,608
Gain (loss) on sale of assets	--	--	14,432
Total nonoperating revenue	<u>2,158</u>	<u>99</u>	<u>23,089</u>
Income (loss) before contributions	(61,544)	(703)	(41,554)
Capital contributions	--	--	82,241
Transfers out	--	--	(29,270)
Change in net assets	(61,544)	(703)	11,417
Net assets, beginning of year	<u>382,456</u>	<u>29,459</u>	<u>2,365,457</u>
Net assets, end of year	<u>\$ 320,912</u>	<u>\$ 28,756</u>	<u>\$ 2,376,874</u>

COUNTY OF INYO

Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Purchasing Revolving</u>	<u>Motor Pool</u>	<u>Workers' Compensation</u>
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 125,196	\$ 1,380,952	\$ 509,320
Cash paid to suppliers for goods and services	(122,219)	(736,414)	(576,692)
Cash paid to employees for salaries and benefits	--	(79,793)	--
Net cash provided (used) by operating activities	<u>2,977</u>	<u>564,745</u>	<u>(67,372)</u>
Cash Flows from Non Capital Financing Activities			
Miscellaneous revenue	--	4,608	--
Transfers out	--	(29,270)	--
Net cash provided (used) by non capital financing activities	<u>--</u>	<u>(24,662)</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	--	15,172	--
Payments related to the acquisition of capital assets	--	(411,328)	--
Net cash provided (used) by capital and related financing activities	<u>--</u>	<u>(396,156)</u>	<u>--</u>
Cash Flows from Investing Activities			
Interest received	--	1,899	--
Net cash provided (used) by investing activities	<u>--</u>	<u>1,899</u>	<u>--</u>
Net increase (decrease) in cash and cash equivalents	2,977	145,826	(67,372)
Cash and cash equivalents, beginning of year	<u>122,788</u>	<u>568,398</u>	<u>166,654</u>
Cash and cash equivalents, end of year	<u>\$ 125,765</u>	<u>\$ 714,224</u>	<u>\$ 99,282</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 2,122	\$ 64,902	\$ (67,163)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	--	506,612	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	--	(479)	(557)
Inventory	150	--	--
Increase (decrease) in:			
Accounts payable	705	(6,993)	348
Liability for compensated absences	--	703	--
Liability for self-insurance	--	--	--
Net cash provided (used) by operating activities	<u>\$ 2,977</u>	<u>\$ 564,745</u>	<u>\$ (67,372)</u>
Schedule of non-cash capital and related financing activities:			
Contribution of capital assets	\$ --	\$ 82,241	\$ --

continued

COUNTY OF INYO

Statement of Cash Flows
Internal Service Funds (continued)
For the Year Ended June 30, 2012

	County Liability	Medical Malpractice	Total
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 262,570	\$ 36,728	\$ 2,314,766
Cash paid to suppliers for goods and services	(364,813)	(37,530)	(1,837,668)
Cash paid to employees for salaries and benefits	--	--	(79,793)
	<u>(102,243)</u>	<u>(802)</u>	<u>397,305</u>
Net cash provided (used) by operating activities			
Cash Flows from Non Capital Financing Activities			
Miscellaneous revenue	--	--	4,608
Transfers out	--	--	(29,270)
	<u>--</u>	<u>--</u>	<u>(24,662)</u>
Net cash provided (used) by non capital financing activities			
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	--	--	15,172
Payments related to the acquisition of capital assets	--	--	(411,328)
	<u>--</u>	<u>--</u>	<u>(396,156)</u>
Net cash provided (used) by capital and related financing activities			
Cash Flows from Investing Activities			
Interest received	2,479	109	4,487
	<u>2,479</u>	<u>109</u>	<u>4,487</u>
Net cash provided (used) by investing activities			
Net increase (decrease) in cash and cash equivalents	(99,764)	(693)	(19,026)
Cash and cash equivalents, beginning of year	723,446	29,419	1,610,705
Cash and cash equivalents, end of year	<u>\$ 623,682</u>	<u>\$ 28,726</u>	<u>\$ 1,591,679</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (63,702)	\$ (802)	\$ (64,643)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	--	--	506,612
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(14)	--	(1,050)
Inventory	--	--	150
Increase (decrease) in:			
Accounts payable	473	--	(5,467)
Liability for compensated absences	--	--	703
Liability for self-insurance	(39,000)	--	(39,000)
	<u>(102,243)</u>	<u>(802)</u>	<u>397,305</u>
Net cash provided (used) by operating activities			
Schedule of non-cash capital and related financing activities:			
Contribution of capital assets	\$ --	\$ --	82,241

Fiduciary Funds

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

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COUNTY OF INYO

Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2012

	Special Districts Governed by Local Boards	School Districts	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 16,726,661	\$ 23,246,231	\$ 39,972,892
Cash with fiscal agent	13,834	--	13,834
Interest receivable	19,481	26,061	45,542
Imprest cash	3,744	--	3,744
Accounts receivable	337,035	--	337,035
Due from other governments	734,759	--	734,759
Total assets	<u>\$ 17,835,514</u>	<u>\$ 23,272,292</u>	<u>\$ 41,107,806</u>
Liabilities			
Due to other funds	--	104,435	104,435
Total liabilities	<u> </u>	<u>104,435</u>	<u>104,435</u>
Net Assets			
Net assets held in trust for investment pool participants	<u>\$ 17,835,514</u>	<u>\$ 23,167,857</u>	<u>\$ 41,003,371</u>
Total net assets	<u>\$ 17,835,514</u>	<u>\$ 23,167,857</u>	<u>\$ 41,003,371</u>

COUNTY OF INYO

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Fund
For the Year Ended June 30, 2012

	Special Districts Governed by Local Boards	School Districts	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions	\$ 15,846,874	\$ 22,239,170	\$ 38,086,044
Interest and investment income	72,671	88,800	161,471
	<u> </u>	<u> </u>	<u> </u>
Total Additions	15,919,545	22,327,970	38,247,515
Deductions:			
Distributions from pooled investment	<u>(21,487,418)</u>	<u>(22,104,346)</u>	<u>(43,591,764)</u>
Net increase (decrease) in net assets	(5,567,873)	223,624	(5,344,249)
Beginning net assets held in trust for pool participants	<u>23,403,387</u>	<u>22,944,233</u>	<u>46,347,620</u>
Ending net assets held in trust for pool participants	<u>\$ 17,835,514</u>	<u>\$ 23,167,857</u>	<u>\$ 41,003,371</u>