

**STATE OF CALIFORNIA**  
**County of Kings**  
**Annual Basic**  
**Financial**  
**Report**

**For the Fiscal Year Ended**  
**June 30, 2013**

**Rebecca Carr, CPA, CGMA**  
**Director of Finance**

**COUNTY OF KINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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## **Introductory Section**



# COUNTY OF KINGS DEPARTMENT OF FINANCE

REBECCA CARR, CPA CGMA • DIRECTOR OF FINANCE  
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December 24, 2013

The Honorable Members of the Board of Supervisors  
Citizens of the County of Kings, California:

The Annual Basic Financial Report of the County of Kings (County) for the fiscal year ended June 30, 2013, is hereby submitted as mandated by Sections 25250 and 25253 of the Government Code of the State of California. These statutes require that the County publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

These financial statements were independently audited by the firm of Brown Armstrong Accountancy Corporation, licensed certified public accountants authorized to conduct audits in accordance with auditing standards generally accepted in the United States of America.

This report consists of management's representations concerning the finances for the County. Therefore, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management of the County relies on internal controls established to present sufficient, reliable information for the preparation of the County's financial statements. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standard governing the Single Audit engagement requires the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls over compliance involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

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

## Profile of the Government

The County of Kings, incorporated in 1893, is positioned midway between Los Angeles and the Bay Area, in the heart of California's San Joaquin Valley. The County covers 1,391 square miles with four incorporated cities within the County: Hanford, Lemoore, Corcoran, and Avenal. The City of Hanford is the County seat. Located seven miles West of Lemoore is Naval Air Station Lemoore, the home of the west coast fighter squadrons with a military and civilian workforce exceeding 10,000.

The County of Kings is home for two major State Prisons at Corcoran and Avenal with a total population in excess of 20,000. The County of Kings is bordered by Fresno County to the North, Kern County to the South, Tulare County to the East, Monterey County to the Northwest, and San Luis Obispo County to the Southwest. Los Angeles and San Francisco International Airports are each about 3 ½ hours away. Fresno Yosemite International Airport is 35 miles North and Visalia Municipal Airport is 15 miles West from the County's population centers.

The County is governed by a five-member Board of Supervisors (Board) that are elected by district. Members serve staggered four-year terms with elections held every two years and the Chair is elected by the Board members. Other elected officials include the Assessor/Clerk-Recorder, Sheriff-Coroner, and District Attorney. The County Administrative Officer is appointed by the Board. County administration consists of appointed and elected officials, boards, commissions, and committees that assist the Board of Supervisors.

As the governing body for the County, the Board is responsible for the planning and providing of services related to public needs, as required by state and federal law including: adopting the annual budget, adopting County ordinances, setting policies, confirming appointments of most non-elected officials, and assisting citizens in solving problems and addressing local concerns. The County is specifically charged by the State with providing services to the most at risk: children, the elderly, the poor, those with health problems, and those involved in the criminal justice system. As a countywide government, we also facilitate and coordinate the work of school districts, special districts, cities, and other organizations.

The County provides a wide range of services to its residents including: Public and Mental Health Services, Child Protection and Social Services, Public Assistance, Family Support Collections, Criminal Prosecution, Public Defender, Law Enforcement, Jails and Juvenile Facilities, Veterans Services, Maintenance of Roads & Bridges, Land Use Issues, Building and Safety, Libraries, Parks, Elections, Coroner, and Agricultural Weights & Measures.

The operations of some component units are so intertwined with those of the County of Kings that they function, for all practical purposes, as an integral part of the County despite their separate legal status and should be 'blended' with the financial statement reports in accordance with accounting principles generally accepted in the United States of America. Blended component units of the County include the Kings County Finance Authority for jail facility construction, Children and Families First Commission for early childhood development services, and In-Home Supportive Services (I.H.S.S.) Public Authority Fund for providing in-house care for the elderly, blind, and disabled.

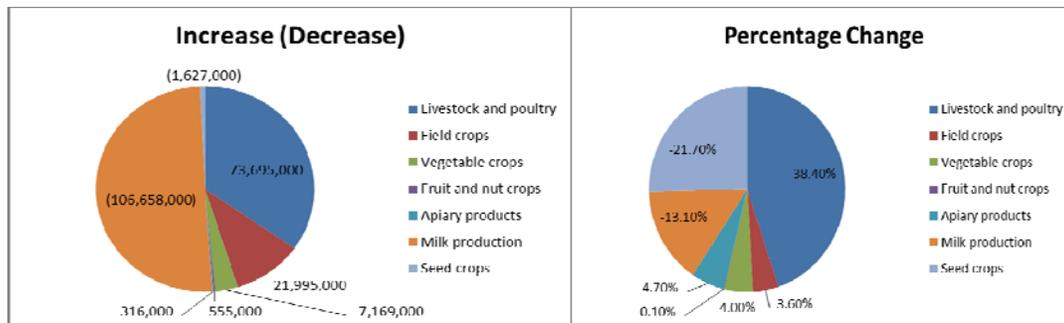
The County of Kings is strategically located between Interstate 5 and Highway 99, providing excellent access to all of California. Over 200 major carriers provide interstate trucking services to area businesses. Burlington Northern Santa Fe and Union Pacific Railroads provide freight service, including refrigerated shipping, piggyback service, and reciprocal switching. San Joaquin Valley Railroad provides east-west "short line" services. Amtrak meets passenger needs at the Hanford and Corcoran stations.

#### Local Economy

The County's current population is 152,739 and is projected for expansion to 176,427 by 2020, and to 245,525 by 2040. Kings County has a civilian workforce of 62,100 and the average annual unemployment rate is 11.9 percent as of October 2013.

The gross value of all agricultural crops and products produced during 2012 in Kings County was \$2,215,014. This represents a slight decrease of \$4,555,000 (0.2%) from the 2011 record value.

These changes are comprised of the following:



Livestock and Poultry had the largest increase in value at \$73,695,000 (34.8%). Field Crops increased \$21,995,000 (3.6%) due primarily to increased cotton and wheat yields, as well as the wheat price.

The government sector in Kings County accounts for 26% of all jobs and represents the largest source of employment in the County. Other sectors, such as Agriculture (17%); Trade (12%); Manufacturing (8%); Educational and Health Services (20%); Leisure and Hospitality (9%); Professional Business Services and Financial Activities (8%); Transportation and Warehousing and Utilities (5%); and Construction (4%) represent the other major contributors of jobs to the local economy.

#### Factors Affecting Financial Condition

The annual budget serves as the foundation for the County's financial planning and control. All agencies under the control of the Board of Supervisors are required to submit budget requests to the County Administrator for review. The County Administrator recommends a proposed budget to the Board for consideration and approval. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by September 30th of each year.

The budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff). Board action is required to approve new funding sources and new appropriations for expenditures. Transfers of appropriations between funds as well as transfers between departments of the same fund require the Board's approval.

2012-13 was the first full fiscal year with "Realignment 2011" in effect. The County received just slightly over \$6 million in 2012-13. This shift of low-level offenders to County responsibility has resulted in over 40 new positions being created.

The County's General Fund had revenues that exceeded expenditures by \$5.9 million. A total of \$2.4 million was transferred out, including the Special Revenue Fund (\$925 thousand) supporting the ongoing operations of the Fire Department, and the In-Home Supportive Services (I.H.S.S.) Department \$144 thousand. This resulted in a \$2.4 million draw down of existing fund balance leaving a residual General Fund balance of \$24.6 million as of June 30, 2013.

#### Major Initiatives

Kings County will be expanding our Main Jail Facility to meet the demands of Realignment 2011. This \$40 million dollar project would include 170 additional beds for inmates to avoid early releases. This expansion is necessary due to the effect of realignment of State prisoners to the County Jail. This expansion is possible due to State funding of over \$30 million.

Capital projects completed in 2012-13 County include:

<u>Project</u>	<u>Cost</u>	<u>Funding Source</u>
Solar Project	\$4,147,023	Lease Funding
Gateway Park Improvements	\$482,711	Fund Balance

Ongoing capital projects include:

<u>Project</u>	<u>13/14 Budget</u>	<u>Funding Source</u>
New Jail	\$39,584,222	AB 900 funding Impact fees Other Financing
Jail Tunnel	\$3,247,635	State funding for Realignment 2011
Kings County Morgue	\$2,202,393	Existing fund balance Impact fees

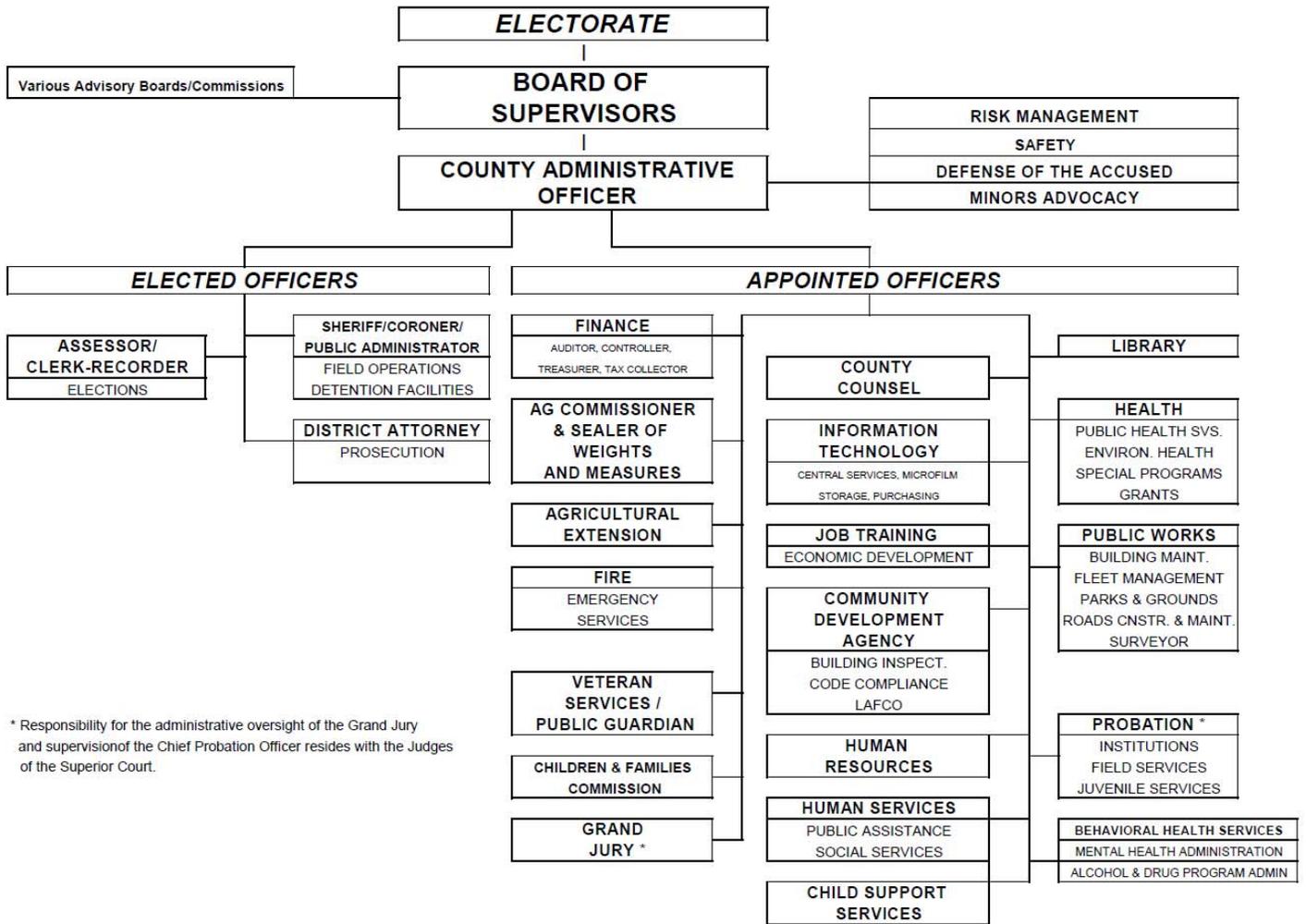
#### Acknowledgements

The preparation of the Annual Basic Financial Report was made possible by the dedicated services of the staff of the Department of Finance. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I acknowledge the leadership and support provided by the Board of Supervisors and the County Administrator which have made the preparation of this report possible.

Respectfully submitted,

Rebecca Carr, CPA, CGMA  
Director of Finance

# ORGANIZATION OF KINGS COUNTY GOVERNMENT



\* Responsibility for the administrative oversight of the Grand Jury and supervision of the Chief Probation Officer resides with the Judges of the Superior Court.

**COUNTY OF KINGS  
LIST OF ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2013**

**ELECTED OFFICIALS**

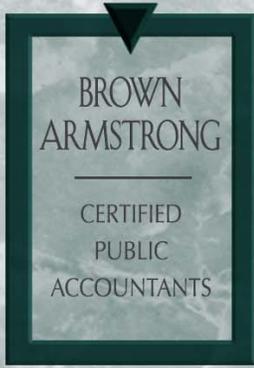
Supervisor – District 1	Joe Neves
Supervisor – District 2	Richard Valle
Supervisor – District 3	Doug Verboon
Supervisor – District 4	Tony Barba
Supervisor – District 5	Richard Fagundes
Assessor/Clerk-Recorder	Ken Baird
District Attorney	Greg Strickland
Sheriff/Coroner/Public Administrator	David Robinson

**APPOINTED OFFICIALS**

County Administrative Officer	Larry Spikes
Director of Finance	Rebecca Carr, CPA, CGMA
County Counsel	Colleen Carlson
Clerk to the Board	Catherine Venturella
Agriculture Commissioner/Sealer	Tim Niswander
Agricultural Extension	Jim Sullins
Veterans Services/Public Guardian	Joe Wright
First 5 Children and Families Commission Director	Vacant
Information Technology Director	Mark Dawson
Job Training Office Director	John Lehn
Library Director	Natalie Rencher
Human Resources Director	Allison Picard
Human Services Department Director	Peggy Montgomery
Child Support Services Department Director	Linda Warford
Public Health Director	Keith Winkler
Public Works Director	Kevin McAlister
Planning Director	Gregory Gatzka
Fire Chief	Bill Lynch
Chief Probation Officer	Steve Brum
Behavioral Health Services Director	MaryAnn Ford-Sherman

## **Financial Section**

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# BROWN ARMSTRONG

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors  
County of Kings  
Hanford, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Kings, California, (the County) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2013, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary information for the General Fund and Road Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, budgetary comparison schedules for the Debt Service Fund and Capital Projects Fund, and combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

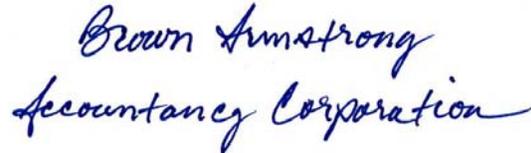
The budgetary comparison schedules for the Debt Service Fund and Capital Projects Fund and the combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules for the Debt Service Fund and Capital Projects Fund and the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
December 24, 2013

**COUNTY OF KINGS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

As management of the County of Kings (the County), 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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to vi of this report. Readers should also review the notes that pertain to the basic financial statements to enhance their understanding of the County's financial performance. All amounts, unless otherwise indicated, are expressed in whole dollars.

**Financial Highlights**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$134,548,083 (net position) and from this amount \$53,652,934 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors. (See page 13 Statement of Net Position.)
- The County's total net position increased by \$3,514,820 or 1.5% in fiscal year 2013 compared to fiscal year 2012, offset by a prior period adjustment of \$(4,990,506), for a total change of \$(1,475,686), or 1.1%. The amount invested by the County in capital assets (net of related debt) increased by 1.38% or \$1,086,617. (See page 14 Statement of Net Position.)
- Restricted assets set aside for debt decreased to \$881,118 in fiscal year 2013 compared to \$891,721 in fiscal year 2012. No funds for construction were reserved in fiscal years 2012 and 2013.
- Current and other assets decreased by \$339,965 in fiscal year 2013 while capital assets increased by \$1.8 million compared to fiscal year 2012.
- The County's total liabilities increased by \$3,011,282 (3.6%) during the current fiscal year.
- The statement of activities (page 15) shows program expenditures for primary government programs in fiscal year 2013 to be \$187,224,312. Program revenues of \$151,725,333 derived from charges for services \$12,044,013 and grants/contributions \$139,681,320. The remaining balance of \$35,498,979 represents the net expense to the County for these programs.
- As of the close of the current fiscal year, the County governmental funds balance sheet (page 16) reported combined ending fund balances of \$54,089,472, a decrease of \$4,123,077 or 7.08% in comparison with fiscal year 2012. This is the result of the decrease of fund balance from operations \$3,017,351 and a total prior period adjustment of \$1,105,726.
- Approximately \$24 million of the total combined ending fund balance amount is available for spending at the County's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$24,528,047, or 16% of total General Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years, such as revenues related to uncollected taxes.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, public assistance, health and sanitation, public ways and facilities, culture and recreation, highways and streets, and education. The business-type activities of the County include the following Internal Service Funds: Workers' Compensation Self-Insurance, Fleet Management, Information Services, Health Self-Insurance, and Public Works Funds. The government-wide financial statements can be found on pages 14-15 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all 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 funds 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 the County's near-term financing requirements.

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

The County maintains 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, Debt Service Fund, Capital Projects Fund, and Road Fund (a special revenue fund), all of which are considered major funds. Data from the remaining governmental funds, which represent special revenue funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 16-19 of this report.

**Proprietary funds.** The County maintains internal service funds as an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet of vehicles, information systems management, public works department, workers' compensation, and health self-insurance funds. Because these services predominantly reflect and 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 combine the internal service funds into a single, aggregated presentation. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 24-25 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 governmental fund financial statements. The notes to the financial statements can be found on pages 26-52 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 progress in funding its obligation to provide pension benefits to its employees. In addition, a budgetary comparison schedule for the General Fund and for the Road Fund is required in order to demonstrate compliance with the annual adopted budget. Required supplementary information can be found on pages 53-57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the required supplementary information on pensions and budget comparisons. Combining and individual fund statements and schedules can be found on pages 58-91 of this report.

## Government-Wide Financial Analysis

As noted earlier and shown below, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceed liabilities by \$134,548,083 at the close of the most recent fiscal year.

### County of Kings Net Position Governmental Activities

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets and other assets	\$ 107,355,396	\$ 107,695,361
Capital assets	<u>113,819,090</u>	<u>111,943,529</u>
 Total assets	 <u>221,174,486</u>	 <u>219,638,890</u>
Liabilities:		
Long-term liabilities outstanding	51,122,736	51,650,545
Other liabilities	<u>35,503,667</u>	<u>31,964,576</u>
 Total liabilities	 <u>86,626,403</u>	 <u>83,615,121</u>
Net assets:		
Net investment in capital assets	80,014,031	78,927,414
Restricted	881,118	891,721
Unrestricted	<u>53,652,934</u>	<u>56,204,634</u>
 Total net position	 <u>\$ 134,548,083</u>	 <u>\$ 136,023,769</u>

The largest portion of the County's net position, \$80,014,031 (59%), reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, construction in progress, and infrastructure), less any related outstanding debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position amounting to \$881,118 (1%) represents resources subject to external restrictions on how they may be used. This restricted net position is to be used only for debt service payments related to the lease revenue bonds. For fiscal years 2013 and 2012 there were no restricted funds set aside for ongoing construction as there were in the prior fiscal year. The remaining balance of unrestricted net position of \$53,652,934 (40%) may be used to meet the County's ongoing obligations to citizens and creditors.

The County's total net position decreased by \$1,475,686 (1.08%). Following the logic of the statement of activities, this increase can be explained in part as the difference between total general revenues of \$39,013,799 and the net expense of the primary government functions of \$35,498,979. Public Safety, a governmental function, cost the citizens of the County \$61,559,740 in fiscal year 2013. The financial resources to cover this expense derived from Charges for Services of \$5,501,622 and Operating Grants and Contributions of \$27,107,358. The shortfall of \$28,950,760 must be met by other resources with the principal source coming from taxes. Governmental Accounting Standards Board (GASB) Statement No. 34 dictates that ten principal categories constitute Governmental Activities as shown on page 15. The General Revenue sources are listed on page 15 and shown below.

Total liabilities increased by \$3,011,282 in fiscal year 2013. Liabilities are reported net of impact fees that are considered property tax revenues for government-wide reporting purposes rather than as an unearned liability for governmental funds. Liabilities include continued debt service payments for the pension obligation bonds \$7,780,976, lease revenue bonds of \$8,090,000, and capital leases of \$12,919,240.

**Governmental activities.** Governmental activities increased the County net position by \$3,514,820, offset by a prior period adjustment of \$(4,990,506). Key elements of the increase in net position are as follows:

<b>County of Kings</b>		
<b>Changes in Net Position</b>		
<b>Governmental Activities</b>		
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 12,044,013	\$ 14,697,607
Operating grants and contributions	133,945,201	135,899,940
Capital grants and contributions	5,736,119	-
General revenues:		
Property taxes	26,506,051	19,719,792
Other tax revenue	3,610,683	3,469,098
Other	8,897,065	8,656,954
Total revenues	<u>190,739,132</u>	<u>182,443,391</u>
Expenses:		
General government	17,302,338	17,082,790
Public safety	61,559,740	59,218,759
Public ways and facilities	123,716	278,074
Highways and streets	9,150,427	6,532,679
Health and sanitation	28,430,356	26,917,606
Public assistance	64,090,422	59,435,316
Education	2,168,093	1,844,068
Culture and recreation	1,920,799	1,813,569
Unallocated depreciation	1,136,418	5,171,281
Interest on long-term debt	1,342,003	2,340,215
Total expenses	<u>187,224,312</u>	<u>180,634,357</u>
Extraordinary items	<u>-</u>	<u>1,245,848</u>
Increase in net position	<u>3,514,820</u>	<u>3,054,882</u>
Beginning net position	136,023,769	133,934,695
Prior period adjustment	<u>(4,990,506)</u>	<u>(965,808)</u>
Ending net position	<u>\$ 134,548,083</u>	<u>\$ 136,023,769</u>

- Property tax revenues increased \$6,786,259 or 34.41% during fiscal year 2013. Assessed values of properties increased 1.441% from fiscal year 2012. However, total delinquencies decreased to \$6,960,920 (10%) from \$7,675,155 the prior year due to foreclosures and taxpayers inability to make the payments. These revenues have also been impacted by the major drop in construction projects due to the current economic conditions.

- Sales taxes increased \$178,915 or 8.80%. Early estimates for fiscal year 2014, based on research and data provided by Hinderliter de Llamas and Associates, project an upswing in sales tax revenues for the San Joaquin Valley in general.
- Franchise taxes decreased \$35,211 or 3.04%. Franchise taxes are derived from companies with telephone poles, lines, and other equipment throughout the County who pay franchise taxes based on their incomes from contracted agreements in lieu of paying property taxes.
- Rents and concessions revenue increased by \$98,146.
- Tribal gaming revenues were \$900,000 in fiscal year 2013 as there was no additional State funding above the \$900,000 contributed by the Tachi Palace Hotel and Casino.
- The \$3,781,380 (net) increase in operating grants and contributions can be attributed to decreases of \$1,079,710 from highways and streets, \$231,856 from health and sanitation, \$93,266 from culture and recreation, and \$2,065 from education. This was offset by increases in general government of \$2,500,317, in public safety of \$2,409,194, and in public assistance of \$278,766.
- Investment earnings decreased by \$1,658,562 as historically low interest rates continue unabated. Average investment returns dropped from 1.11% in fiscal year 2012 to 0.74% in fiscal year 2013. This is the net yield on pooled treasury funds, the rate pooled investments earn after expenses are deducted for administration and fees, from the Kings County Report of Interest Earnings.
- Miscellaneous revenues, the catchall category on the statement of activities, witnessed an increase of \$2,061,093 or 27.33%. This was primarily due to an increase of programs in the General Fund which increased the miscellaneous revenues in the amount of \$1,752,066. Other increases consisted of: Roads \$516,379, JTO \$297,147, I.H.S.S. \$230,649, Library \$221,666, and Children and Families First Commission \$20,324. These decreases were partially offset by increases in revenues such as, Capital Projects \$750,234, Fire \$226,023, and Child Support Services \$881.

### **Financial Analysis of the County's Funds**

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

**Governmental funds.** The 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, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The County segregates from the General Fund a number of significant functions in major 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, Road, Capital Projects, and Debt Service Funds, all considered major funds. Data for the other 10 governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$54,089,472, a decrease of \$4,123,077 (7.08%) in comparison with the prior fiscal year. Approximately 45% of this total amount or \$24,181,524 constitutes unassigned fund balance, which is available for spending at the County's discretion. A total of \$10,498,323 has been assigned, or constrained for use by the County's intent to be used for a specific purpose but is neither restricted nor committed; of this amount, \$10,049,041 is for the purpose of advances and loans to other governmental funds, \$423,698 is for the purpose of repayment of debt service, and imprest cash of \$25,584. The remainder of fund balance is restricted, resources subject to external restrictions on their use, or by enabling legislation (1) to pay debt service \$1,306,119, and (2) for other restricted purposes \$18,103,507.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$24,528,047, while total ending fund balance for the General Fund at the conclusion of fiscal year 2013 was \$24,656,317. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As seen from this perspective, unassigned fund balance represents 0.16% of total General Fund's expenditures, while total fund balance represents 0.16% of that same amount.

**General Fund.** In fiscal year 2013, the County's General Fund revenues exceeded expenditures by \$5,903,091. A total of \$2,408,199 was transferred out to the following funds: Capital Projects \$339,161, Nonmajor Governmental Funds \$1,069,038, and Internal Service Funds \$1,000,000. A total of \$182,469 of capital lease proceeds were received from new capital leases in the current year. This increase to fund balance, offset by a prior period adjustment of \$(473,336), left a residual General Fund balance of \$24,656,317.

Total expenditures decreased in the General Fund by \$7,928,315 (\$152,181,579 vs. \$144,253,264 in 2012). The following factors contributed to the decrease in operating expenditures:

- General government expenditures from the General Fund increased \$470,849 due to a general increase in departmental expenditures.
- Public Safety expenditures from the General Fund increased only slightly in fiscal year 2013 to \$47,937,603 from \$45,280,787 in fiscal year 2012. The expenditures increased in part due to Public Safety Realignment at the State level.
- Public Assistance expenditures from the General Fund increased by \$4,449,072. The increase was primarily due to an increase in Foster Care with expenditures of \$6,528,833 in 2012 and \$7,972,455 in 2013.

**Debt Service Fund.** The County Debt Service Fund has a total fund balance of \$1,626,376 that is comparable to the prior fiscal year, all of which is reserved for the payment of debt service. The County issued lease revenue bonds for the main jail facility construction project with revenues derived from the Criminal Justice Facilities Fund, which represent a portion of the penalty assessments by the Judicial Courts, that have been pledged to pay the debt service.

**Capital Projects Fund.** The County Capital Projects Fund balance decreased \$4,077,603 due to the difference between actual capital outlay revenues and expenditures. Impact fees have been transferred to the Capital Projects Fund due to construction of the Jail expansion project. Major capital outlays included \$1.6 million for completion of the Solar Project, \$25 thousand for completion of the Gateway Park improvements, and over \$1.9 million toward morgue and jail improvements.

**Road Fund.** The County Road Fund has a total fund balance of \$9,758,355 as of June 30, 2013. This fund holds assets of \$9,758,355, of which \$7,877,735 are invested in the County's portfolio. This fund has no liabilities.

**Nonmajor funds.** These funds represent special revenue funds that account for proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The nonmajor fund balance minimally decreased by \$584,021.

**Proprietary funds.** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the internal service funds at the end of the fiscal year 2013 amounted to \$8,940,539. Net position from operations increased \$4,263,032 mainly due to: 1) An increase to charges for services of \$1.1 million in the Information Services Fund. 2) Decrease to salaries and employee benefits of \$1.7 million in the Health Self-Insurance Fund. 3) An increase to charges for services of \$2.7 million in the Public Works Fund.

## General Fund Budgetary Highlights

The County's final budget of the General Fund differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year. Differences between the original budget and the final amended budget of \$(2,303,268) net decrease in appropriations are briefly summarized as follows:

- General Government increased appropriations \$271,910.
- Public Safety increased appropriations \$1,049,526.
- Health and Sanitation increased appropriations \$119,647.
- Public Assistance decreased appropriations \$1,710,548.
- Capital Outlay increased appropriations \$2,564,910.

Overall, the County's actual General Fund revenues were less than budgeted during fiscal year 2013 by \$3,058,362 or 0.02%. Revenues that had significant variances include the following:

- Actual comparison of property tax revenues including Triple Flip and VLF Swap revenue which is included in Property Tax Revenue for budget purposes is \$34,611,000 (Budget) vs. \$17,171,755 (Actual not including \$18,614,711 of Triple Flip and VLF Swap stated as intergovernmental revenue for GAAP purposes) noting actual receipts less than budgeted by \$17,439,245 or 51.3%. Actual comparison of intergovernmental revenue is \$107,316,764 (Budget) vs. \$120,651,093 (Actual) showing more program revenues than budgeted of \$13,334,329 or 4.5%.
- Franchise tax revenues in the General Fund of \$1,095,758 were slightly short of the \$1,200,000 budgeted. Sales and use taxes were less than budgeted by 200,994 or 10%. Licenses and permits were more than budget by \$44,746 or 14%.
- General Fund charges for services were less than budgeted by \$479,139 or 5%.
- Investment earnings in the General Fund were less than budgeted by \$530,429 or 101%.
- Miscellaneous revenues were more than budgeted by \$1,791,422 or 39%. Actual expenditures in the General Fund were less than the final budget by \$11,489,691 or 7%. This is in part due to the County using a non-GAAP budget method. Contingencies are budgeted as Expenditures.

## Capital Assets and Debt Administration

**Capital assets.** The County's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$113,819,090 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, roads, bridges, and water and sewer systems. The total increase in the County's investment in capital assets for the current fiscal year was 2% for governmental activities.

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

- Construction in progress was completed on the Solar Project. Accordingly, construction expenditures were capitalized as part of structure and improvements.
- Construction in progress was completed on the Gateway (La Casa) Park Improvements has been transferred to the City of Hanford.

**County of Kings  
Capital Assets  
(Net of Depreciation)**

	<u>2013</u>	<u>2012</u>
Land	\$ 7,420,105	\$ 7,420,105
Structures and improvements	79,253,380	77,741,517
Equipment	11,843,268	9,361,565
Construction in progress	2,286,322	3,267,094
Infrastructure	<u>13,016,015</u>	<u>14,153,248</u>
 Total	 <u>\$ 113,819,090</u>	 <u>\$ 111,943,529</u>

Additional information on the County's capital assets can be found in Note 1.A. (page 32), and Note 4 (page 37) of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total bonded debt outstanding of \$16,995,037. From this amount, \$8,480,037 (Pension Obligation) comprises debt backed by the full faith and credit of the County and the remaining amount of \$8,515,000 (Lease Revenue) represents bonds secured by specified revenue sources that are collateralized by certain buildings of the County. In addition, the County has total capital leases outstanding of \$14,068,079.

**County of Kings  
Outstanding Debt  
Pension Obligations, Lease Revenue  
Bonds, and Capital Leases**

	<u>2013</u>	<u>2012</u>
Pension Obligation Bonds	\$ 8,480,037	\$ 9,198,521
Lease Revenue Bonds	8,515,000	8,925,000
Capital Leases	<u>14,068,079</u>	<u>14,892,595</u>
 Total	 <u>\$ 31,063,116</u>	 <u>\$ 33,016,116</u>

The County bonded debt decreased by \$1,128,484 (7%) and capital lease obligations outstanding decreased by \$824,516 (6%) during the current fiscal year representing principal reductions from bond and significant increases in lease payments.

The Lease Revenue Bonds issued by the Kings County Financing Authority in 2005, are, as of May 2009, rated A- by Standard & Poor's. Due to the eroding financial condition of the insuring company, AMBAC, the bonds' prior rating of AAA was rendered irrelevant and the bonds are no longer rated by Moody's Investors Service. The bonds continue to be repaid as agreed and maintain a reserve fund equal to one year of principal and interest payments.

State statutes limit the amount of debt a County may issue to 5% of its total assessed valuation. The current debt limitation for the County is \$440,753,149, which is significantly in excess of the County's outstanding bonded debt.

Additional information on the County's long-term debt can be found in Note 1 (page 33) and Notes 7 and 8 (pages 39-43) of this report.

## **Budget and Economic Factors**

- The unemployment rate for the County is currently 11.9%, which is a decrease from a rate of 14.4% during fiscal year 2012. The unemployment rate for the State has been reported to be 8.3% and remains steady. The State unemployment rate was approximately 9.7% a year ago.
- The County's Realignment 2011 shifts responsibilities for costs and functions previously handled by the State to counties. The County should receive \$6 million in 2013-14 to handle this increase in responsibility.
- As of February 1, 2012, redevelopment agencies in the State of California ceased to exist. The net effect of this dissolution is an increase in Property Tax revenue to the County of approximately \$1.5 million annually.
- The 2013-14 County's Final Budget included an overall budget of \$282.70 million, which is about \$15.31 million or 6% more than the fiscal year 2013 final budget. No actual workforce reduction is proposed for this budget year while the General Fund budget is looking at a \$27 million increase in expenditures.
- Total allocated positions are 1,365.38 full-time equivalents (FTEs), which is 82.35 FTEs more than adopted in the 2012-13 budget.

## **Requests for Information**

This financial report is designed to provide a general overview of the County of Kings' finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Kings, Department of Finance, 1400 W. Lacey Blvd., Hanford, CA 93230.

**COUNTY OF KINGS  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 8,041,664
Investments	87,344,825
Receivables	10,718,895
Inventories and prepaids	197,194
Loans receivable	171,700
Restricted assets	881,118
Capital assets	
Land, structures, and improvements	86,673,485
Equipment	11,843,268
Construction in progress	2,286,322
Infrastructure	<u>13,016,015</u>
Total Assets	<u>221,174,486</u>
 <b>Liabilities</b>	
Accounts payable and other current liabilities	5,632,585
Accrued interest payable	3,699,448
Advances from grantors and third parties	26,171,634
Noncurrent liabilities	
Due within one year	5,014,842
Due in more than one year	
Claims payable	7,473,057
Capital leases	12,919,241
Pension obligation bonds	7,780,976
Lease revenue bonds	8,090,000
Compensated absences	6,214,664
Net OPEB obligation	<u>3,629,956</u>
Total Liabilities	<u>86,626,403</u>
 <b>Net Position</b>	
Net investment in capital assets	80,014,031
Restricted for debt service	881,118
Unrestricted	<u>53,652,934</u>
Total Net Position	<u>\$ 134,548,083</u>

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

**COUNTY OF KINGS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Function/Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary Government Governmental Activities					
General government	\$ 17,302,338	\$ 4,710,170	\$ 20,478,479	\$ 564,161	\$ 8,450,472
Public safety	61,559,740	5,501,622	27,107,358		(28,950,760)
Public ways and facilities	123,716	-	-	-	(123,716)
Highways and streets	9,150,427	434,223	-	5,171,958	(3,544,246)
Health and sanitation	28,430,356	953,358	26,202,680	-	(1,274,318)
Public assistance	64,090,422	19,408	59,362,535	-	(4,708,479)
Education	2,168,093	348,200	24,370	-	(1,795,523)
Culture and recreation	1,920,799	77,032	769,779	-	(1,073,988)
Unallocated depreciation	1,136,418	-	-	-	(1,136,418)
Interest on long-term debt	1,342,003	-	-	-	(1,342,003)
<b>Total Primary Government</b>	<b>\$ 187,224,312</b>	<b>\$ 12,044,013</b>	<b>\$ 133,945,201</b>	<b>\$ 5,736,119</b>	<b>(35,498,979)</b>
<b>General Revenues</b>					
Property taxes					26,506,051
Sales tax					2,211,245
Franchise taxes					1,121,948
Hotel taxes					277,490
Investment earnings (loss)					(99,607)
Loss on sale of capital assets					(386,101)
Miscellaneous					9,382,773
<b>Total General Revenues</b>					<b>39,013,799</b>
Change in Net Position					3,514,820
Net Position, Beginning of Year					136,023,769
Prior Period Adjustment					(4,990,506)
Net Position, End of Year					<b>\$ 134,548,083</b>

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

**COUNTY OF KINGS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 3,605,521	\$ 66,185	\$ 919,848	\$ 662,324	\$ 742,878	\$ 5,996,756
Imprest cash	24,830	-	-	-	754	25,584
Treasurer's investments	42,254,545	780,719	10,865,520	7,877,735	8,830,220	70,608,739
Deposit with others	25,000	-	-	-	60,171	85,171
Investments	576,782	-	-	-	-	576,782
Receivables	7,813,318	1,794	78,369	1,218,296	879,269	9,991,046
Due from other funds	413,668	-	-	-	-	413,668
Due from other governments	40,771	-	45,080	-	-	85,851
Loans receivable	171,700	-	-	-	-	171,700
Deposit with others - restricted	103,440	777,678	-	-	-	881,118
<b>Total Assets</b>	<b>\$ 55,029,575</b>	<b>\$ 1,626,376</b>	<b>\$ 11,908,817</b>	<b>\$ 9,758,355</b>	<b>\$ 10,513,292</b>	<b>\$ 88,836,415</b>
<b>Liabilities</b>						
Accrued expenses payable	\$ 2,791,798	\$ -	\$ 223,071	\$ -	\$ 953,773	\$ 3,968,642
Advances from grantors and third parties	24,525,561	-	1,636,706	-	-	26,162,267
Due to other funds	653,648	-	-	-	543,199	1,196,847
Due to other governments	-	-	-	-	562,957	562,957
<b>Total Liabilities</b>	<b>27,971,007</b>	<b>-</b>	<b>1,859,777</b>	<b>-</b>	<b>2,059,929</b>	<b>31,890,713</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflows from property taxes	1,003,469	-	-	-	453,979	1,457,448
Deferred inflows from grantors	1,398,782	-	-	-	-	1,398,782
<b>Total Deferred Inflows of Resources</b>	<b>2,402,251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>453,979</b>	<b>2,856,230</b>
<b>Fund Balances</b>						
Restricted	103,440	1,202,678	-	9,758,355	8,345,153	19,409,626
Assigned	24,830	423,698	10,049,040	-	754	10,498,322
Unassigned	24,528,047	-	-	-	(346,523)	24,181,524
<b>Total Fund Balances</b>	<b>24,656,317</b>	<b>1,626,376</b>	<b>10,049,040</b>	<b>9,758,355</b>	<b>7,999,384</b>	<b>54,089,472</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 55,029,575</b>	<b>\$ 1,626,376</b>	<b>\$ 11,908,817</b>	<b>\$ 9,758,355</b>	<b>\$ 10,513,292</b>	<b>\$ 88,836,415</b>

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

**COUNTY OF KINGS  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Total fund balances - total governmental funds	\$ 54,089,472
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	109,177,510
Certain accrued revenues are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. (Property Taxes \$1,457,448 and Intergovernmental Revenue \$1,398,782)	2,856,230
Accrued interest payable represents interest incurred, but is not yet due, as of the end of the fiscal year. Governmental funds recognize interest payable when due since this requires the use of current financial resources. (Pension Obligation Bonds \$3,471,872, Lease Revenue Bonds \$88,601, Capital Leases \$118,709)	(3,679,182)
Internal service funds are used by management to charge the costs of public works, fleet management, information services, health self-insurance, and workers' compensation self-insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	13,050,587
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. (Pension Obligation Bonds \$8,480,037, Lease Revenue Bonds \$8,515,000, Capital Leases \$13,556,813, Compensated Absences \$5,587,728, General Liabilities - Claims Payable \$1,177,000, Net OPEB Obligation \$3,629,956)	<u>(40,946,534)</u>
Total net position - governmental activities	<u><u>\$ 134,548,083</u></u>

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

**COUNTY OF KINGS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total
<b>Revenues</b>						
Taxes:						
Property taxes	\$ 17,171,755	\$ -	\$ -	\$ -	\$ 7,876,848	\$ 25,048,603
Sales tax	1,899,006	-	-	312,239	-	2,211,245
Franchise taxes	1,095,758	-	-	-	26,190	1,121,948
Hotel taxes	277,490	-	-	-	-	277,490
Licenses and permits	379,684	-	-	-	-	379,684
Fines and forfeits	714,507	-	-	434,223	925,104	2,073,834
Intergovernmental revenues	120,651,093	-	-	5,171,958	12,016,162	137,839,213
Charges for services	8,754,046	-	-	-	48,965	8,803,011
Rents and concessions	748,940	-	-	-	210	749,150
Investment earnings (loss)	(5,329)	8,362	(21,142)	11,586	(9,107)	(15,630)
Contributions and donations	15,505	-	-	-	22,829	38,334
Miscellaneous revenues	6,382,215	-	81,987	552,498	2,366,073	9,382,773
<b>Total revenues</b>	<b>158,084,670</b>	<b>8,362</b>	<b>60,845</b>	<b>6,482,504</b>	<b>23,273,274</b>	<b>187,909,655</b>
<b>Expenditures</b>						
Current:						
General government	14,838,737	-	-	-	-	14,838,737
Public safety	47,937,603	-	-	-	12,969,689	60,907,292
Public ways and facilities	24,307	2,000	91,895	-	5,514	123,716
Highways and streets	-	-	-	9,150,427	-	9,150,427
Health and sanitation	28,255,188	-	-	-	-	28,255,188
Public assistance	55,772,710	-	-	-	7,747,671	63,520,381
Education	155,067	-	-	-	2,000,589	2,155,656
Culture and recreation	1,920,799	-	-	-	-	1,920,799
Debt service:						
Principal	1,444,186	410,000	-	-	155,145	2,009,331
Interest	793,074	368,775	-	-	51,951	1,213,800
Capital outlay	1,039,908	-	4,385,715	-	734,492	6,160,115
<b>Total expenditures</b>	<b>152,181,579</b>	<b>780,775</b>	<b>4,477,610</b>	<b>9,150,427</b>	<b>23,665,051</b>	<b>190,255,442</b>
Excess (deficiency) of revenues over (under) expenditures	5,903,091	(772,413)	(4,416,765)	(2,667,923)	(391,777)	(2,345,787)
Other financing sources (uses)						
Capital leases - other financing sources	182,469	-	-	-	145,967	328,436
Transfers in	-	867,473	339,161	-	1,069,038	2,275,672
Transfers out	(2,408,199)	-	-	-	(867,473)	(3,275,672)
<b>Total other financing sources (uses)</b>	<b>(2,225,730)</b>	<b>867,473</b>	<b>339,161</b>	<b>-</b>	<b>347,532</b>	<b>(671,564)</b>
<b>Net change in fund balances</b>	<b>3,677,361</b>	<b>95,060</b>	<b>(4,077,604)</b>	<b>(2,667,923)</b>	<b>(44,245)</b>	<b>(3,017,351)</b>
Fund balances - beginning	21,452,292	1,531,316	14,126,644	12,518,892	8,583,405	58,212,549
Prior period adjustment	(473,336)	-	-	(92,614)	(539,776)	(1,105,726)
<b>Fund balances - ending</b>	<b>\$ 24,656,317</b>	<b>\$ 1,626,376</b>	<b>\$ 10,049,040</b>	<b>\$ 9,758,355</b>	<b>\$ 7,999,384</b>	<b>\$ 54,089,472</b>

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

**COUNTY OF KINGS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds \$ (3,017,351)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$6,160,115) exceeded depreciation (\$5,761,760) in the current period. 398,355

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from such sales increase financial resources. The net effect from the sale, trade-in transactions, and transfers involving capital assets is to decrease net position. (506,164)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. Deferred inflows from property tax receivables \$1,457,448 and intergovernmental revenue \$1,398,782 are unavailable current year revenues. 2,856,230

The issuance of long-term debt for the bonds and capital leases provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Governmental activities record the principal portion as a reduction to the noncurrent liability outstanding. Capital Leases \$934,484, Pension Obligation Bonds \$718,484, Lease Revenue Bonds \$41,000, offset by the reversal of loan and capital lease proceeds \$(328,436). 1,734,532

Certain expenses reported in the statement of activities do not require the use of financial resources and, therefore, are not reported as expenditures in the governmental funds. In the governmental activities, expense and liabilities are reported when amounts are due and payable. General liability - claims payable (\$130,000) and accrued interest (\$148,877). (278,877)

Governmental funds expense payments for compensated absences and other postemployment benefits (OPEB) related to the self-funded health care program, however, the statement of activities accounts for expenditures using the accrual basis of accounting. This amount results from the net accrued expenses for the Net OPEB Obligation (\$731,045) and Compensated Absences (\$21,070). (752,115)

Internal service funds are used by management to charge the costs of public works, fleet management, information services, health self-insurance, and workers' compensation self-insurance to individual funds. The net (expense) of activities from internal service funds is reported within governmental activities. 3,080,210

Change in net position of governmental activities \$ 3,514,820

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

**COUNTY OF KINGS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	<u>Internal Service Funds</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 1,389,179
Imprest cash	330
Treasurer's investments	16,159,304
Deposit with others	544,644
Receivables	618,297
Due from other funds	873,329
Due from other governments	23,701
Inventories and prepaids	<u>197,194</u>
Total current assets	<u>19,805,978</u>
Noncurrent assets	
Capital assets:	
Structures and improvements	12,104
Equipment	15,001,207
Less: accumulated depreciation	<u>(10,371,731)</u>
Total noncurrent assets	<u>4,641,580</u>
Total Assets	<u>24,447,558</u>
<b>Liabilities</b>	
Current liabilities	
Accrued expenses payable	1,100,986
Due to other funds	90,150
Advances from grantors and third parties	9,367
Interest payable	20,266
Capital leases payable	199,105
Claims payable	<u>2,301,339</u>
Total current liabilities	<u>3,721,213</u>
Noncurrent liabilities	
Leases payable	312,161
Claims payable	6,736,661
Compensated absences payable	<u>626,936</u>
Total noncurrent liabilities	<u>7,675,758</u>
Total Liabilities	<u>11,396,971</u>
<b>Net Position</b>	
Net investment in capital assets	4,110,048
Unrestricted	<u>8,940,539</u>
Total Net Position	<u>\$ 13,050,587</u>

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

**COUNTY OF KINGS  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Internal Service Funds</u>
<b>Operating revenues</b>	
Charges for services	\$ 22,764,406
Miscellaneous revenues	<u>12,359,048</u>
Total operating revenues	<u>35,123,454</u>
<b>Operating expenses</b>	
Salaries and employee benefits	16,686,725
Services and supplies	14,520,769
Administration	1,145,780
Depreciation	<u>1,136,418</u>
Total operating expenses	<u>33,489,692</u>
Operating income	1,633,762
<b>Nonoperating revenues (expenses)</b>	
Intergovernmental revenues	443,325
Investment earnings (loss)	(83,977)
Interest expense	(32,963)
Net gain on sale of assets	<u>120,063</u>
Total nonoperating revenues (expenses)	<u>446,448</u>
Income before operating transfers	2,080,210
Transfers in	<u>1,000,000</u>
Change in net position	3,080,210
Net position, beginning of year	<u>9,970,377</u>
Net position, end of year	<u><u>\$ 13,050,587</u></u>

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

**COUNTY OF KINGS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Internal Service Funds</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from interfund services provided	\$ 34,790,108
Payments to suppliers	(15,464,945)
Payments to and on behalf of employees	(16,347,147)
Payments for interfund services used	<u>(387,045)</u>
Net Cash Provided by Operating Activities	<u>2,590,971</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Transfers in	1,000,000
Intergovernmental revenues	<u>443,325</u>
Net Cash Provided by Non-Capital Financing Activities	<u>1,443,325</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	-
Interest expense	<u>(44,989)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(44,989)</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from sales and maturities of investments	16,624,197
Purchase of investments	(19,265,477)
Investment earnings	<u>(83,977)</u>
Net Cash Used by Investing Activities	<u>(2,725,257)</u>
Net Increase in Cash and Cash Equivalents	1,264,050
Cash and Cash Equivalents, Beginning of Year	<u>125,459</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,389,509</u></u>

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

**COUNTY OF KINGS  
STATEMENT OF CASH FLOWS (Continued)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Internal Service Funds</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 1,633,762
Adjustment to Reconcile Operating Income	
Depreciation expense	1,136,418
Net gain on sale of assets	120,063
(Increase) Decrease in receivables	(436,425)
Increase (Decrease) in deposits with others	(205,356)
(Increase) Decrease in due from other funds	(17,206)
(Increase) Decrease in due from other governments	700
(Increase) Decrease in inventories and prepaids	10,939
Increase (Decrease) in deferred revenue	(478)
Increase (Decrease) in accrued expenses payable	32,112
Increase (Decrease) in due to other funds	(516)
Increase (Decrease) in capital leases payable	(218,467)
Increase (Decrease) in compensated absences payable	(3,925)
Increase (Decrease) in accrued interest payable	(7,650)
Increase (Decrease) in claims payable	<u>547,000</u>
Total Adjustments	<u>957,209</u>
Net Cash Provided By Operating Activities	<u><u>\$ 2,590,971</u></u>

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

**COUNTY OF KINGS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	Retiree Health Trust	Private-Purpose Trust	Agency Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 31,527	\$ 7,043	\$ 13,809,655
Treasurer's investments	372,248	134,300	159,086,226
Deposit with others	-	-	2,810,790
Receivables	-	181	11,214,931
Prepaid expenses	-	-	130,181
	<u>403,775</u>	<u>141,524</u>	<u>187,051,783</u>
<b>Liabilities</b>			
Due to other agencies	-	141,524	187,051,783
	<u>-</u>	<u>141,524</u>	<u>187,051,783</u>
<b>Net Position</b>			
Net position held in trust	<u>\$ 403,775</u>	<u>\$ -</u>	<u>\$ -</u>

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

**COUNTY OF KINGS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Retiree Health Trust	Private-Purpose Trust
<b>Additions</b>		
Contributions		
Employer contributions	\$ 51,463	\$ -
Plan members contributions	46,447	-
Redevelopment Agency administration contribution	-	122,475
	97,910	122,475
Total contributions		
Interest and investment revenue		
Investment earnings	150	12,754
	98,060	135,229
Total additions		
<b>Deductions</b>		
Health insurance premiums	146,692	-
Professional and special services	-	39,238
Administrative allocation	-	120,626
	146,692	159,864
Total deductions		
Change in net position	(48,632)	(24,635)
Net position, beginning of year	452,407	24,635
Net position, end of year	\$ 403,775	\$ -

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

**COUNTY OF KINGS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Reporting Entity**

The County of Kings (County) was incorporated in 1893 under laws of the State of California and currently consists of approximately 1,391 square miles with four incorporated cities within the County: Hanford, Lemoore, Corcoran, and Avenal. The County is bordered by Fresno County to the north, Kern and San Luis Obispo Counties to the south, Monterey County to the west, and Tulare County to the east. The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors (Board) that is elected by district. Members serve staggered four-year terms and the Chair is elected by the Board members. The County Administrative Officer is appointed by the Board. County administration consists of appointed and elected officials, boards, commissions, and committees that assist the Board, including the Director of Finance, County Counsel, the Assessor/Clerk-Recorder, the District Attorney, and the Sheriff/Coroner/Public Administrator.

Many of the County's functions are required under County ordinances, or by State and Federal mandate. State and federally mandated programs, primarily in the social and health care service areas, are required to be maintained at certain minimum levels, which limits the County's control.

The County provides a wide range of services to its residents including: health and welfare, sheriff, jails, probation, medical examiner, fire fighting and prevention force, elections, planning, a park and recreation system, libraries, road maintenance, and the necessary support for these service providers. All are responsible to the Citizens of the County, and are therefore included within the reporting entity.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance a part of the County operations. There are no discretely presented component units included in these financial statements.

**Blended Component Units.** The operations of some component units are so intertwined with those of the County Government that they function, for all practical purposes, as an integral part of the County despite their separate legal status. GAAP prescribes that the data from such integral component units be blended with the County financial statement reports. Criteria used for determination of blended component units include a shared governing body, exclusive or almost exclusive benefit to the County Government, and that the County is financially responsible. Blended component units of the County include Kings County Public Financing Authority for jail facility construction; Children and Families First Commission for early childhood development services; and In-Home Supportive Services (I.H.S.S.) Public Authority for providing an alternative to out of home care for the elderly, disabled, and/or blind. The Kings County Public Financing Authority is reported in the Capital Projects and Debt Service Funds to account for the bond proceeds used for jail construction. The Children and Families First Commission and I.H.S.S. Public Authority are reported in separate Special Revenue Funds to account for revenues received that are legally restricted to expenditures for those specific purposes. Completed financial statements for each of the individual blended component units may be obtained by contacting the County of Kings, Finance Department, 1400 W. Lacey Blvd., Hanford, CA 93230, Attn: Rebecca Carr, CPA, CGMA – Director of Finance – Accounting, telephone number 559-852-2460.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **Reporting Entity** (Continued)

**Related Organizations.** A government may appoint the voting majority of board members for another entity without establishing a bond of financial accountability with that entity that would justify its inclusion as a component unit. GAAP refers to entities that meet this description as related organizations. The County Board has authority to appoint the majority of members for the Law Library Board, Corcoran Cemetery District, Hanford Cemetery District, Lemoore Cemetery District, Cross Creek Flood Control District, Excelsior-Kings River Resource Conservation District, and Mosquito Abatement District. The Law Library Board operates and maintains the County's Law Library. The Cemetery Districts maintain, operate, and establish rules and regulations for the management of cemeteries under their control within the County. The Flood Control District appointees are from landowners residing in the district in order to manage the district's affairs and act as a governing board. The Conservation District was formed to control water runoff, the prevention and control of soil erosion, development and distribution of water, and the improvement of land capabilities. The Mosquito Abatement District defines the policies for operations and employs the necessary staff with resources necessary to control mosquitoes.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the County.

The statement of activities demonstrates which direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) fees, fines, and charges paid by the recipients who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. If revenues are considered unavailable, then they are recorded as deferred revenue on the balance sheet, such as property taxes levied but unavailable for expenditures during the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days at the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

The financial statements include the activities of various funds and account groups, for which the County has oversight responsibility. The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Account groups are no longer presented as such in the financial statements, but the information is incorporated in the governmental activities column of the government-wide statement of net position. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The County groups and reports the various funds in the financial statements as follows:

#### **Governmental Funds:**

*General Fund* – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. **(Major Fund)**

*Special Revenue Funds* – Account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Reported in the **Nonmajor Fund** column, except for the **Road Fund which is considered a major fund** for financial reporting purposes.

*Debt Service Fund* – Accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds. **(Major Fund)**

*Capital Projects Fund* – This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds. **(Major Fund)**

#### **Proprietary Funds:**

*Workers' Compensation Self-Insurance* – Internal Service Fund: Accounts for the County's Workers' Compensation Self-Insurance program. This program provides workers' compensation insurance coverage for the County's employees.

*Fleet Management* – Internal Service Fund: Accounts for program costs relating to motor pool and equipment maintenance for other County departments and agencies on a cost reimbursement basis.

*Information Services* – Internal Service Fund: Accounts for costs relating to operations of the County's Data Processing department. Costs (including depreciation) of providing services to County departments and outside agencies are to be recovered primarily through user charges.

*Health Self-Insurance Fund* – Internal Service Fund: Accounts for the County's health self-insurance program. The program offers optional health insurance coverage to County employees.

*Public Works* – Internal Service Fund: Accounts for program costs relating to roads, building and maintenance projects, surveyor, and other reimbursable projects for other County departments and agencies on a cost-reimbursement basis.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

#### **Fiduciary Funds:**

*Trust and Agency Funds* – Account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the County's own programs. The County has a Retiree Health Trust Fund used to account for sick leave accumulated by County employees who subsequently retire and have the option to contribute a portion of their sick leave to this fund, with County matching, in order to assist with their health insurance premiums during retirement. The Redevelopment Successor Agency Trust Fund (Private-Purpose Trust) accumulates and distributes the proceeds that remained within the Kings County Redevelopment Agency upon the dissolution of California redevelopment agencies, as set forth by State Assembly Bill X1 26. The remainder of the Fiduciary Funds of the County are Agency Funds in which the County's role is purely custodial such as the receipt of monies, temporary investment, and remittance to other parties outside of the County. Includes special districts, school districts, colleges, and hospitals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements for the primary government including interfund receivables, payables, and transfers between the governmental funds. Also eliminated are indirect expenses for administration that are charged to certain departments. Only direct expenditures incurred are allowed to be charged to each functional category for government-wide financial reporting purposes. Exceptions to this rule are for goods and services provided by internal services funds to other governmental funds. Internal activity consists of Fleet Management, Information Technology, and Public Works Departments that record program revenues representing charges for services to various other functions of County departments who in-turn record expenditures for these charges. Also, the Health Self-Insurance Fund records miscellaneous revenue for charges and these expenditures are not eliminated as well from the various functional categories. Elimination of all these interfund charges would distort the direct costs and program revenues reported for the various functions concerned. However, any net profit or loss resulting from these internal service fund activities is eliminated.

Amounts reported as *program revenues* include 1) charges to recipients for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (if applicable). Internally dedicated resources are reported as *general revenues* (*discretionary revenues*) rather than as program revenues. Likewise, general revenues include all taxes.

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

#### **A. Assets, Liabilities, and Net Position or Equity**

##### **Deposits and Investments**

The County maintains an Investment Pool managed by the Treasurer, which acts as a depository for over 42 units of local government including funds of the County, school districts, and special districts.

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Note that the Money Market Funds are reported within the Treasurer Investments.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **A. Assets, Liabilities, and Net Position or Equity** (Continued)

#### **Deposits and Investments** (Continued)

State statutes authorize the County to invest in obligations of the U.S. Treasury and agencies of the Federal, State, and Local Governments; bankers' acceptances; commercial paper; negotiable certificates of deposit; collateralized certificates of deposit; repurchase agreements or reverse repurchase agreements or securities lending agreements; medium-term corporate notes and bonds; asset-backed securities; money market mutual funds; and the State Treasurer's Investment Pool. In general, the statutes allow no maturities of investments to be in excess of five years.

The Treasurer is authorized by the County Board to invest within the parameters of the California State statutes except that the County does not invest in asset-backed securities. The Treasury Oversight Committee is a seven member committee composed of County officials, a member of the public, and representatives of the school districts and special districts who meet semiannually with the County Board to review the adoption of investment policies to ensure compliance.

In general, GASB Statement No. 31 accounting pronouncement requires governmental entities to report the fair market value changes for these investments at year-end and, if significant, report these gains or losses on their income statements. Accordingly, the carrying value of County investments at fair market value were greater than their historical cost as of June 30, 2013. As a result, the County increased treasurer investments and investment earnings in Governmental Funds by \$461,604, Proprietary Funds by \$105,641, and Fiduciary Funds by \$1,043,336.

#### **Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year 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).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are not shown as net of an allowance for uncollectibles. The County has evaluated the collectability of receivables as adequate to report them as gross receivables without a deduction for discounts and allowances.

Property taxes are levied as of October 6th on property values assessed as of the preceding January 1st and are payable in equal installments November 1 and February 1 and are receivable when levied. For assessment and collection purposes, property is classified either as 'secured' or 'unsecured' and is listed accordingly on separate parts of the assessment roll. The secured roll is that part of the assessment roll containing State assessed property and real property which can be secured by liens. Other property is assessed on the 'unsecured roll' representing taxes paid on property that is not owned by the property tax payer; this property is not secured if unpaid by the tax payer (i.e., business leases a building). The County has not adopted the method of secured property tax apportionment known as the Teeter Plan.

The County levies a one percent property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation on the basis of 'situs' growth in assessed value (new construction, change of ownership, and inflation) among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### A. Assets, Liabilities, and Net Position or Equity (Continued)

#### **Receivables and Payables** (Continued)

Property taxes on the secured roll are due in two installments during the fiscal year and become delinquent on December 10th and April 10th, respectively. A ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30th of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Tax Collector's power of sale and may be subsequently sold within two years by the County Tax Collector.

Legislation established the 'supplemental roll' in 1984 which directs the Assessor to reassess real property, at market value, on the date the property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings are made on a monthly basis and due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property of the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: 1) by filing a civil action against the taxpayer, 2) by filing a certificate in the office of the County Clerk by specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, 3) by filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer, and 4) by seizure and sale of personal property, improvements, or possessory interest belonging to the tax payer.

#### **Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63 and GASB Statement No. 65, the County recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

#### **Inventories and Prepaid Items**

Inventories of materials and supplies are for the Information Services and Fleet Management internal service funds. Cost is determined by the average cost method not to be in excess of fair value. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. Assets, Liabilities, and Net Position or Equity (Continued)

**Restricted Assets**

Certain proceeds of the Kings County Public Finance Authority’s lease revenue bonds are recorded in the Debt Service Fund, as well as certain resources set aside for their repayment are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Debt Service Fund is used to account for resources accumulated from the Courts to pay the bond debt service. A ‘reserve account’ at the bank is used to maintain and report the portion of bond proceeds set aside in order to make up for potential future deficiencies in the debt service fund amounting to \$777,678. In addition, the pension obligation bonds (Series B) require an additional 2% of the estimated debt service amount in the event LIBOR interest rates paid exceed projections. This restricted deposit amounts to \$103,440 for the current fiscal year.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, water/sewer systems, and similar items), are reported in the government-wide financial statements. The proprietary fund financial statements include capital assets which are also reported in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Capital assets, other than infrastructure assets, are defined by the County as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

The County reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. In the case of the initial capitalization of infrastructure assets, the County chose to include all such items purchased and constructed after June 30, 1980, as required by GASB. The reported cost of capital assets exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the County values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings	50
Building Improvements	10-25
Infrastructure	10-50
Vehicles	3-15
Machinery and Equipment	5-20
Office Equipment	5-20
Computer Equipment	5-10

**Compensated Absences**

It is the County’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. County employees are generally vested to twenty-five percent of their sick leave balance after five years of service for accrual purposes. There is a cap on the maximum amount of vacation hours an employee can accrue ranging from 160 to 320 hours based on years of service. Once the maximum accrual for vacation has been reached, employees stop earning additional vacation hours until the accumulation level drops below the established limits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements that become due and payable in the current fiscal year.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. Assets, Liabilities, and Net Position or Equity (Continued)

**Long-Term Obligations**

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

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

**Fund Equity**

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are:

**Nonspendable** – includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

**Restricted** – includes fund balance amounts that are constrained for specific purposes that are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

**Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the County through formal action (Resolution) of the highest level of decision making authority (Board of Supervisors) and do not lapse at year-end.

**Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management decision. The assigned balances in this report represent budgeted amounts set by the Board's approval of the subsequent year budget.

**Unassigned** – Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. Assets, Liabilities, and Net Position or Equity (Continued)

**Fund Equity** (Continued)

As of June 30, 2013, the fund balance details by classification are listed below:

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total
Restricted for:						
Library	\$ -	\$ -	\$ -	\$ -	\$ 3,158,322	\$ 3,158,322
Road	-	-	-	9,758,355	-	9,758,355
Fire	-	-	-	-	1,537,512	1,537,512
County Fish and Game	-	-	-	-	16,971	16,971
Child Support Services	-	-	-	-	44,709	44,709
Off-Highway Motor Vehicle	-	-	-	-	96,451	96,451
Community Development Block Grants	-	-	-	-	976,190	976,190
Criminal Justice Facility	-	-	-	-	66,193	66,193
In-Home Supportive Services	-	-	-	-	(66,459)	(66,459)
Children and Families First Commission	-	-	-	-	2,515,264	2,515,264
Debt Service Reserve Funds	103,440	777,678	-	-	-	881,118
Debt Service	-	425,000	-	-	-	425,000
<b>Total Restricted Fund Balance</b>	<b>103,440</b>	<b>1,202,678</b>	<b>-</b>	<b>9,758,355</b>	<b>8,345,153</b>	<b>19,409,626</b>
Assigned:						
Debt Service	-	423,698	-	-	-	423,698
Imprest Cash	24,830	-	-	-	754	25,584
Capital Projects	-	-	10,049,040	-	-	10,049,040
<b>Total Assigned Fund Balance</b>	<b>24,830</b>	<b>423,698</b>	<b>10,049,040</b>	<b>-</b>	<b>754</b>	<b>10,498,322</b>
Unassigned:						
General	24,528,047	-	-	-	-	24,528,047
Job Training Office	-	-	-	-	(346,523)	(346,523)
<b>Total Unassigned Fund Balance</b>	<b>24,528,047</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(346,523)</b>	<b>24,181,524</b>
<b>Total Fund Balances</b>	<b>\$ 24,656,317</b>	<b>\$ 1,626,376</b>	<b>\$ 10,049,040</b>	<b>\$ 9,758,355</b>	<b>\$ 7,999,384</b>	<b>\$ 54,089,472</b>

**Deficit Fund Equity/Net Position**

The following special revenue fund, included in the column for nonmajor governmental funds, had a deficit unassigned fund balance as follows: Job Training Office for \$346,523 as of June 30, 2013. The Job Training Office operates on a cost reimbursement basis; expenditures causing the fund deficits have been claimed for reimbursement, but have not yet been received from the State. If the State were not to approve the costs, the County would transfer funds from the General Fund to cover the expenditures. In addition, included in the internal service funds, the Workers' Compensation Self-Insurance Fund had a deficit net position balance of \$1,269,975 as of June 30, 2013.

**Allocation of Investment Income Among Funds**

It is presumed under GAAP that investment income is reported in the same fund that reports the underlying investment. However, it is common for income on investments to legally accrue to the benefit of some other fund. GAAP requires that a government disclose whenever the income from investments in one fund is assigned directly to the benefit of another fund. See additional detail in Note 16.

**Accounting Standards Update**

During the fiscal year ending June 30, 2013, the County implemented the following GASB standards:

**GASB Statement No. 60** – *Accounting and Financial Reporting for Service Concession Arrangements* addresses accounting and financial reporting issues related to public-private and public-public partnerships. The statement is effective for periods beginning after December 15, 2011. Upon implementation, there was no effect on the County's accounting or financial reporting.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### A. Assets, Liabilities, and Net Position or Equity (Continued)

#### **Accounting Standards Update** (Continued)

**GASB Statement No. 61** – *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. Upon implementation, there was no effect on the County's accounting or financial reporting.

**GASB Statement No. 62** – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. Upon implementation, there was no effect on the County's accounting or financial reporting.

**GASB Statement No. 63** – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* modifies financial reporting of those elements. The largest change was the replacement of the Statement of Net (Plan, if retirement entity) Assets with a Statement of Net (Plan) Position and a Statement of Changes in Net (Plan) Position instead of the Statement of Changes in Net (Plan) Assets upon implementation for periods beginning after December 15, 2011. The County has implemented this change for the fiscal year ended June 30, 2013.

**GASB Statement No. 64** – *Derivative Instruments: Application of Hedge Accounting Termination Provisions* amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. Upon implementation, there was no effect on the County's accounting or financial reporting.

**GASB Statement No. 65** – *Items Previously Reported as Assets and Liabilities* reclassifies certain items previously recorded items as assets and liabilities to deferred outflows and inflows of resources. In addition, this statement clarifies what should be reported as current inflows and outflows of resources. The provisions of GASB Statement No. 65 are effective for financial statements beginning after December 15, 2012. The County has early implemented this statement for the fiscal year ending June 30, 2013.

Recently released standards by GASB affecting future fiscal years are as follows:

**GASB Statement No. 66** – *Items Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. The provisions of GASB Statement No. 66 are effective for financial statements beginning after December 15, 2012. As of the date of the basic financial statements, the County has not made an assessment of any changes that will occur upon this statement's implementation.

**GASB Statement No. 67** – *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. The County has not fully judged the effect of the implementation of GASB Statement No. 67 as of the date of the basic financial statements.

**GASB Statement No. 68** – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014. The County has not fully judged the effect of the implementation of GASB Statement No. 68 as of the date of the basic financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### A. Assets, Liabilities, and Net Position or Equity (Continued)

#### **Accounting Standards Update** (Continued)

**GASB Statement No. 69** – *Government Combinations and Disposals of Government Operations*. The provisions of GASB Statement No. 69 are effective for financial statements beginning after December 15, 2013. The County has not fully judged the effect of the implementation of GASB Statement No. 69 as of the date of the basic financial statements

**GASB Statement No. 70** – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The provisions of GASB Statement No. 70 are effective for financial statements beginning after June 15, 2013. The County has not fully judged the effect of the implementation of GASB Statement No. 70 as of the date of the basic financial statements

## NOTE 2 – DEPOSITS AND INVESTMENTS

As of June 30, 2013, the County had the following investments and maturities:

Investment Type	Total	Investment Maturities				
		Less than 1 Year	1 Year	2 Years	3 Years	4 Years
Money Market Mutual Funds	\$ 105,834,793	\$ 4,306,557	\$ 77,075	\$ 38,711,426	\$ 5,068,292	\$ 57,671,443
Federal Agencies	50,956,152	50,956,152	-	-	-	-
Local Agency Investment Fund	7,039,743	7,039,743	-	-	-	-
Medium-Term Corporate Notes	79,326,307	12,925,126	28,095,168	16,617,745	16,834,218	4,854,050
Commercial Paper	35,508	35,508	-	-	-	-
Collateralized Time Deposits	5,069,050	5,069,050	-	-	-	-
Negotiable Certificates of Deposit	3,064,374	77,874	2,986,500	-	-	-
Cash in Banks	21,193,469	21,193,469	-	-	-	-
Total	<u>\$ 272,519,396</u>	<u>\$ 101,603,479</u>	<u>\$ 31,158,743</u>	<u>\$ 55,329,171</u>	<u>\$ 21,902,510</u>	<u>\$ 62,525,493</u>

*Note:* Federal Agency callable bonds are shown at maturity rather than call date. All bonds are callable within the next year; however, the County invests with the assumption that the callable investments will be held to maturity.

*Interest rate risk.* In accordance with its investment policy, the County manages its exposure to declines in fair value by investing operating funds primarily in shorter-term securities. The maximum maturity for investments is five years or less including federal agencies and medium-term corporate notes. commercial paper is limited to 270 days maximum maturity.

*Credit risk.* State law limits investment purchases in commercial paper to the highest rating and medium-term corporate notes to the upper investment grade rating and higher (A to AAA for S&P, A2 to Aaa for Moody's) issued by nationally recognized statistical rating organizations (NRSROs). Prior to 2009, it was the County's policy to limit its investments in these investment types to the same ratings as required by the State. The County changed its policy to increase minimum credit quality ratings (from A to AA- for S&P, A2 to Aa3 for Moody's). As of June 30, 2013, the County's investments in medium-term notes were rated A to AA+ by Standard & Poor's (S&P) and A1 to Aa2 by Moody's Investors Service (Moody's). The federal agencies, money market mutual funds, and collateralized time deposits are rated AA to AA+ by S&P and Aa2 to AAA by Moody's.

*Concentration of credit risk.* The County's investment policy does not allow for an investment in any one corporate issuer that is in excess of 10% of the County's total investments. Investments in the following corporate issuers exceeded 5%: Bank of New York (7.88%), Toyota Motor Credit Corporation (7.71%), Rabobank (7.62%), General Electric Capital Corporation (6.63%), and Berkshire Hathaway (6.12%).

In April of 1988, the Board authorized the purchase of Farmers' Home Administration bonds outstanding on local sewer and water assessment bonds in the amount of \$2,335,000. The investment is amortized over 35 years and returns are all being transferred to the General Fund. At June 30, 2013, the County's remaining unamortized balance is \$576,782.

**NOTE 3 – RECEIVABLES**

Receivables as of year-end for the County's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, are as follows:

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
Receivables									
Accounts	\$ -	\$ -	\$ -	\$ -	\$ 1,108	\$ 1,108	\$ 117,827	\$ 57,554	\$ 176,489
Intergovernmental	6,695,986	-	42,290	1,191,439	397,152	8,326,867	475,139	10,040,844	18,842,850
Taxes	945,912	-	-	-	453,979	1,399,891	-	1,399,891	2,799,782
Interest	171,420	1,794	36,079	26,857	27,030	263,180	25,331	(283,177)	5,334
<b>Total Receivables</b>	<b>\$ 7,813,318</b>	<b>\$ 1,794</b>	<b>\$ 78,369</b>	<b>\$ 1,218,296</b>	<b>\$ 879,269</b>	<b>\$ 9,991,046</b>	<b>\$ 618,297</b>	<b>\$ 11,215,112</b>	<b>\$ 21,824,455</b>

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
<b>Governmental Activities:</b>					
<b>Capital assets, not being depreciated:</b>					
Land	\$ 7,420,105	\$ -	\$ -	\$ -	\$ 7,420,105
Construction in progress	3,267,094	4,506,638	(5,535,314)	47,904	2,286,322
<b>Total capital assets, not being depreciated</b>	<b>10,687,199</b>	<b>4,506,638</b>	<b>(5,535,314)</b>	<b>47,904</b>	<b>9,706,427</b>
<b>Capital assets, being depreciated:</b>					
Structures and improvements	117,627,463	5,571,819	(519,216)	(215,792)	122,464,274
Equipment	28,975,105	2,909,883	(687,195)	2,076,363	33,274,156
Infrastructure	42,525,803	-	-	-	42,525,803
<b>Total capital assets, being depreciated</b>	<b>189,128,371</b>	<b>8,481,702</b>	<b>(1,206,411)</b>	<b>1,860,571</b>	<b>198,264,233</b>
<b>Less accumulated depreciation</b>					
Structures and improvements	(39,885,946)	(2,903,353)	-	(421,595)	(43,210,894)
Equipment	(19,613,540)	(2,857,592)	686,260	353,984	(21,430,888)
Infrastructure	(28,372,555)	(1,137,233)	-	-	(29,509,788)
<b>Total accumulated depreciation</b>	<b>(87,872,041)</b>	<b>(6,898,178)</b>	<b>686,260</b>	<b>(67,611)</b>	<b>(94,151,570)</b>
<b>Total capital assets being depreciated, net</b>	<b>101,256,330</b>	<b>1,583,524</b>	<b>(520,151)</b>	<b>1,792,960</b>	<b>104,112,663</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 111,943,529</b>	<b>\$ 6,090,162</b>	<b>\$ (6,055,465)</b>	<b>\$ 1,840,864</b>	<b>\$ 113,819,090</b>

Depreciation expense was charged to functions/programs for governmental activities as follows:

Governmental Activities	
General Government	\$ 5,488,084
Public Safety	652,448
Health and Sanitation	175,168
Public Assistance	570,041
Education	12,437
<b>Grand Total</b>	<b>\$ 6,898,178</b>

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from Funds		Amount
Receivable Fund	Payable Fund	
General Fund	Nonmajor Governmental Funds	\$ 413,668
Health Self-Insurance Fund (1)	General Fund	653,648
	Nonmajor Governmental Funds	129,531
	Internal Service Funds	90,150
	Total	<u>\$ 1,286,997</u>

(1) Internal Service Fund

Short-term working capital loans payable to the General Fund represent \$413,668 of the total interfund balance amount of \$1,286,997 as noted above. The remaining \$873,329 reflects a timing difference between the current year insurance contributions withheld from payroll using a clearing account verses the allocation of these contributions to the Health Self-Insurance Fund subsequent to year-end.

Interfund transfers:

	Transfers In:				Total
	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	
Transfers Out:					
General Fund	\$ -	\$ 339,161	\$ 1,069,038	\$ 1,000,000	\$ 2,408,199
Nonmajor Governmental Funds	867,473	-	-	-	867,473
Total	<u>\$ 867,473</u>	<u>\$ 339,161</u>	<u>\$ 1,069,038</u>	<u>\$ 1,000,000</u>	<u>\$ 3,275,672</u>

The \$867,473 above represents transfers from the Criminal Justice Facility Fund to the Debt Service Fund for lease revenue bond payments that are due annually for the new Jail Facility. The \$339,161 and \$225,000 of the \$1,069,038 above represents funds received from the new Williamson Act contract and transferred to the Capital Projects Fund for general projects. The General Fund transferred \$700,000 contributions for supporting the Fire Department received from Tribal Mitigation Fees, \$144,038 to the I.H.S.S. Department and \$1,000,000 to the Workers' Compensation Fund.

**NOTE 6 – ADVANCES FROM GRANTORS AND THIRD PARTIES**

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide Statement of Net Position as well as governmental and internal service funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for advances from grantors and third parties.

At June 30, 2013, the various components of advances from grantors and third parties reported as follows:

	<u>Advances</u>
General Fund:	
Solar project application	\$ 7,663
Grant drawdowns and fees collected	<u>24,517,898</u>
	24,525,561
Capital Projects Fund:	
Impact Fees collected on new developments	1,636,706
Internal Service Fund:	
Environmental impact studies	<u>9,367</u>
Total advances from grantors and third parties	<u><u>\$ 26,171,634</u></u>

**NOTE 7 – LEASES**

**Operating Leases**

The County leases buildings and office facilities, vehicles, and office equipment under noncancelable operation leases. Total estimated costs for such leases were \$938,594 for the year ended June 30, 2013. The future minimum lease payments for the leases are estimated as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 667,339
2015	514,946
2016	420,449
2017	298,827
2018	285,905
2019 - 2022	<u>1,219,190</u>
Total	<u><u>\$ 3,406,656</u></u>

**NOTE 7 – LEASES** (Continued)

**Capital Leases**

The County has entered into the following lease agreements as lessee for the following purposes: 1) Energy Conservation Equipment (February 2003) in the amount of \$1,332,318 to finance the acquisition, installation, and retrofitting of buildings that includes lighting, air conditioning, heating, and roofing. This same lease agreement financed Fire Trucks amounting to \$430,306. 2) Cogeneration Plant (July 2004) for construction costs of \$3,005,000 partially financed with a \$2,460,358 lease agreement. Construction also included new roofs for certain County buildings. 3) Energy Conservation Project (September 2008) representing a major upgrade costing \$8,372,764 for the construction and installation of a central heating, cooling, and storage plant including a new energy management system. 4) Dell Financial Services (February 2011) SAN system replacement computers in the amount of \$524,252 to finance the acquisition. 5) A Fire Truck engine (June 2011) in the amount of \$949,705 to finance the acquisition. 6) Dell Financial Services (February 2012) replacement computers in the amount of \$478,784 to finance the acquisition. 7) Equipment Lease for the Solar Project in the amount of \$4,146,889 to finance the acquisition and installation of solar panels at the Kings County Government Center and Hanford Library. 8) Several copiers in the amount of \$523,939 to finance the acquisition. 9) A truck for the Fire Department in the amount of \$39,389. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Structures and Improvements	\$ 16,856,971
Equipment	<u>2,946,374</u>
Total	19,803,345
Less: Accumulated Depreciation	<u>(9,066,215)</u>
Total	<u><u>\$ 10,737,130</u></u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 1,740,181
2015	1,579,857
2016	1,464,550
2017	1,363,832
2018	1,273,506
2019-2023	5,723,067
2024-2028	5,377,825
2029	<u>207,549</u>
Total minimum lease payments	18,730,368
Less: amount representing interest	<u>(4,662,289)</u>
Present value of minimum lease payments	<u><u>\$ 14,068,079</u></u>

## NOTE 8 – LONG-TERM DEBT

### Pension Obligation Bonds

On June 29, 2004, the County issued \$13,877,742 in taxable Pension Obligation Bonds. The County participated in two separate issues. For Series A-2, the County issued \$7,007,742 in Capital Appreciation Bonds through the California Statewide Community Development Authority. For Series B, the County issued \$6,870,000 in floating rate securities (Index Bonds) by private placement. The bonds were issued to pay the County's unfunded accrued actuarial liability (UAAL) to the California Public Employees' Retirement System (CalPERS). Pension Obligation Bonds are unconditional obligations, payable from any legally available source of funds.

#### 2004 Series A-2 Pension Obligation Bonds (Capital Appreciation Bonds)

The Series A-2 Pension Obligation Bonds were structured with no interest or principal payments during the first two years of the twenty-year issue. Each year, as a bond coupon matures within the series, principal and interest are due and payable for that coupon.

Series A-2 Pension Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
CalPERS UAAL (2014-2018)	5.78 - 6.29%	\$ 1,899,881
CalPERS UAAL (2019-2023)	6.38 - 6.56%	1,583,812
CalPERS UAAL (2024)	6.58%	286,344
Total		<u>\$ 3,770,037</u>

Annual debt service requirements to maturity for the Series A-2 Pension Obligation Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 409,061	\$ 310,939
2015	393,092	351,908
2016	379,471	395,529
2017	365,703	439,297
2018	352,554	482,446
2019-2023	1,583,812	3,081,188
2024	286,344	753,657
Total	<u>\$ 3,770,037</u>	<u>\$ 5,814,964</u>

#### 2004 Series B Pension Obligation Bonds (Index Bonds)

The interest rate for the Series B Pension Obligation Bonds is indexed to the London Interbank Offered Rate (LIBOR). The calculation is based on LIBOR plus 0.30%. The County is required to deposit with the Trustee, Wells Fargo Bank, on or before August 1 of each year of the 20-year issue, the estimated annual debt service amount for the upcoming year plus an additional 2.00%, amounting to \$103,440 for the 2013 fiscal year, to ensure that debt service funds will be sufficient in the event that the LIBOR rate exceeds projections.

**NOTE 8 – LONG-TERM DEBT** (Continued)**Pension Obligation Bonds** (Continued)2004 Series B Pension Obligation Bonds (Index Bonds) (Continued)

Series B Pension Obligation Bonds currently outstanding are as follows:

Purpose	<u>Current Interest Rate</u>	<u>Amount</u>
CalPERS UAAL	0.210% as of 06/13 (variable)	\$ 4,710,000

Projected annual debt service requirements to maturity for the Series B Pension Obligation Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 290,000	\$ 61,490
2015	300,000	57,720
2016	330,000	95,220
2017	360,000	125,730
2018	390,000	148,350
2019-2023	2,415,000	718,345
2024	<u>625,000</u>	<u>50,310</u>
Total	<u>\$ 4,710,000</u>	<u>\$ 1,257,165</u>

**Lease Revenue Bonds**

The County created the Kings County Public Financing Authority in order to issue \$11,470,000 of non-taxable Revenue Bonds on March 15, 2005, to finance a portion of the Jail Facility Construction Project costs. The County has pledged revenues derived from the Criminal Justice Facilities Fund representing a portion of the penalty assessments by the Judicial Courts to pay the debt service. In general, these bonds are issued as 23-year serial bonds that are structured for principal amounts to mature each year. Bonds maturing April 1, 2009, to April 1, 2015, are subject to optional call redemptions by the County on or after April 1, 2008, as a whole or in part. In addition, bonds are redeemable on or after April 1, 2015, for bonds maturing April 1, 2016, to April 1, 2028. The bond issuance is collateralized by the County's Human Services Building, Law Building, and Human Resources Building with a combined appraised value of \$11,461,700. A Reserve Fund is also required to be established and maintained to secure annual debt service payments that amount to \$777,678 for fiscal year 2013.

Series A Lease Revenue Bonds currently outstanding are as follows:

Purpose	<u>Interest Rates</u>	<u>Amount</u>
Jail Construction (2014-2018)	3.63-4.00%	\$ 2,295,000
Jail Construction (2019-2023)	4.00-4.25%	2,790,000
Jail Construction (2024-2028)	4.25-4.50%	<u>3,430,000</u>
Total		<u>\$ 8,515,000</u>

**NOTE 8 – LONG-TERM DEBT** (Continued)**Lease Revenue Bonds** (Continued)

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 425,000	\$ 354,425
2015	440,000	339,019
2016	460,000	322,519
2017	475,000	305,269
2018	495,000	286,863
2019-2023	2,790,000	1,116,269
2024-2028	<u>3,430,000</u>	<u>471,250</u>
 Total	 <u>\$ 8,515,000</u>	 <u>\$ 3,195,614</u>

**Changes in Long-Term Liabilities**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Bonds payable:						
Pension obligation bonds Series A-2	\$ 4,193,521	\$ -	\$ -	\$ (423,484)	\$ 3,770,037	\$ 409,061
Pension obligation bonds Series B	5,005,000	-	-	(295,000)	4,710,000	290,000
Lease revenue bonds	<u>8,925,000</u>	-	-	<u>(410,000)</u>	<u>8,515,000</u>	<u>425,000</u>
Total bonds payable	18,123,521	-	-	(1,128,484)	16,995,037	1,124,061
Capital leases	14,892,595	226,590	101,846	(1,152,952)	14,068,079	1,148,838
Claims	9,538,000	4,168,041	-	(3,491,041)	10,215,000	2,741,943
Compensated absences	<u>6,197,519</u>	<u>6,122,673</u>	-	<u>(6,105,528)</u>	<u>6,214,664</u>	-
Long-term liabilities	<u>\$ 48,751,635</u>	<u>\$ 10,517,304</u>	<u>\$ 101,846</u>	<u>\$(11,878,005)</u>	<u>\$ 47,492,780</u>	<u>\$ 5,014,842</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$9,038,000 of claims, \$626,936 of compensated absences, and \$511,266 of capital leases from internal service funds are included in the above amounts.

**NOTE 9 – DEFERRED INFLOW OF RESOURCES**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, the County recognized deferred inflows of resources in the government-wide fund statements. These items are an acquisition of net position by the County that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenues not susceptible to accrual as deferred inflows of resources. Deferred inflows of resources consisted of \$1,457,448 from property taxes and \$1,398,782 from grantors, for a grand total of \$2,856,230 for the year ended June 30, 2013.

## **NOTE 10 – RISK MANAGEMENT**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County established in 1979 Self-Insurance Programs for Workers' Compensation, General Liability, and Health Insurance risk management funds. County premiums paid into the General Fund (general liabilities) and into the internal service funds (workers' compensation, health insurance) are primarily premium charges to other funds and are available to pay claims, claim reserves, and administrative costs of the programs. Some insurance programs are partially self-funded.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of this process in estimating the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Liabilities include allocated loss adjustment expenses (ALAE) which are direct costs associated with the defense of individual claims (legal fees, investigation fees, court fees). Also included are unallocated loss adjustment expenses (ULAE) representing the cost to administer all claims to final settlement, which may be years into the future. A discount is calculated for investment income assuming a 6.0% return on investments per year for both workers compensation and general liability.

The County has coverage limits for excess liability for individual claims in excess of \$500,000 through \$25,000,000.

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Year Ended June 30, 2013</u>
Unpaid claims, beginning of fiscal year	\$ 1,047,000	\$ 8,491,000	\$ 9,538,000
Incurred claims (including IBNRs)	693,878	3,474,163	4,168,041
Claim payments	<u>(563,878)</u>	<u>(2,927,163)</u>	<u>(3,491,041)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,177,000</u>	<u>\$ 9,038,000</u>	<u>\$ 10,215,000</u>

The County has medical malpractice coverage with limits of \$21,500,000 over the \$5,000 deductible. Fully insured programs include property insurance with limits of \$600,000,000, master crime liability program with limits of \$15,000,000 over the \$25,000 deductible, a pollution liability program with limitations to \$10,000,000, a fiduciary liability program with limits of \$5,000,000, and an aircraft liability program with limits of \$20,000,000. In addition, the County has designated funds to manage risk as follows: Earthquake Self-Insurance for \$500,000, Liability Self-Insurance for \$2,346,206, Economic Uncertainties for \$3,300,271, and reserves for Contingencies amounting to \$25,985,200.

## **NOTE 11 – JOINTLY GOVERNED ORGANIZATION**

The County, with fifty-two other counties, is a member of the California State Association of Counties Excess Insurance Authority (C.S.A.C. or the Authority). The Authority is a statewide Joint Powers Agency for insurance purposes organized in accordance with California Government Codes. The purpose of the entity is to develop and fund excess insurance programs for member counties. Each member county pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the Authority. The Authority operates public entity risk pools including workers' compensation, comprehensive liability, property, medical malpractice, and other pool purchases for excess insurance programs and services for members. The Authority is under the control and direction of a board of directors consisting of representatives of the fifty-two member counties who annually elect an executive committee. The executive committee controls include the daily management of ongoing operations and the budgeting process.

## **NOTE 12 – CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

County tax collectors administer collection and distribution of property taxes pursuant to the California Revenue and Taxation Code, including the charge of a Property Tax Administration Fee (PTAF). Some cities have disputed the way their county was charging the PTAF. On November 19, 2012, the California Supreme Court ruled that such administration fees were being improperly collected. Although there are still remaining questions about statute of limitations and interest, all counties in the state, including the County of Kings, are working with cities to repay improperly collected fees. The County received claims from all four cities. To date, the County has settled with one city, is in settlement discussions with another city, and was recently sued by the remaining two cities. The exposure ranges from \$1,939,000 (for 6 years) to \$1,009,000 (for 3 years) plus potential annual interest of 7%.

As a public entity and due to its size and its activities, at virtually all times, the County is a defendant, co-defendant, or cross-defendant in various court cases in which money damages are sought. The majority of these lawsuits are not presently determinable; in the opinion of the County's counsel, the resolution of these matters, other than the contingent PTAF item noted above, will not have a material adverse effect on the financial condition of the County.

## **NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

### **Plan Description:**

The County contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan in which all full-time employees of the County are eligible to participate. CalPERS provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment agent for participating public entities within the State of California and is administered by the CalPERS Board of Administration according to the provisions set forth in the California Public Employees Retirement Law. Benefit provisions and other requirements are established by County ordinance and contract. A copy of the 2010 Annual Actuarial Valuation Report may be obtained from their Executive Offices – Lincoln Plaza – 400 Q Street – Sacramento, CA 95814.

### **Funding Policy:**

The contribution requirement of plan members and the County are established and may be amended by the CalPERS Board of Administration. Plan members are required to contribute 7% for the Miscellaneous Plan and 9% for the Safety Plan for their annual covered salary. The County is required to contribute at an actuarially determined rate; the current rate is 11.146% for non-safety employees (Miscellaneous Plan) and 17.451% for safety employees (Safety Plan) of annual covered payroll. Within the Miscellaneous Plan, for the fiscal year 2012-13 the County did not fund the employees required contribution except for the Board of Supervisors entire required contribution of 7%. Within the Safety Plan the County did not fund the employees required contribution and the Probation, Sheriff's and Sheriff Management employees contributed their 9% and 4% of the County's required contribution.

**NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

**Annual Pension Cost – Miscellaneous Plan:**

For the fiscal year 2012-13, the County's annual pension cost for the Miscellaneous Plan is \$4,394,625 (exclusive of the employees share) for CalPERS that was equal to the County's required and actual contributions. In addition, the County pays the employees' required contributions of \$49,766, amounting to a total County annual pension cost of \$4,444,391. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30 to 14.20% depending on age, service, and type of employment, increased annually, (c) assumed annual inflation growth rate of 2.75% and payroll growth of 3.00%, and (d) no post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. CalPERS amortizes unfunded actuarial accrued liabilities as a level percentage of projected payroll on a closed basis not to be lower than the payment calculated over a 30-year amortization period. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% each year. The unfunded actuarial liability of \$26,430,620 is amortized over an average 14.25-year amortization period. The net effect from all amortization bases, including the expected payments and interest charges, increased the required employer annual contribution by \$134,835. These net amortization charges have increased the County's rates by 9.67%.

**Annual Pension Cost – Safety Plan:**

For the fiscal year 2012-13, the County's annual pension cost for the Safety Plan is \$2,764,619 (exclusive of the employees share) for CalPERS that was equal to the County's required and actual contributions. In addition, the County pays the required contributions for certain employees and only a portion of the contributions for other employees within this group totaling \$107,834, which amounts to a total County pension cost of \$2,872,453. The required contribution was determined as part of the June 30, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30 to 14.20% depending on age, service, and type of employment, increased annually, (c) assumed annual inflation growth rate of 2.75% and payroll growth of 3.00%, and (d) no post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. CalPERS amortizes unfunded actuarial accrued liabilities as a level percentage of projected payroll on a closed basis not to be lower than the payment calculated over a 30-year amortization period. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% each year. The unfunded actuarial liability of \$12,280,999 is amortized over an average 30-year amortization period. The net effect from all amortization bases, including the expected payments and interest charges, increased the required employer annual contribution by \$40,054. These net amortization charges have decreased the County's rates by 11.13%.

## **NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

### **Plan Description:**

The County provides health insurance benefits (medical, dental, vision, chiropractic, and mental health) through a self-insured plan administered by Blue Cross using the Blue Cross PPO. The County contributes toward the cost of such coverage for its employees as set forth in a bargaining memorandum of understanding. The County does not explicitly contribute toward the cost of health benefits for retirees. However, there are two benefits offered to County retirees that give rise to an implicit cost to the County under GASB Statement No. 45:

1. Retirees with more than a stated number of service hours at the time they retire are entitled to convert a portion of their accumulated sick leave to a dollar amount which is held in a Medical Incentive Account (MIA) for the purpose of helping defray some or all of the costs of health insurance coverage through the County's plan until the account is exhausted.
2. Premiums charged to retirees in the plan are the same as those used for active employees. Because the plan is self-insured, the County is actually paying claims and administrative expenses on behalf of all participating retirees – the premiums are a mechanism for budgeting and negotiations, but do not reflect the underlying cost of providing retiree healthcare coverage. The excess of the actual cost of retiree and dependent coverage over the premiums charged to those retirees constitutes a significant financial benefit, sometimes called an employer's "implicit subsidy" under GASB Statement No. 45.

When the retiree reaches Medicare eligibility, he/she is no longer eligible to participate in the County plan; however, any remaining account balance may be used for purposes of defraying Medicare Supplement insurance premiums purchased outside the County's plan.

All employee groups except Elected Officials follow the same general rule, in that there are two tiers of employees, those hired before a given cutoff date and those hired on or after that date. Employees hired before the cutoff date may make a one-time election to receive a cash-out of their accumulated sick leave hours rather than convert them to an MIA, an option not available to post cutoff date hires. Also, the benefit percentage applied dollar value of accumulated sick leave hours may differ between the two tiers, and number of service hours required to be eligible for a given benefit percentage may differ as well.

A general description of the benefit provisions by group follow (memoranda of understanding should be referred to for more details). Members of the Kings County General Membership of Service Employees International Union (S.E.I.U.), Kings County Prosecutors Association (K.C.P.A.), and Kings County Detention Deputy Association (K.C.D.D.A.) hired prior to January 1, 1999 (September 1, 2000 for K.C.D.D.A.) with at least 10,401 service hours may receive an MIA equal to 40% of the converted value of their sick leave hours. A benefit percentage of 50% applies to members with at least 41,601 service hours. Members of these three associations hired after the applicable cutoff date have percentages of 25%, 35%, or 45% applied to the converted value of their sick leave hours, based on having attained service hour thresholds of at least 20,801, 31,201, or 41,601 hours, respectively.

Members of Kings County Deputy Sheriffs' Association have percentages of 40% and 50% that apply whether hired before or after a cutoff date of January 1, 1999, but those hired before the cutoff date have service hours threshold of 10,400, while those hired on or after that date have a threshold of 20,801 to receive the 40% benefit.

Employees covered under the Kings County Unrepresented Management memorandum are subject to percentages of 40% and 50% with thresholds of 10,401 and 41,601, respectively. Fire employees are not eligible for the sick leave conversion benefit, but may elect coverage in the County's health plan upon retirement and self-pay the premiums for such coverage. Elected officials earn MIA account balance at the rate of 7.5 months of the single-retiree premium for each year of service, with a minimum of 12 years of service (normally three terms) in order to qualify.

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

**Funding Policy:**

As required by GASB Statement No. 45, an actuary will determine the County's Annual Required Contributions (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years. However, GASB Statement No. 45 does not require pre-funding of OPEB benefits. Therefore, the County's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The County has elected not to establish an irrevocable trust at this time. The County's Board reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the County.

**Annual OPEB Cost and Net OPEB Obligation:**

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty 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:

Annual required contribution	\$ 1,190,510
Interest on net OPEB obligation	115,956
Adjustment to annual required contribution	<u>(167,644)</u>
Annual OPEB cost (expense)	1,138,822
Contributions made	<u>(407,777)</u>
Increase in net OPEB obligation	731,045
Net OPEB obligation - beginning of year	<u>2,898,911</u>
Net OPEB obligation - end of year	<u><u>\$ 3,629,956</u></u>

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation for the fiscal year ended June 30, 2013, and the proceeding year was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 1,151,677	\$ 430,209	37.36%	\$ 2,355,651
June 30, 2012	\$ 1,140,369	\$ 597,109	52.36%	\$ 2,898,911
June 30, 2013	\$ 1,138,822	\$ 407,777	35.81%	\$ 3,629,956

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

**Annual OPEB Cost and Net OPEB Obligation:** (Continued)

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 ARC of the County 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 multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions:**

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

The plan's most recent actuarial valuation was performed as of July 1, 2012. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after 3 years. Both assumptions reflect an implicit 3.0% general inflation assumption. The County's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2013, was 30 years.

**NOTE 15 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2013, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
Major Funds	
General Fund	
Interest	\$ 793,074
Capital Outlay	1,031,873
Road Fund	
Highways and Streets	2,670,427
Debt Service Fund	
Interest	368,775
Nonmajor Funds	
Library Fund	
Principal and Interest Payments	9,479
Fire Fund	
Principal and Interest Payments	182,883
Capital Outlay	627,595
Fish and Game	
Public Ways and Facilities	159
Off-Highway Motor Vehicle	
Public Safety	336
Public Ways and Facilities	5,355
Community Development Block Grants	
Public Assistance Expenditures	513,879
In-Home Supportive Services	
Principal and Interest Payments	3,495
Children and Families First	
Principal and Interest Payments	2,094
Capital Outlay	8,594
Internal Service Funds	
Workers' Compensation Self-Insurance Fund	
Administration	69,870
Fleet Management	
Administration	6,168
Information Services Fund	
Administrative Expense	43,103
Depreciation Expense	300,750
Public Works Fund	
Depreciation Expense	10,024

**NOTE 16 – INVESTMENT INCOME ASSIGNED DIRECTLY TO THE BENEFIT OF ANOTHER FUND IS AS FOLLOWS**

<u>Type of Fund</u>	<u>Fund Name</u>	<u>General Fund</u>
Internal Service Fund	Workers' Compensation Self-Insurance	\$ 49,475
Fiduciary Fund	Agency Collections Payable	1,511
Fiduciary Fund	Court Alcohol/Drug Test	363
Fiduciary Fund	School Developer Fees	114
Fiduciary Fund	Assessor's Misc Trust	1
Fiduciary Fund	Food Stamp Trust	4,684
Fiduciary Fund	Welfare Repayment Trust	76
Fiduciary Fund	D.A. Restitution Fund	281
Fiduciary Fund	Retiree Health Trust	2,880
Fiduciary Fund	Schools Trust	5,097
Fiduciary Fund	City of Avenal	347
Fiduciary Fund	City of Corcoran	1,147
Fiduciary Fund	City of Hanford	1,895
Fiduciary Fund	City of Lemoore	948
		<u>\$ 68,819</u>

A Fiduciary Fund called "Department Trust" reported investment income of \$16,511 which includes all fund types that were directly assigned to the benefit of the General Fund.

**NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE**

**Governmental Activities**

Pursuant to GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the County no longer amortizes the cost of debt issuance. These amounts should be expensed in the year they are incurred. The County made adjustments for these items as a prior period adjustment; this resulted in net position for governmental activities to be reduced by \$584,098.

**NOTE 18 – PRIOR PERIOD ADJUSTMENTS**

	<u>Governmental Activities</u>
Net position at July 1, 2012, as previously stated	\$ 136,023,769
Proper reversals of prior year revenues	(542,926)
Redevelopment agency dissolution distribution correction	(562,800)
Expense deferred issuance costs	(584,098)
Record capital assets not accounted for in prior years	1,978,737
Correct accumulated depreciation	(67,611)
Correction to construction in progress	47,904
Assets removed from Structures and Improvements	(86,944)
Adjustment of prior year deferred revenue receivables	<u>(5,172,768)</u>
Total prior period adjustments	<u>(4,990,506)</u>
Net position at July 1, 2012, as restated	<u>\$ 131,033,263</u>

**NOTE 18 – PRIOR PERIOD ADJUSTMENTS** (Continued)

	General Fund	Road Fund
Fund balance at July 1, 2012, as previously stated	\$ 21,452,292	\$ 12,518,892
Proper reversals of prior year revenues	<u>(473,336)</u>	<u>(92,614)</u>
Total prior period adjustment	<u>(473,336)</u>	<u>(92,614)</u>
Fund balance at July 1, 2012, as restated	<u>\$ 20,978,956</u>	<u>\$ 12,426,278</u>

	Nonmajor Funds				
	Library Fund	Fire Fund	County Fish and Game Fund	JTO Fund	Criminal Justice Fund
Fund balance at July 1, 2012, as previously stated	\$ 2,932,700	\$ 1,581,989	\$ 19,159	\$ (355,820)	\$ 177,497
Proper reversals of prior year revenues	(429)	(3,096)	(502)	197,384	(170,333)
Redevelopment agency dissolution distribution correction	-	<u>(562,800)</u>	-	-	-
Total prior period adjustment	<u>(429)</u>	<u>(565,896)</u>	<u>(502)</u>	<u>197,384</u>	<u>(170,333)</u>
Fund balance at July 1, 2012, as restated	<u>\$ 2,932,271</u>	<u>\$ 1,016,093</u>	<u>\$ 18,657</u>	<u>\$ (158,436)</u>	<u>\$ 7,164</u>

**NOTE 19 – SUBSEQUENT EVENTS**

During the month of July 2013, a capital improvement project, as recorded in the governmental activities Structures and Improvements Account, in the amount of \$905,000 as of June 30, 2013, was deeded over to the City of Hanford in accordance with the contract upon completion of the project by the County.

In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the these basic financial statements. Management has determined that no events, other than the matter noted above, require disclosure in accordance with accounting standards. These subsequent events have been evaluated through December 24, 2013, which is the date the basic financial statements were issued.

**Required Supplementary  
Information**

**COUNTY OF KINGS  
SCHEDULE OF FUNDING PROGRESS  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)  
FOR THE YEAR ENDED JUNE 30, 2013  
LAST 10 YEARS**

**Miscellaneous Plan (Non-Safety)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (Entry Age)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL Percentage of Covered Payroll
2003	\$ 140,251,440	\$ 144,404,384	\$ 4,152,944	97.1%	\$ 33,870,312	12.3%
2004	147,285,370	154,954,922	7,669,552	95.1%	35,101,173	21.8%
2005	157,417,167	167,860,950	10,443,783	93.8%	36,707,124	28.5%
2006	169,450,555	181,127,876	11,677,321	93.6%	37,988,203	30.7%
2007	183,906,512	196,655,853	12,749,341	93.5%	42,388,924	30.1%
2008	197,990,793	212,155,872	14,165,079	93.3%	46,813,581	30.3%
2009	208,741,913	228,858,969	20,117,056	91.2%	46,025,287	43.7%
2010	219,802,384	240,233,601	20,431,217	91.5%	45,250,618	45.2%
2011	232,098,152	256,950,451	24,852,299	90.3%	45,262,231	54.9%
2012	242,972,174	269,402,794	26,430,620	90.2%	45,654,884	57.9%

**Safety Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (Entry Age)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL Percentage of Covered Payroll
2003	\$ 78,156,781	\$ 90,794,141	\$ 12,637,360	86.1%	\$ 13,787,105	91.7%
2004	97,831,081	100,136,652	2,305,571	97.7%	14,614,667	15.8%
2005	105,933,868	107,950,259	2,016,391	98.1%	15,219,303	13.2%
2006	114,158,296	116,899,376	2,741,080	97.7%	16,061,956	17.1%
2007	124,199,564	128,359,684	4,160,120	96.8%	17,429,831	23.9%
2008	133,358,580	138,613,602	5,255,022	96.2%	18,253,435	28.8%
2009	140,267,899	146,892,194	6,624,295	95.5%	18,311,261	36.2%
2010	147,464,928	153,953,560	6,488,632	95.8%	18,464,314	35.1%
2011	156,093,387	166,546,673	10,453,286	93.7%	18,500,575	56.5%
2012	162,957,735	175,238,734	12,280,999	93.0%	18,903,707	65.0%

**COUNTY OF KINGS  
SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE  
FOR THE YEAR ENDED JUNE 30, 2013  
LAST 10 YEARS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Overfunded (Underfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	\$ -	\$ 10,182,975	\$ (10,182,975)	0.0%	\$ 64,336,548	-15.8%
2010	-	8,129,733	(8,129,733)	0.0%	63,714,932	-12.8%
2012	-	8,240,190	(8,240,190)	0.0%	64,558,591	-12.8%

Note: GASB Statement No. 45 requires an actuarial valuation for the County's retiree health insurance program at least once every two fiscal years with ten fiscal years of comparison data. However GASB Statement No. 45 was implemented in 2008, and no data was available prior to this date. As more information becomes available, the County will continue to expand the comparison of data until the requirement of ten years has been met.

**COUNTY OF KINGS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 34,611,000	\$ 34,611,000	\$ 17,171,755	\$ (17,439,245)
Sales tax	2,100,000	2,100,000	1,899,006	(200,994)
Franchise taxes	1,200,000	1,200,000	1,095,758	(104,242)
Hotel taxes	280,000	280,000	277,490	(2,510)
Licenses and permits	334,938	334,938	379,684	44,746
Fines and forfeits	525,088	525,088	714,507	189,419
Intergovernmental revenues	106,165,221	107,316,764	120,651,093	13,334,329
Charges for services	8,919,347	9,233,185	8,754,046	(479,139)
Rents and concessions	436,164	436,164	748,940	312,776
Investment earnings	525,100	525,100	(5,329)	(530,429)
Contributions and donations	-	-	15,505	15,505
Miscellaneous revenues	4,301,859	4,590,793	6,382,215	1,791,422
<b>Total Revenues</b>	<b>159,398,717</b>	<b>161,153,032</b>	<b>158,084,670</b>	<b>(3,068,362)</b>
<b>Expenditures</b>				
Current:				
General government	16,552,296	16,824,206	14,838,737	1,985,469
Public safety	52,937,353	54,123,590	47,937,603	6,185,987
Public ways and facilities	22,459	24,885	24,307	578
Health and sanitation	28,503,679	28,657,792	28,255,188	402,604
Public assistance	58,527,299	59,213,578	55,772,710	3,440,868
Education	192,796	195,890	155,067	40,823
Culture and recreation	2,031,700	2,034,003	1,920,799	113,204
Debt service:				
Principal	2,589,291	2,589,291	1,444,186	1,145,105
Interest	-	-	793,074	(793,074)
Capital outlay	11,129	8,035	1,039,908	(1,031,873)
<b>Total Expenditures</b>	<b>161,368,002</b>	<b>163,671,270</b>	<b>152,181,579</b>	<b>11,489,691</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,969,285)	(2,518,238)	5,903,091	8,421,329

**COUNTY OF KINGS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND (Continued)  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Capital leases - other financing sources	-	-	182,469	182,469
Transfers in	(2,273,229)	(2,434,509)	-	2,434,509
Transfers out	(4,964,582)	(4,679,908)	(2,408,199)	2,271,709
Appropriation for contingencies	(4,443,286)	(4,383,286)	-	4,383,286
<b>Total Other Financing Sources (Uses)</b>	<b>(11,681,097)</b>	<b>(11,497,703)</b>	<b>(2,225,730)</b>	<b>9,271,973</b>
Net Change in Fund Balance	(13,650,382)	(14,015,941)	3,677,361	17,693,302
Fund Balance, Beginning of Year	21,452,292	21,452,292	21,452,292	-
Prior Period Adjustment	-	-	(473,336)	(473,336)
Fund Balance, End of Year	<b>\$ 7,801,910</b>	<b>\$ 7,436,351</b>	<b>\$ 24,656,317</b>	<b>\$ 17,219,966</b>

Note: The basis of budgeting for the County is essentially a non-GAAP accounting basis less contingencies that differs from the cash basis of accounting. Removing contingencies from \$4,383,286, the final budgeted fund balance result is \$11,819,637. The fund balance ending variance would then be \$11,819,367 final budget vs. \$24,656,317 actual = \$12,836,680 variance with budget. The actual fund balance amount is based on GAAP using the modified accrual basis of accounting.

**COUNTY OF KINGS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
ROAD FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
Sales tax	\$ 20,000	\$ 20,000	\$ 312,239	\$ 292,239
Fines and forfeits	410,000	410,000	434,223	24,223
Intergovernmental revenues	4,350,000	4,350,000	5,171,958	821,958
Investment earnings	100,000	100,000	11,586	(88,414)
Miscellaneous revenues	1,000,000	1,000,000	552,498	(447,502)
Total Revenues	5,880,000	5,880,000	6,482,504	602,504
<b>Expenditures</b>				
Current:				
Highways and streets	5,880,000	6,480,000	9,150,427	(2,670,427)
Total Expenditures	5,880,000	6,480,000	9,150,427	(2,670,427)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(600,000)	(2,667,923)	(2,067,923)
Fund Balance, Beginning of Year	12,518,892	12,518,892	12,518,892	-
Prior Period Adjustment	(92,614)	(92,614)	(92,614)	-
Fund Balance, End of Year	\$ 12,426,278	\$ 11,826,278	\$ 9,758,355	\$ (2,067,923)

Note: The basis of budgeting for the County is essentially a non-GAAP accounting basis less contingencies that differs from the cash basis of accounting. The actual fund balance amount is based on GAAP using the modified accrual basis of accounting.

**Supplementary Information**

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues</b>			
Investment earnings	\$ -	\$ 8,362	\$ 8,362
Total Revenues	<u>-</u>	<u>8,362</u>	<u>8,362</u>
<b>Expenditures</b>			
Current:			
Public ways and facilities	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Debt service:			
Principal	781,275	410,000	371,275
Interest	<u>-</u>	<u>368,775</u>	<u>(368,775)</u>
Total Expenditures	<u>783,275</u>	<u>780,775</u>	<u>2,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(783,275)</u>	<u>(772,413)</u>	<u>10,862</u>
<b>Other Financing Sources</b>			
Transfers in	<u>777,675</u>	<u>867,473</u>	<u>89,798</u>
Total Other Financing Sources	<u>777,675</u>	<u>867,473</u>	<u>89,798</u>
Net Change in Fund Balance	(5,600)	95,060	100,660
Fund Balance, Beginning of Year	<u>1,531,316</u>	<u>1,531,316</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,525,716</u>	<u>\$ 1,626,376</u>	<u>\$ 100,660</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental revenues	\$ 33,000,000	\$ -	\$ (33,000,000)
Investment earnings	50,000	(21,142)	(71,142)
Miscellaneous revenues	25,593	81,987	56,394
<b>Total Revenues</b>	<u>33,075,593</u>	<u>60,845</u>	<u>(33,014,748)</u>
<b>Expenditures</b>			
Current:			
Public ways and facilities	3,017,069	91,895	2,925,174
Capital outlay	44,644,392	4,385,715	40,258,677
<b>Total Expenditures</b>	<u>47,661,461</u>	<u>4,477,610</u>	<u>43,183,851</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,585,868)</u>	<u>(4,416,765)</u>	<u>10,169,103</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	7,003,500	339,161	(6,664,339)
Transfers out	(283,497)	-	283,497
Appropriation for contingencies	3,075,530	-	(3,075,530)
<b>Total Other Financing Sources (Uses)</b>	<u>9,795,533</u>	<u>339,161</u>	<u>(9,456,372)</u>
Net Change in Fund Balance	(4,790,335)	(4,077,604)	712,731
Fund Balance, Beginning of Year	<u>14,126,644</u>	<u>14,126,644</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 9,336,309</u>	<u>\$ 10,049,040</u>	<u>\$ 712,731</u>

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Library Fund – The Library is a Special District under the governance of the Kings County Board of Supervisors providing informational, cultural, and recreational services to the public through six library branches. This fund is used to account for revenues derived from property taxes, state aid, and service fees that are restricted to fund the operations of the County libraries.

Fire Fund – This fund is used to account mainly for property tax revenues and federal and state aid to provide fire protection and rescue related services through 12 fire stations to the cities of Corcoran and Avenal and the unincorporated areas in the County.

County Fish and Game Fund – This fund is used to account for the County's share of fines levied for violations of the fish and game laws within its boundaries. Expenditures are made from time to time for purposes of improving the habitat for wildlife propagation and for incidental administrative matters based on recommendations of the Fish and Game Commission to the Kings County Board of Supervisors.

Child Support Services Fund – This fund is used to account for the federal and state mandated program revenues designed to provide a variety of services related to the establishment of paternity and the legal enforcement, modification, collection, and disbursement of support payments to families.

Off-Highway Motor Vehicle Fund – The Off-Highway Vehicle Law of 1971 requires users of trail bikes, dune buggies, and similar vehicles designed for off-highway use to purchase an identification certificate. This fund can only be used to account for acquisition and development of off-road recreation areas. Allowable expenditures include feasibility studies, planning studies, environmental impact reports, and other expenses necessary to implement acquisition or development.

Job Training Office (JTO) Fund – This fund is used to account for federal funding for all Workforce Investment Act (WIA) funded programs used to provide for County-wide expenditures related to employment, training, and economic development activities.

Community Development Block Grants (CDBG) Fund – This fund is used to account for federal funding related to public assistance programs for home loans and housing rehabilitations.

Criminal Justice Facility Fund – This fund is used to account for the fines received from the Courts designated for the construction of the Criminal Justice Facility and Court Buildings.

In-Home Supportive Services (I.H.S.S.) Public Authority Fund – This fund is used to account for Federal and State Aid designated for County-wide oversight of the In-Home Supportive Services (I.H.S.S.) Program providing in-house care for indigents.

Children and Families First Commission Fund – This fund is used to account for Proposition 10 revenues, passed by California voters in November of 1998, imposing a fifty-cent-per-pack state sales tax on tobacco to fund a comprehensive, integrated system of early childhood development services for California children ages 0 to 5. The overall intent of the program is for children to enter school healthy and ready to learn with 80% of the revenues going to County Commissions to fund local programs.

Major Fund during 2013 Fiscal Year:

Road Fund – This fund is used to account for revenues generated by a 1/4% sales tax, federal and state aid, and the County's share of fines for vehicle code and traffic violations. Expenditures are restricted to road and bridge construction and maintenance, which are performed by the Public Works Department.

**COUNTY OF KINGS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
JUNE 30, 2013**

	<u>Library</u>	<u>Fire</u>	<u>County Fish and Game</u>	<u>Child Support Services</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 252,024	\$ 186,613	\$ 1,286	\$ 10,358
Imprest cash	454	200	-	-
Treasurer's investments	2,939,852	2,279,303	15,635	136,776
Deposit with others	-	-	-	-
Receivables	119,525	350,112	50	1,066
	<u>119,525</u>	<u>350,112</u>	<u>50</u>	<u>1,066</u>
Total Assets	<u>\$ 3,311,855</u>	<u>\$ 2,816,228</u>	<u>\$ 16,971</u>	<u>\$ 148,200</u>
<b>Liabilities</b>				
Accrued expenses payable	\$ 30,628	\$ 313,211	\$ -	\$ 70,925
Due to other funds	12,419	58,401	-	32,566
Due to other governments	136	562,821	-	-
	<u>136</u>	<u>562,821</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>43,183</u>	<u>934,433</u>	<u>-</u>	<u>103,491</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflow from property taxes	109,896	344,083	-	-
	<u>109,896</u>	<u>344,083</u>	<u>-</u>	<u>-</u>
Total Inflows of Resources	<u>109,896</u>	<u>344,083</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted	3,158,322	1,537,512	16,971	44,709
Assigned	454	200	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>3,158,776</u>	<u>1,537,712</u>	<u>16,971</u>	<u>44,709</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,311,855</u>	<u>\$ 2,816,228</u>	<u>\$ 16,971</u>	<u>\$ 148,200</u>

**COUNTY OF KINGS**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE FUNDS**  
**JUNE 30, 2013**

	<u>Off-Highway Motor Vehicle</u>	<u>Job Training Office</u>	<u>Community Development Block Grants</u>	<u>Criminal Justice Facility</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 7,488	\$ 2,012	\$ 105,453	\$ 18
Imprest cash	-	-	-	-
Treasurer's investments	88,676	(6,536)	1,238,666	65,779
Deposit with others	-	-	-	-
Receivables	287	19,451	3,244	394
	<u>96,451</u>	<u>14,927</u>	<u>1,347,363</u>	<u>66,191</u>
Total Assets	<u>\$ 96,451</u>	<u>\$ 14,927</u>	<u>\$ 1,347,363</u>	<u>\$ 66,191</u>
<b>Liabilities</b>				
Accrued expenses payable	\$ -	\$ 252,841	\$ 71,885	\$ (102)
Due to other funds	-	108,609	299,288	100
Due to other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>361,450</u>	<u>371,173</u>	<u>(2)</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflow from property taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted	96,451	-	976,190	66,193
Assigned	-	-	-	-
Unassigned	-	(346,523)	-	-
	<u>96,451</u>	<u>(346,523)</u>	<u>976,190</u>	<u>66,193</u>
Total Fund Balances	<u>96,451</u>	<u>(346,523)</u>	<u>976,190</u>	<u>66,193</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 96,451</u>	<u>\$ 14,927</u>	<u>\$ 1,347,363</u>	<u>\$ 66,191</u>

**COUNTY OF KINGS  
COMBINING BALANCE SHEET (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
JUNE 30, 2013**

	In-Home Supportive Services Public Authority	Children and Families First Commission	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 177,626	\$ 742,878
Imprest cash	-	100	754
Treasurer's investments	(25,254)	2,097,323	8,830,220
Deposit with others	60,171	-	60,171
Receivables	-	385,140	879,269
	<u>-</u>	<u>385,140</u>	<u>879,269</u>
 Total Assets	 <u>\$ 34,917</u>	 <u>\$ 2,660,189</u>	 <u>\$ 10,513,292</u>
<b>Liabilities</b>			
Accrued expenses payable	\$ 75,202	\$ 139,183	\$ 953,773
Due to other funds	26,174	5,642	543,199
Due to other governments	-	-	562,957
	<u>-</u>	<u>-</u>	<u>562,957</u>
 Total Liabilities	 <u>101,376</u>	 <u>144,825</u>	 <u>2,059,929</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflow from property taxes	-	-	453,979
	<u>-</u>	<u>-</u>	<u>453,979</u>
 Total Inflows of Resources	 <u>-</u>	 <u>-</u>	 <u>453,979</u>
<b>Fund Balances</b>			
Restricted	(66,459)	2,515,264	8,345,153
Assigned	-	100	754
Unassigned	-	-	(346,523)
	<u>-</u>	<u>-</u>	<u>(346,523)</u>
 Total Fund Balances	 <u>(66,459)</u>	 <u>2,515,364</u>	 <u>7,999,384</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 34,917</u>	 <u>\$ 2,660,189</u>	 <u>\$ 10,513,292</u>

**COUNTY OF KINGS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Library</u>	<u>Fire</u>	<u>County Fish and Game</u>	<u>Child Support Services</u>
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 1,876,872	\$ 5,999,976	\$ -	\$ -
Franchise taxes	-	26,190	-	-
Fines and forfeits	-	-	333	-
Intergovernmental revenues	24,370	2,953,370	368	3,977,161
Charges for services	38,636	10,329	-	-
Rents and concessions	210	-	-	-
Investment earnings (loss)	(2,802)	(7,513)	-	1,474
Contributions and donations	21,329	1,500	-	-
Miscellaneous revenues	254,448	363,523	-	8,231
<b>Total Revenues</b>	<u>2,213,063</u>	<u>9,347,375</u>	<u>701</u>	<u>3,986,866</u>
<b>Expenditures</b>				
Current:				
Public safety	-	8,979,668	2,228	3,987,457
Public ways and facilities	-	-	159	-
Public assistance	-	-	-	(15,449)
Education	2,000,589	-	-	-
Debt service:				
Principal	7,609	135,362	-	4,882
Interest	1,870	47,521	-	930
Capital outlay	17,269	627,595	-	64,666
<b>Total Expenditures</b>	<u>2,027,337</u>	<u>9,790,146</u>	<u>2,387</u>	<u>4,042,486</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>185,726</u>	<u>(442,771)</u>	<u>(1,686)</u>	<u>(55,620)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	925,000	-	-
Transfers out	-	-	-	-
Capital leases - other financing sources	40,779	39,390	-	25,387
<b>Total Other Financing Sources (Uses)</b>	<u>40,779</u>	<u>964,390</u>	<u>-</u>	<u>25,387</u>
Net Change in Fund Balances	226,505	521,619	(1,686)	(30,233)
Fund Balances, Beginning of Year	2,932,700	1,581,989	19,159	74,942
Prior Period Adjustment	(429)	(565,896)	(502)	-
<b>Fund Balances, End of Year</b>	<u>\$ 3,158,776</u>	<u>\$ 1,537,712</u>	<u>\$ 16,971</u>	<u>\$ 44,709</u>

**COUNTY OF KINGS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Off-Highway Motor Vehicle	Job Training Office	Community Development Block Grants	Criminal Justice Facility
<b>Revenues</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Franchise taxes	-	-	-	-
Fines and forfeits	-	-	-	924,771
Intergovernmental revenues	-	2,080,508	120,881	-
Charges for services	-	-	-	-
Rents and concessions	-	-	-	-
Investment earnings (loss)	(39)	(439)	(601)	1,731
Contributions and donations	-	-	-	-
Miscellaneous revenues	-	1,596,492	-	-
	<u>(39)</u>	<u>3,676,561</u>	<u>120,280</u>	<u>926,502</u>
<b>Total Revenues</b>				
<b>Expenditures</b>				
Current:				
Public safety	336	-	-	-
Public ways and facilities	5,355	-	-	-
Public assistance	-	3,861,315	513,879	-
Education	-	-	-	-
Debt service:				
Principal	-	2,604	-	-
Interest	-	729	-	-
Capital outlay	-	16,368	-	-
	<u>5,691</u>	<u>3,881,016</u>	<u>513,879</u>	<u>-</u>
<b>Total Expenditures</b>				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,730)</u>	<u>(204,455)</u>	<u>(393,599)</u>	<u>926,502</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(867,473)
Capital leases - other financing sources	-	16,368	-	-
	<u>-</u>	<u>16,368</u>	<u>-</u>	<u>(867,473)</u>
<b>Total Other Financing Sources (Uses)</b>				
Net Change in Fund Balances	(5,730)	(188,087)	(393,599)	59,029
Fund Balances, Beginning of Year	102,181	(355,820)	1,369,789	177,497
Prior Period Adjustment	-	197,384	-	(170,333)
	<u>-</u>	<u>197,384</u>	<u>-</u>	<u>(170,333)</u>
<b>Fund Balances, End of Year</b>	<u>\$ 96,451</u>	<u>\$ (346,523)</u>	<u>\$ 976,190</u>	<u>\$ 66,193</u>

**COUNTY OF KINGS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	In-Home Supportive Services Public Authority	Children and Families First Commission	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Taxes:			
Property taxes	\$ -	\$ -	\$ 7,876,848
Franchise taxes	-	-	26,190
Fines and forfeits	-	-	925,104
Intergovernmental revenues	1,026,221	1,833,283	12,016,162
Charges for services	-	-	48,965
Rents and concessions	-	-	210
Investment earnings (loss)	-	(918)	(9,107)
Contributions and donations	-	-	22,829
Miscellaneous revenues	121,413	21,966	2,366,073
	<u>1,147,634</u>	<u>1,854,331</u>	<u>23,273,274</u>
<b>Expenditures</b>			
Current:			
Public safety	-	-	12,969,689
Public ways and facilities	-	-	5,514
Public assistance	1,381,621	2,006,305	7,747,671
Education	-	-	2,000,589
Debt service:			
Principal	2,898	1,790	155,145
Interest	597	304	51,951
Capital outlay	-	8,594	734,492
	<u>1,385,116</u>	<u>2,016,993</u>	<u>23,665,051</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(237,482)</u>	<u>(162,662)</u>	<u>(391,777)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	144,038	-	1,069,038
Transfers out	-	-	(867,473)
Capital leases - other financing sources	15,449	8,594	145,967
	<u>159,487</u>	<u>8,594</u>	<u>347,532</u>
Net Change in Fund Balances	(77,995)	(154,068)	(44,245)
Fund Balances, Beginning of Year	11,536	2,669,432	8,583,405
Prior Period Adjustment	-	-	(539,776)
Fund Balances, End of Year	<u>\$ (66,459)</u>	<u>\$ 2,515,364</u>	<u>\$ 7,999,384</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Taxes:			
Property taxes	\$ 1,711,000	\$ 1,876,872	\$ 165,872
Intergovernmental revenues	15,000	24,370	9,370
Charges for services	26,000	38,636	12,636
Rents and concessions	-	210	210
Investment earnings	20,000	(2,802)	(22,802)
Contributions and donations	21,174	21,329	155
Miscellaneous revenues	127,500	254,448	126,948
	<u>1,920,674</u>	<u>2,213,063</u>	<u>292,389</u>
<b>Expenditures</b>			
Current:			
Education	2,236,000	2,000,589	235,411
Debt service:			
Principal	-	7,609	(7,609)
Interest	-	1,870	(1,870)
Capital outlay	23,741	17,269	6,472
	<u>2,259,741</u>	<u>2,027,337</u>	<u>235,411</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(339,067)</u>	<u>185,726</u>	<u>524,793</u>
<b>Other Financing Sources (Uses)</b>			
Appropriation for contingencies	(2,299,885)	-	(2,299,885)
Capital leases - other financing sources	<u>40,779</u>	<u>40,779</u>	<u>40,779</u>
Total Other Financing Sources (Uses)	<u>(2,299,885)</u>	<u>40,779</u>	<u>40,779</u>
Net Change in Fund Balance	(2,638,952)	226,505	2,865,457
Fund Balance, Beginning of Year	2,932,700	2,932,700	-
Prior Period Adjustment	<u>(429)</u>	<u>(429)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 293,319</u>	<u>\$ 3,158,776</u>	<u>\$ 2,865,457</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FIRE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Taxes:			
Property taxes	\$ 5,525,524	\$ 5,999,976	\$ 474,452
Franchise taxes	-	26,190	26,190
Intergovernmental revenues	3,490,634	2,953,370	(537,264)
Charges for services	13,275	10,329	(2,946)
Investment earnings	5,000	(7,513)	(12,513)
Contributions and donations	-	1,500	1,500
Miscellaneous revenues	150,000	363,523	213,523
	<u>9,184,433</u>	<u>9,347,375</u>	<u>162,942</u>
<b>Expenditures</b>			
Current:			
Public safety	10,173,092	8,979,668	1,193,424
Debt service:			
Principal	-	135,362	(135,362)
Interest	-	47,521	(47,521)
Capital outlay	-	627,595	(627,595)
	<u>10,173,092</u>	<u>9,790,146</u>	<u>382,946</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(988,659)</u>	<u>(442,771)</u>	<u>545,888</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	925,000	925,000	-
Capital leases - other financing sources	-	39,390	39,390
Appropriation for contingencies	(1,425,342)	-	(1,425,342)
	<u>(500,342)</u>	<u>964,390</u>	<u>(1,385,952)</u>
Net Change in Fund Balance	(1,489,001)	521,619	2,010,620
Fund Balance, Beginning of Year	1,581,989	1,581,989	-
Prior Period Adjustment	(565,896)	(565,896)	-
Fund Balance, End of Year	<u>\$ (472,908)</u>	<u>\$ 1,537,712</u>	<u>\$ 2,010,620</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
COUNTY FISH AND GAME SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues</b>			
Fines and forfeits	\$ 750	\$ 333	\$ (417)
Intergovernmental revenues	1,000	368	(632)
Investment earnings	500	-	(500)
Total Revenues	<u>2,250</u>	<u>701</u>	<u>(1,549)</u>
<b>Expenditures</b>			
Current:			
Public safety	6,450	2,228	4,222
Public ways and facilities	-	159	(159)
Total Expenditures	<u>6,450</u>	<u>2,387</u>	<u>4,063</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,200)</u>	<u>(1,686)</u>	<u>2,514</u>
<b>Other Financing Sources (Uses)</b>			
Appropriation for contingencies	<u>(17,474)</u>	-	<u>17,474</u>
Total Other Financing Sources (Uses)	<u>(17,474)</u>	-	<u>17,474</u>
Net Change in Fund Balance	(21,674)	(1,686)	19,988
Fund Balance, Beginning of Year	19,159	19,159	-
Prior Period Adjustment	<u>(502)</u>	<u>(502)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (3,017)</u>	<u>\$ 16,971</u>	<u>\$ 19,988</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
CHILD SUPPORT SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues</b>			
Intergovernmental revenues	\$ 4,139,957	\$ 3,977,161	\$ (162,796)
Investment earnings	4,000	1,474	(2,526)
Miscellaneous revenues	13,032	8,231	(4,801)
<b>Total Revenues</b>	<b>4,156,989</b>	<b>3,986,866</b>	<b>(170,123)</b>
<b>Expenditures</b>			
Current:			
Public safety	4,156,989	3,987,457	169,532
Debt service:			
Principal	-	4,882	4,882
Interest	-	930	930
Capital outlay	-	64,666	64,666
<b>Total Expenditures</b>	<b>4,156,989</b>	<b>4,057,935</b>	<b>(99,054)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(71,069)	(71,069)
<b>Other Financing Sources (Uses)</b>			
Capital leases - other financing sources	-	25,387	25,387
Appropriation for contingencies	(73,742)	-	73,742
<b>Total Other Financing Sources (Uses)</b>	<b>(73,742)</b>	<b>25,387</b>	<b>99,129</b>
<b>Net Change in Fund Balance</b>	<b>(73,742)</b>	<b>(45,682)</b>	<b>28,060</b>
Fund Balance, Beginning of Year	74,942	74,942	-
Fund Balance, End of Year	\$ 1,200	\$ 29,260	\$ 28,060

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
OFF-HIGHWAY MOTOR VEHICLE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ (39)	\$ (39)
Total Revenues	<u>-</u>	<u>(39)</u>	<u>(39)</u>
<b>Expenditures</b>			
Current:			
Public safety	-	336	(336)
Public ways and facilities	-	5,355	(5,355)
Total Expenditures	<u>-</u>	<u>5,691</u>	<u>(5,691)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(5,730)	5,730
Net Change in Fund Balance	-	(5,730)	(5,730)
Fund Balance, Beginning of Year	<u>102,181</u>	<u>102,181</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 102,181</u>	<u>\$ 96,451</u>	<u>\$ (5,730)</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
JOB TRAINING OFFICE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental revenues	\$ 2,060,569	\$ 2,080,508	\$ 19,939
Investment earnings	-	(439)	(439)
Miscellaneous revenues	2,061,841	1,596,492	(465,349)
<b>Total Revenues</b>	<u>4,122,410</u>	<u>3,676,561</u>	<u>(445,849)</u>
<b>Expenditures</b>			
Current:			
Public assistance	4,122,410	3,861,315	261,095
Debt service:			
Principal	-	2,604	2,604
Interest	-	729	729
Capital outlay	-	16,368	16,368
<b>Total Expenditures</b>	<u>4,122,410</u>	<u>3,881,016</u>	<u>241,394</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(204,455)	(204,455)
<b>Other Financing Sources (Uses)</b>			
Capital leases - other financing sources	-	16,368	16,368
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>16,368</u>	<u>16,368</u>
<b>Net Change in Fund Balance</b>	-	(188,087)	(188,087)
Fund Balance, Beginning of Year	(355,820)	(355,820)	-
Prior Period Adjustment	-	197,384	197,384
<b>Fund Balance, End of Year</b>	<u>\$ (355,820)</u>	<u>\$ (346,523)</u>	<u>\$ 9,297</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY DEVELOPMENT BLOCK GRANTS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental revenues	\$ -	\$ 120,881	\$ 120,881
Investment earnings	-	(601)	(601)
Total Revenues	<u>-</u>	<u>120,280</u>	<u>120,280</u>
<b>Expenditures</b>			
Current:			
Public assistance	-	513,879	(513,879)
Total Expenditures	<u>-</u>	<u>513,879</u>	<u>(513,879)</u>
Net Change in Fund Balance	-	(393,599)	(393,599)
Fund Balance, Beginning of Year	<u>1,369,789</u>	<u>1,369,789</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,369,789</u></u>	<u><u>\$ 976,190</u></u>	<u><u>\$ (393,599)</u></u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
CRIMINAL JUSTICE FACILITY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Fines and forfeits	\$ -	\$ 924,771	\$ 924,771
Investment earnings	-	1,731	1,731
	<u>-</u>	<u>926,502</u>	<u>926,502</u>
<b>Expenditures</b>			
Current:			
Public ways and facilities	-	-	-
	<u>-</u>	<u>926,502</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	926,502	-
<b>Other Financing Sources (Uses)</b>			
Transfers out	-	(867,473)	(867,473)
	<u>-</u>	<u>(867,473)</u>	<u>(867,473)</u>
Total Other Financing Sources (Uses)	-	(867,473)	(867,473)
Net Change in Fund Balance	-	59,029	59,029
Fund Balance, Beginning of Year	177,497	177,497	-
Prior Period Adjustment	(170,333)	(170,333)	-
Fund Balance, End of Year	<u>\$ 7,164</u>	<u>\$ 66,193</u>	<u>\$ 59,029</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
IN-HOME SUPPORTIVE SERVICES (I.H.S.S.)  
PUBLIC AUTHORITY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues</b>			
Intergovernmental revenues	\$ 1,178,085	\$ 1,026,221	\$ (151,864)
Miscellaneous revenues	105,020	121,413	16,393
<b>Total Revenues</b>	<b>1,283,105</b>	<b>1,147,634</b>	<b>(135,471)</b>
<b>Expenditures</b>			
Current:			
Public assistance	1,522,427	1,381,621	140,806
Debt service:			
Principal	-	2,898	(2,898)
Interest	-	597	(597)
<b>Total Expenditures</b>	<b>1,522,427</b>	<b>1,385,116</b>	<b>137,311</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(239,322)	(237,482)	1,840
<b>Other Financing Sources (Uses)</b>			
Transfers in	239,323	144,038	(95,285)
Capital leases - other financing sources	-	15,449	15,449
<b>Total Other Financing Sources (Uses)</b>	<b>239,323</b>	<b>159,487</b>	<b>(79,836)</b>
Net Change in Fund Balance	1	(77,995)	(77,996)
Fund Balance, Beginning of Year	11,536	11,536	-
Fund Balance, End of Year	<b>\$ 11,537</b>	<b>\$ (66,459)</b>	<b>\$ (77,996)</b>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
CHILDREN AND FAMILIES FIRST COMMISSION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues</b>			
Intergovernmental revenues	\$ 1,722,451	\$ 1,833,283	\$ 110,832
Investment earnings	32,388	(918)	(33,306)
Miscellaneous revenues	8,541	21,966	13,425
<b>Total Revenues</b>	<b>1,763,380</b>	<b>1,854,331</b>	<b>90,951</b>
<b>Expenditures</b>			
Current:			
Public assistance	1,763,380	2,006,305	(242,925)
Debt service:			
Principal	-	1,790	(1,790)
Interest	-	304	(304)
Capital outlay	-	8,594	(8,594)
<b>Total Expenditures</b>	<b>1,763,380</b>	<b>2,016,993</b>	<b>(253,613)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(162,662)	(162,662)
<b>Other Financing Sources (Uses)</b>			
Capital leases - other financing sources	-	8,594	8,594
Appropriation for contingencies	(2,310,433)	-	2,310,433
<b>Total Other Financing Sources (Uses)</b>	<b>(2,310,433)</b>	<b>8,594</b>	<b>2,319,027</b>
<b>Net Change in Fund Balance</b>	<b>(2,310,433)</b>	<b>(154,068)</b>	<b>2,156,365</b>
Fund Balance, Beginning of Year	2,669,432	2,669,432	-
Fund Balance, End of Year	<u>\$ 358,999</u>	<u>\$ 2,515,364</u>	<u>\$ 2,156,365</u>

## **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 governmental units, on a cost reimbursement basis.

Workers' Compensation Self-Insurance Fund – This fund is used to account for the County Workers' Compensation Self-Insurance Program providing coverage to County employees.

Fleet Management Fund – This fund is used to account for program costs related to motor pool and equipment maintenance to other departments and agencies.

Information Services Fund – This fund is used to account for the accumulation and allocation of costs associated with electronic data processing and related services provided.

Health Self-Insurance Fund – This fund is used to account for the County Health Self-Insurance Program providing coverage to County employees.

Public Works Fund – This fund is used to account for program costs related to roads, building and maintenance projects, surveyor, and other projects.

**COUNTY OF KINGS  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2013**

	Workers' Compensation Self-Insurance	Fleet Management	Information Services
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 602,874	\$ 312,345	\$ 94,504
Imprest cash	-	-	-
Treasurer's investments	7,180,888	3,608,747	1,102,428
Deposit with others	210,000	-	-
Receivables	-	472,702	120,799
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventories and prepaids	-	168,096	29,098
<b>Total Current Assets</b>	<b>7,993,762</b>	<b>4,561,890</b>	<b>1,346,829</b>
Noncurrent assets:			
Capital assets:			
Structures and improvements	-	-	-
Equipment	-	9,991,831	4,536,008
Accumulated depreciation - equipment	-	(7,462,070)	(2,636,436)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>-</b>	<b>2,529,761</b>	<b>1,899,572</b>
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>2,529,761</b>	<b>1,899,572</b>
<b>Total Assets</b>	<b>7,993,762</b>	<b>7,091,651</b>	<b>3,246,401</b>
<b>Liabilities</b>			
Current liabilities:			
Accrued expenses payable	225,737	79,829	233,241
Due to other funds	-	5,084	36,305
Deferred revenue	-	-	-
Interest payable	-	-	20,266
Leases payable - current	-	-	197,912
Claims payable	2,301,339	-	-
<b>Total Current Liabilities</b>	<b>2,527,076</b>	<b>84,913</b>	<b>487,724</b>
Noncurrent liabilities:			
Leases payable	-	-	307,069
Claims payable	6,736,661	-	-
Compensated absences payable	-	47,608	226,876
<b>Total Noncurrent Liabilities:</b>	<b>6,736,661</b>	<b>47,608</b>	<b>533,945</b>
<b>Total Liabilities</b>	<b>9,263,737</b>	<b>132,521</b>	<b>1,021,669</b>
<b>Net Position</b>			
Net investment in capital assets	-	2,529,761	1,374,325
Unrestricted	(1,269,975)	4,429,369	850,407
<b>Total Net Position</b>	<b>\$ (1,269,975)</b>	<b>\$ 6,959,130</b>	<b>\$ 2,224,732</b>

**COUNTY OF KINGS**  
**COMBINING STATEMENT OF NET POSITION (Continued)**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2013**

	Health Self- Insurance	Public Works	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 283,250	\$ 96,206	\$ 1,389,179
Imprest cash	-	330	330
Treasurer's investments	3,277,972	989,269	16,159,304
Deposit with others	334,644	-	544,644
Receivables	12,218	12,578	618,297
Due from other funds	873,329	-	873,329
Due from other governments	23,701	-	23,701
Inventories and prepaids	-	-	197,194
<b>Total Current Assets</b>	<b>4,805,114</b>	<b>1,098,383</b>	<b>19,805,978</b>
Noncurrent assets:			
Capital assets:			
Structures and improvements	-	12,104	12,104
Equipment	-	473,368	15,001,207
Accumulated depreciation - equipment	-	(273,225)	(10,371,731)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>-</b>	<b>212,247</b>	<b>4,641,580</b>
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>212,247</b>	<b>4,641,580</b>
<b>Total Assets</b>	<b>4,805,114</b>	<b>1,310,630</b>	<b>24,447,558</b>
<b>Liabilities</b>			
Current liabilities:			
Accrued expenses payable	31,564	530,615	1,100,986
Due to other funds	-	48,761	90,150
Deferred revenue	-	9,367	9,367
Interest payable	-	-	20,266
Leases payable - current	-	1,193	199,105
Claims payable	-	-	2,301,339
<b>Total Current Liabilities</b>	<b>31,564</b>	<b>589,936</b>	<b>3,721,213</b>
Noncurrent liabilities:			
Leases payable	-	5,092	312,161
Claims payable	-	-	6,736,661
Compensated absences payable	-	352,452	626,936
<b>Total Noncurrent Liabilities:</b>	<b>-</b>	<b>357,544</b>	<b>7,675,758</b>
<b>Total Liabilities</b>	<b>31,564</b>	<b>947,480</b>	<b>11,396,971</b>
<b>Net Position</b>			
Net investment in capital assets	-	205,962	4,110,048
Unrestricted	4,773,550	157,188	8,940,539
<b>Total Net Position</b>	<b>\$ 4,773,550</b>	<b>\$ 363,150</b>	<b>\$ 13,050,587</b>

**COUNTY OF KINGS  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Workers' Compensation Self-Insurance	Fleet Management	Information Services
<b>Operating Revenues</b>			
Charges for services	\$ -	\$ 2,690,477	\$ 6,743,826
Miscellaneous revenues	46,500	157,723	55,177
Total Operating Revenues	<u>46,500</u>	<u>2,848,200</u>	<u>6,799,003</u>
<b>Operating Expenses</b>			
Salaries and employee benefits	(105,706)	419,588	3,393,083
Services and supplies	6,419	1,767,234	2,298,222
Administration	758,735	179,650	98,173
Depreciation	-	600,827	513,787
Total Operating Expenses	<u>659,448</u>	<u>2,967,299</u>	<u>6,303,265</u>
Operating Income (Loss)	<u>(612,948)</u>	<u>(119,099)</u>	<u>495,738</u>
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental revenues	-	443,325	-
Investment earnings	(31,235)	1,235	(4,588)
Interest expense	-	-	1,821
Sale of capital assets	-	120,063	-
Total Nonoperating Revenues (Expenses)	<u>(31,235)</u>	<u>564,623</u>	<u>(2,767)</u>
Income (Loss) Before Operating Transfers	(644,183)	445,524	492,971
Transfers In	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Change in Net Position	355,817	445,524	492,971
Net Position, Beginning of Year	<u>(1,625,792)</u>	<u>6,513,606</u>	<u>1,731,761</u>
Net Position, End of Year	<u>\$ (1,269,975)</u>	<u>\$ 6,959,130</u>	<u>\$ 2,224,732</u>

**COUNTY OF KINGS  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION (Continued)  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Health Self- Insurance	Public Works	Total
<b>Operating Revenues</b>			
Charges for services	\$ -	\$ 13,330,103	\$ 22,764,406
Miscellaneous revenues	11,956,042	143,606	12,359,048
<b>Total Operating Revenues</b>	<u>11,956,042</u>	<u>13,473,709</u>	<u>35,123,454</u>
<b>Operating Expenses</b>			
Salaries and employee benefits	8,873,184	4,106,576	16,686,725
Services and supplies	1,297,392	9,151,502	14,520,769
Administration	-	109,222	1,145,780
Depreciation	-	21,804	1,136,418
<b>Total Operating Expenses</b>	<u>10,170,576</u>	<u>13,389,104</u>	<u>33,489,692</u>
<b>Operating Income (Loss)</b>	<u>1,785,466</u>	<u>84,605</u>	<u>1,633,762</u>
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental revenues	-	-	443,325
Investment earnings	13,965	(63,354)	(83,977)
Interest expense	-	(34,784)	(32,963)
Sale of capital assets	-	-	120,063
<b>Total Nonoperating Revenues (Expenses)</b>	<u>13,965</u>	<u>(98,138)</u>	<u>446,448</u>
<b>Income (Loss) Before Operating Transfers</b>	<u>1,799,431</u>	<u>(13,533)</u>	<u>2,080,210</u>
Transfers In	-	-	1,000,000
<b>Change in Net Position</b>	<u>1,799,431</u>	<u>(13,533)</u>	<u>3,080,210</u>
<b>Net Position, Beginning of Year</b>	<u>2,974,119</u>	<u>376,683</u>	<u>9,970,377</u>
<b>Net Position, End of Year</b>	<u>\$ 4,773,550</u>	<u>\$ 363,150</u>	<u>\$ 13,050,587</u>

**COUNTY OF KINGS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Workers' Compensation Self-Insurance	Fleet Management	Information Services
<b>Cash Flows from Operating Activities</b>			
Receipts from interfund services provided	\$ 46,500	\$ 2,604,993	\$ 6,739,256
Payments to suppliers	(705,536)	(1,764,043)	(2,596,119)
Payments to and on behalf of employees	652,706	(414,284)	(3,425,455)
Payments for interfund services used	-	(179,650)	(98,173)
Total Cash Flows from Operating Activities	<u>(6,330)</u>	<u>247,016</u>	<u>619,509</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Transfers in	1,000,000	-	-
Intergovernmental revenues	-	443,325	-
Total Cash Flows from Non-Capital Financing Activities	<u>1,000,000</u>	<u>443,325</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of capital assets	-	-	-
Interest expense	-	(16,655)	-
Total Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>(16,655)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sales and maturities of investments	7,387,478	3,712,568	1,134,144
Purchase of investments	(7,804,001)	(4,110,941)	(1,662,142)
Investment earnings	(31,235)	1,235	(4,588)
Total Cash Flows from Investing Activities	<u>(447,758)</u>	<u>(397,138)</u>	<u>(532,586)</u>
Net Increase in Cash and Cash Equivalents	545,912	276,548	86,923
Cash and Cash Equivalents, Beginning of Year	<u>56,962</u>	<u>35,797</u>	<u>7,581</u>
Cash and Cash Equivalents, End of Year	<u>\$ 602,874</u>	<u>\$ 312,345</u>	<u>\$ 94,504</u>

**COUNTY OF KINGS**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Health Self- Insurance	Public Works	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from interfund services provided	\$ 11,932,963	\$ 13,466,396	\$ 34,790,108
Payments to suppliers	(1,308,557)	(9,090,690)	(15,464,945)
Payments to and on behalf of employees	(9,078,540)	(4,081,574)	(16,347,147)
Payments for interfund services used	-	(109,222)	(387,045)
	<u>1,545,866</u>	<u>184,910</u>	<u>2,590,971</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Transfers in	-	-	1,000,000
Intergovernmental revenues	-	-	443,325
	<u>-</u>	<u>-</u>	<u>1,443,325</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of capital assets	-	-	-
Interest expense	-	(28,334)	(44,989)
	<u>-</u>	<u>(28,334)</u>	<u>(44,989)</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sales and maturities of investments	3,372,277	1,017,730	16,624,197
Purchase of investments	(4,665,075)	(1,023,318)	(19,265,477)
Investment earnings	13,965	(63,354)	(83,977)
	<u>(1,278,833)</u>	<u>(68,942)</u>	<u>(2,725,257)</u>
Net Increase in Cash and Cash Equivalents	267,033	87,634	1,264,050
Cash and Cash Equivalents, Beginning of Year	<u>16,217</u>	<u>8,902</u>	<u>125,459</u>
Cash and Cash Equivalents, End of Year	<u>\$ 283,250</u>	<u>\$ 96,536</u>	<u>\$ 1,389,509</u>

**COUNTY OF KINGS**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Workers' Compensation Self-Insurance	Fleet Management	Information Services
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ (612,948)	\$ (119,099)	\$ 495,738
Adjustments to reconcile operating income (loss):			
Depreciation	-	600,827	513,787
Sale of capital assets	-	120,063	-
(Increase) Decrease in receivables	-	(363,270)	(59,747)
Increase (Decrease) in deposits with others	-	-	-
(Increase) Decrease in due from other funds	-	-	-
(Increase) Decrease in due from other governments	-	-	-
(Increase) Decrease in inventories and prepaids	-	10,939	-
Increase (Decrease) in deferred revenue	-	-	-
Increase (Decrease) in accrued expenses payable	59,618	(7,817)	(63,757)
Increase (Decrease) in due to other funds	-	411	(2,154)
Increase (Decrease) in capital leases payable	-	-	(224,752)
Increase (Decrease) in compensated absences payable	-	4,962	(31,956)
Increase (Decrease) in interest payable	-	-	(7,650)
Increase (Decrease) in claims payable	547,000	-	-
Total adjustments	606,618	366,115	123,771
Net cash provided (used) by operating activities	\$ (6,330)	\$ 247,016	\$ 619,509

**COUNTY OF KINGS**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Health Self- Insurance	Public Works	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ 1,785,466	\$ 84,605	\$ 1,633,762
Adjustments to reconcile operating income (loss):			
Depreciation	-	21,804	1,136,418
Sale of capital assets	-	-	120,063
(Increase) Decrease in receivables	(6,573)	(6,835)	(436,425)
Increase (Decrease) in deposits with others	(205,356)	-	(205,356)
(Increase) Decrease in due from other funds	(17,206)	-	(17,206)
(Increase) Decrease in due from other governments	700	-	700
(Increase) Decrease in inventories and prepaids	-	-	10,939
Increase (Decrease) in deferred revenue	-	(478)	(478)
Increase (Decrease) in accrued expenses payable	(11,165)	55,233	32,112
Increase (Decrease) in due to other funds	-	1,227	(516)
Increase (Decrease) in capital leases payable	-	6,285	(218,467)
Increase (Decrease) in compensated absences payable	-	23,069	(3,925)
Increase (Decrease) in interest payable	-	-	(7,650)
Increase (Decrease) in claims payable	-	-	547,000
Total adjustments	(239,600)	100,305	957,209
Net cash provided (used) by operating activities	\$ 1,545,866	\$ 184,910	\$ 2,590,971

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL  
WORKERS' COMPENSATION SELF-INSURANCE INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Operating Revenues</b>			
Miscellaneous revenues	\$ 77,520	\$ 46,500	\$ (31,020)
Total Operating Revenues	<u>77,520</u>	<u>46,500</u>	<u>(31,020)</u>
<b>Operating Expenses</b>			
Salaries and employee benefits	(702,065)	(105,706)	596,359
Services and supplies	90,720	6,419	84,301
Administration	688,865	758,735	(69,870)
Total Operating Expenses	<u>77,520</u>	<u>659,448</u>	<u>610,790</u>
Operating income (loss)	<u>-</u>	<u>(612,948)</u>	<u>(612,948)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	-	(31,235)	(31,235)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(31,235)</u>	<u>(31,235)</u>
Income Before Operating Transfers	-	(644,183)	(644,183)
Transfers In	1,000,000	1,000,000	-
Change in Net Position	1,000,000	355,817	1,355,817
Net Position, Beginning of Year	<u>(1,625,792)</u>	<u>(1,625,792)</u>	<u>-</u>
Net Position, End of Year	<u>\$ (625,792)</u>	<u>\$ (1,269,975)</u>	<u>\$ 1,355,817</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL  
FLEET MANAGEMENT INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Operating Revenues</b>			
Charges for services	\$ 2,883,462	\$ 2,690,477	\$ (192,985)
Miscellaneous revenues	220,000	157,723	(62,277)
<b>Total Operating Revenues</b>	<u>3,103,462</u>	<u>2,848,200</u>	<u>(255,262)</u>
<b>Operating Expenses</b>			
Salaries and employee benefits	448,504	419,588	28,916
Services and supplies	2,347,732	1,767,234	580,498
Administration	173,482	179,650	(6,168)
Depreciation	640,236	600,827	39,409
<b>Total Operating Expenses</b>	<u>3,609,954</u>	<u>2,967,299</u>	<u>642,655</u>
Operating Income (loss)	<u>(506,492)</u>	<u>(119,099)</u>	<u>387,393</u>
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental revenues	460,000	443,325	(16,675)
Investment earnings	35,000	1,235	(33,765)
Sale of capital assets	-	120,063	120,063
<b>Total Nonoperating Revenues (Expenses)</b>	<u>495,000</u>	<u>564,623</u>	<u>69,623</u>
Change in Net Position	(11,492)	445,524	457,016
Net Position, Beginning of Year	<u>6,513,606</u>	<u>6,513,606</u>	<u>-</u>
Net Position, End of Year	<u>\$ 6,502,114</u>	<u>\$ 6,959,130</u>	<u>\$ 457,016</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL  
INFORMATION SERVICES INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Operating Revenues</b>			
Charges for services	\$ 6,637,815	\$ 6,743,826	\$ 106,011
Miscellaneous revenues	50,790	55,177	4,387
<b>Total Operating Revenues</b>	<u>6,688,605</u>	<u>6,799,003</u>	<u>110,398</u>
<b>Operating Expenses</b>			
Salaries and employee benefits	3,616,178	3,393,083	223,095
Services and supplies	3,112,034	2,298,222	813,812
Administration	55,070	98,173	(43,103)
Depreciation	213,037	513,787	(300,750)
<b>Total Operating Expenses</b>	<u>6,996,319</u>	<u>6,303,265</u>	<u>693,054</u>
<b>Operating Income (Loss)</b>	<u>(307,714)</u>	<u>495,738</u>	<u>803,452</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	14,000	(4,588)	(18,588)
Interest expense	-	1,821	1,821
<b>Total Nonoperating Revenues (Expenses)</b>	<u>14,000</u>	<u>(2,767)</u>	<u>(16,767)</u>
<b>Change in Net Position</b>	(293,714)	492,971	786,685
<b>Net Position, Beginning of Year</b>	<u>1,731,761</u>	<u>1,731,761</u>	<u>-</u>
<b>Net Position, End of Year</b>	<u>\$ 1,438,047</u>	<u>\$ 2,224,732</u>	<u>\$ 786,685</u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL  
HEALTH SELF-INSURANCE INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Operating Revenues</b>			
Miscellaneous revenues	\$ 11,617,916	\$ 11,956,042	\$ 338,126
Total Operating Revenues	<u>11,617,916</u>	<u>11,956,042</u>	<u>338,126</u>
<b>Operating Expenses</b>			
Salaries and employee benefits	10,500,000	8,873,184	1,626,816
Services and supplies	<u>1,370,000</u>	<u>1,297,392</u>	<u>72,608</u>
Total Operating Expenses	<u>11,870,000</u>	<u>10,170,576</u>	<u>1,699,424</u>
Operating Income (Loss)	<u>(252,084)</u>	<u>1,785,466</u>	<u>2,037,550</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	<u>40,000</u>	<u>13,965</u>	<u>(26,035)</u>
Total Nonoperating Revenues (Expenses)	<u>40,000</u>	<u>13,965</u>	<u>(26,035)</u>
Change in Net Position	(212,084)	1,799,431	2,011,515
Net Position, Beginning of Year	<u>2,974,119</u>	<u>2,974,119</u>	<u>-</u>
Net Position, End of Year	<u><u>\$ 2,762,035</u></u>	<u><u>\$ 4,773,550</u></u>	<u><u>\$ 2,011,515</u></u>

**COUNTY OF KINGS  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL  
PUBLIC WORKS INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Operating Revenues</b>			
Charges for services	\$ 13,684,624	\$ 13,330,103	\$ (354,521)
Miscellaneous revenues	-	143,606	143,606
Total Operating Revenues	<u>13,684,624</u>	<u>13,473,709</u>	<u>(210,915)</u>
<b>Operating Expenses</b>			
Salaries and employee benefits	4,341,697	4,106,576	235,121
Services and supplies	9,267,436	9,151,502	115,934
Administration	112,281	109,222	3,059
Depreciation	11,780	21,804	(10,024)
Total Operating Expenses	<u>13,733,194</u>	<u>13,389,104</u>	<u>344,090</u>
Operating Income (Loss)	<u>(48,570)</u>	<u>84,605</u>	<u>133,175</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	-	(63,354)	(63,354)
Interest expense	-	(34,784)	(34,784)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(98,138)</u>	<u>(98,138)</u>
Change in Net Position	(48,570)	(13,533)	35,037
Net Position, Beginning of Year	376,683	376,683	-
Prior Period Adjustment	-	-	-
Net Position, End of Year	<u>\$ 328,113</u>	<u>\$ 363,150</u>	<u>\$ 35,037</u>