

**COUNTY OF SIERRA,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2014**

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**COUNTY OF SIERRA
Annual Financial Report
For the Year Ended June 30, 2014**

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INTRODUCTORY SECTION

- **County Officials**

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COUNTY OF SIERRA
County Officials
For the Year Ended June 30, 2014

ELECTED OFFICIALS

Supervisor, District 1..... Lee Adams
Supervisor, District 2..... Peter W. Huebner
Supervisor, District 3..... Paul Roen
Supervisor, District 4..... Jim Beard
Supervisor, District 5..... Scott A. Schlefstein

Assessor..... Laura Marshall
Auditor/Controller..... Van Maddox
Clerk/Recorder..... Heather Foster
District Attorney..... Lawrence R. Allen
Sheriff/Coroner..... John J. Evans

DEPARTMENT DIRECTORS/ADMINISTRATORS

Agricultural Commissioner..... Tim W. Gibson
Behavioral Health..... Darden Bynum
Child Support Services..... Tex Ritter
Emergency Services - OES Coordinator..... Lee Brown
Emergency Services - Emergency Preparedness Coordinator..... LeTina Vanetti
Environmental Health..... Elizabeth Morgan
Planning Director/Director of Public Works/Director of Transportation..... Tim H. Beals
Probation..... Jeffrey D. Bosworth
Public Health..... Dr. Celia Sutton-Pado
Social Services..... April Waldo

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Combining Nonmajor Fund Statements**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors and Grand Jury
County of Sierra
Downieville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Sierra, California (County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Supervisors and Grand Jury
County of Sierra
Downieville, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2014, 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 2A to the basic financial statements, errors were detected in prior year net position. The correction of these errors resulted in the restatement of beginning fund balance/net position for the year ended June 30, 2014. Our opinion is not modified with respect to these matters.

As described in Note 1P to the financial statements, in 2014, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 70. Our opinion is not modified with respect to this 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 comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

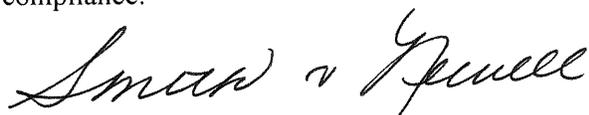
To the Board of Supervisors and Grand Jury
County of Sierra
Downieville, California

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements 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 January 22, 2015, 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.



Smith & Newell CPAs
Yuba City, California
January 22, 2015

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**Management's Discussion and Analysis
(Unaudited)**

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**Sierra County
Management's Discussion and Analysis**

Prepared By: Van Maddox, County Auditor/Treasurer/Tax Collector

As management of Sierra County, we offer readers of the County of Sierra's financial statement this narrative overview and analysis of the financial activities of Sierra County for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages i-vi).

Financial Highlights

- The County of Sierra's assets exceeded its liabilities at the close of the most recent fiscal year by \$30,145,716 (net position). Of this amount, \$23,381 (negative unrestricted net position) was available to meet the County's ongoing obligations to citizens and creditors.

The County's total net position increased by \$4,776,585. The primary causes for the increase resulted from cuts in expenditures and increase in State funded programs.

- At the close of the current fiscal year, the County's combined ending fund balance (all funds) was \$11,357,364. This was an increase of \$3,241,615 in comparison with the prior year. Approximately 99% of this total amount or \$11,357,364 is available for spending in the following year's budget.
- Unrestricted fund balance for the General Fund at the close of the current fiscal year was \$793,694.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the County of Sierra's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) individual fund financial statements, and 3) notes to the basic financial statements. This report also contains additional supplementary information to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County of Sierra's finances, in a manner similar to a private-sector business. It is comprised of a statement of net position and statement of activities.

The statement of net position presents information on all County 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 Sierra County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County of Sierra that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portion of their costs through user fees, fines and charges for service (business-type activities). The governmental activities of the County include: General Government, Public Protection, Public Ways and Facilities (Transportation), Health and Welfare, Public Assistance, Education, Recreation and Culture, and Debt Service and Contingencies.

The government-wide financial statements include not only the County of Sierra itself (known as the primary government), but also five legally separate County Service Areas. Although legally separate, the County Service Areas function for all practical purposes as departments of the County, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-13 of this report.

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County of Sierra maintains forty-six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General fund, the Road fund, the Human Services fund, and the Public Health and Drug Programs, all of which are considered to be major funds. Data from the other forty-two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County of Sierra adopts an annual appropriated budget for its General fund and each major special revenue fund. Budgetary comparison schedules (pages 53-56) have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary Funds. The County maintains one type of proprietary fund - Enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The County of Sierra maintains two enterprise funds. The Solid Waste fund, a major fund, and the Transit fund, a non-major fund. Both of these funds are reported separately in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 18-20 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 statement 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 statement can be found on pages 21 and 22 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-51 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. Required supplementary information can be found on pages 52-57 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and fiduciary funds are presented immediately following the required supplementary information on pensions. Combining and individual funds statements and schedules can be found on pages 58-70 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County of Sierra, assets exceeded liabilities by \$30,145,716 at the close of the 2013/2014 fiscal year.

By far the largest portion of the County's net position (64.95%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County of Sierra's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

County of Sierra's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current & Other Assets	\$ 18,468,373	\$ 15,755,999	\$ 1,723,128	\$ 1,721,888	\$ 20,191,501	\$ 17,477,887
Capital Assets	19,590,846	18,233,962	131,430	163,402	19,722,276	18,397,364
Total Assets	38,059,219	33,989,961	1,854,558	1,885,290	39,913,777	35,875,251
Other Liabilities	1,802,904	1,923,670	35,492	55,249	1,838,396	1,978,919
Long-Term Liabilities	4,363,767	4,820,043	3,565,898	3,248,387	7,929,665	8,068,430
Total Liabilities	6,166,671	6,743,713	3,601,390	3,303,636	9,768,061	10,047,349
Net Position:						
Net Investment in						
Capital Assets	19,446,813	18,006,572	131,430	163,402	19,578,243	18,169,974
Restricted	10,590,854	8,473,755	-	-	10,590,854	8,473,755
Unrestricted	1,854,881	765,921	(1,878,262)	(1,581,748)	(23,381)	(815,827)
Total Net Position	\$ 31,892,548	\$ 27,246,248	(\$ 1,746,832)	(\$ 1,418,346)	\$ 30,145,716	\$ 25,827,902

Investments in capital assets are subject to various external restrictions on how they may be used. The County's total net position increased by \$4,776,585. The primary cause for the increase resulted from better than expected state revenues.

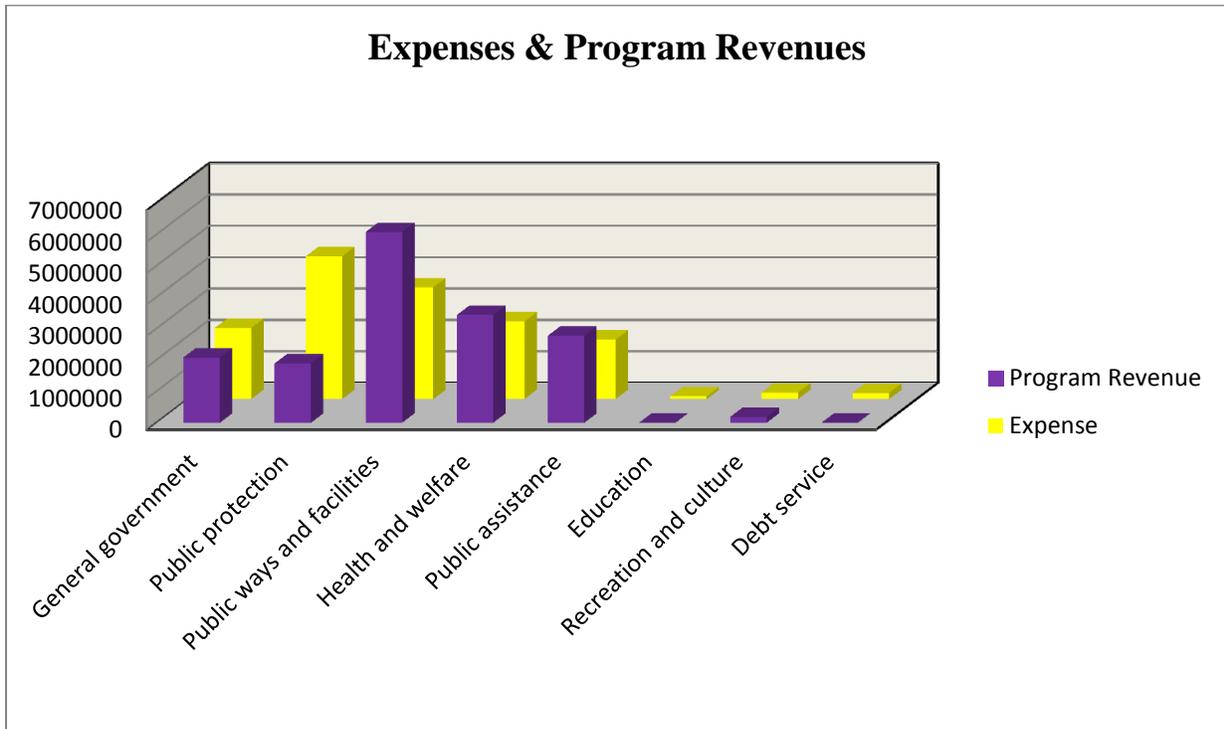
Governmental Activities. Governmental activities net position increased by \$4,646,300.

Key elements of this increase are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	\$ 2,324,796	\$ 2,875,416	\$ 834,022	\$ 742,323	\$ 3,158,818	\$ 3,617,739
Operating Grants & Contributions	10,948,187	12,369,693	140,148	41,743	11,088,335	12,411,436
Capital Grants	3,184,607	540,828	-	-	3,184,607	540,828
General Revenues:						
Property Taxes	3,236,917	2,953,311	-	-	3,236,917	2,953,311
Sales & Use Tax	100,402	248,881	-	-	100,402	248,881
Other Taxes	418,682	657,930	-	-	418,682	657,930
Interest	64,563	44,276	9,472	8,286	74,035	52,562
Franchise Fees	38,142	-	-	-	38,142	-
Miscellaneous	30,774	17,577	1,901	-	32,675	17,577
Total Revenues	20,347,070	19,707,912	985,543	792,352	21,332,613	20,500,264
Expenditures						
General Government	2,266,192	2,703,409	-	-	2,266,192	2,703,409
Public Protection	4,552,646	5,085,868	-	-	4,552,646	5,085,868
Public Ways & Facilities	3,563,487	3,859,660	-	-	3,563,487	3,859,660
Health & Welfare	2,473,038	2,635,855	-	-	2,473,038	2,635,855
Public Assistance	1,897,632	2,421,923	-	-	1,897,632	2,421,923
Recreation & Cultural	207,156	303,038	-	-	207,156	303,038
Education	88,265	45,339	-	-	88,265	45,339
Solid Waste	-	-	1,142,358	1,038,866	1,142,358	1,038,866
Transit	-	-	163,994	178,558	163,994	178,558
Interest on long term	201,260	236,444	-	-	201,260	236,444
Total Expenses	15,249,676	17,291,536	1,306,352	1,217,424	16,556,028	18,508,960
Excess (Deficiency) Over Expenses	5,097,394	2,416,376	(320,809)	(425,072)	4,776,585	1,991,304
Transfers	1,475	(84,638)	(1,475)	84,638	-	-
Change in Net Position	5,098,869	2,331,738	(322,284)	(340,434)	4,776,585	1,991,304
Prior Period Adjustments	(452,569)	128,774	(6,202)	-	(458,771)	128,774
Net Position-Prior Year	27,246,248	24,785,736	(1,418,346)	(1,077,912)	25,827,902	23,707,824
Net Position-Current Year	\$ 31,892,548	\$ 27,246,248	(\$ 1,746,832)	(\$ 1,418,346)	\$ 30,145,716	\$ 25,827,902

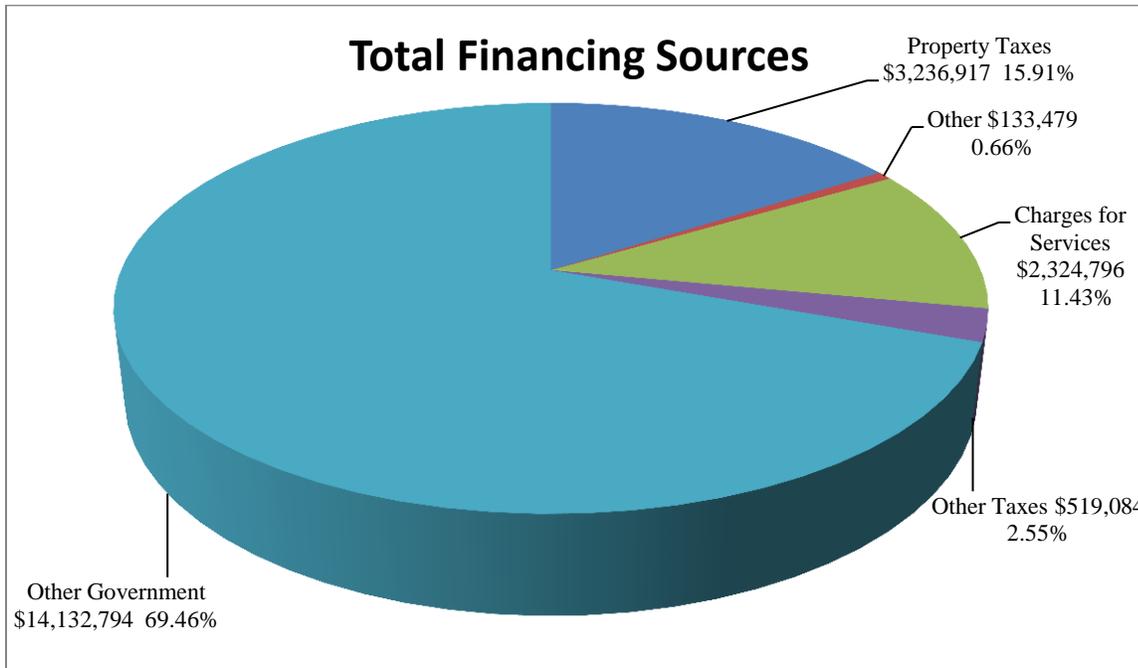
- Property taxes increased by \$283,606, 9.6% during the year. Sales tax decreased by \$148,479, 59.7% during the year.
- Contributions from others and capital grants are up primarily from an increase in State programs, and road and park projects.

Expenses and Program Revenues – Governmental Activities



	<u>Program Revenue</u>	<u>Expenses</u>
General government	2,083,576	2,266,192
Public protection	1,890,327	4,552,646
Public ways and facilities	6,082,572	3,563,487
Health and welfare	3,434,995	2,473,038
Public assistance	2,777,419	1,897,632
Education	883	88,265
Recreation and culture	187,818	207,156
Debt service	0	201,260

Revenues by Source (in millions) - Governmental Activities



The largest portion of revenue received by the County comes from Federal and State sources, approximately 69.46%. The second largest source comes from taxes, 18.46%. However, it should be noted that of every \$1.00 collected in property tax, approximately 34%, benefits schools, with 54% going towards the funding of County services and programs. Cities receive less than 1% and Special Districts receive 11%. Only 20% of total County revenue received is discretionary (not dedicated at the source of funding to particular services/programs).

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Two of Sierra County’s funds are classified as business-type activities. The Solid Waste fund and the Transit fund. The transit fund is a pass through of State funds to operate two senior van programs.

The Solid Waste fund consists of the operation of a landfill and four transfer stations. The County does not provide curb side pickup.

Financial Analysis of the Government’s Funds

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

Governmental funds. The focus of the County of Sierra’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, unrestricted fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County of Sierra’s governmental funds reported combined ending fund balances of \$11,357,364, an increase of \$2,789,046 from the prior year, which is available for spending on ongoing operations. Approximately 92.68% of this total amount constitutes restricted

fund balance. Most of the restricted fund balance is imposed by other governments which are the source of the funding, and is available to fund ongoing programs and projects in the special funds below.

The General fund is the general operating fund of the County of Sierra. The General fund's fund balance increased by \$408,927 during the 2013/14 fiscal year. This was caused by operating revenues exceeding expenditures.

At the end of the current fiscal year, the Road fund had a fund balance of \$485,892, while non-spendable fund balance was \$65,154, representing inventory. The difference is a restricted fund balance of \$420,738. As a measure of the Road fund's liquidity, it may be useful to compare both restricted fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 8.06% of total Road fund expenditures, while total fund balance represents 9.31% of expenditures.

At the end of the current fiscal year, the Human Services fund had a balance of \$2,788,412. As a measure of the Human Services fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 151.14 of expenditures.

At the end of the current fiscal year, the Public Health and Drug fund had a balance of \$5,395,993. As a measure of the Public Health and Drug fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents \$216.18% of expenditures.

Proprietary Funds. The County of Sierra'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 enterprise funds at the end of the year amounted to a deficit of \$1,746,832. The Solid Waste net position accounts for \$1,772,407 of the total enterprise funds deficit net position. The deficit is due to the closure/post-closure costs that are projected in future years but must be accounted for in the year incurred.

General Fund Budgetary Highlights

In last five years, the County of Sierra has experienced declining fund balances due to the State's appropriation of local funds, increases in labor costs (health insurance, retirement, and workers compensation insurance) and declining property taxes. However, the County ended the fiscal year with revenues exceeding expenditures by \$598,169.

Capital Asset and Debt Administration

Capital assets. The County of Sierra's investment in capital assets for its governmental and business type activities as of June 30, 2014, amounts to \$19,722,276 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The total increase in the County of Sierra's investment in capital assets for the current fiscal year was net of current year depreciation. See Note 4 page 37.

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

- Construction of additional Road fund equipment

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 937,606	\$ 937,606	\$ 47,088	\$ 47,088	\$ 984,694	\$ 984,694
Construction in progress	43,342	2,404,590	-	-	43,342	2,404,590
Historical treasures	32,013	32,013	-	-	32,013	32,013
Building and system	3,869,538	3,972,033	12,431	13,603	3,881,969	3,985,636
Machinery & equipment	1,434,639	1,692,095	71,911	102,711	1,506,550	1,794,806
Infrastructure	13,273,708	9,195,625	-	-	13,273,708	9,195,625
Total	<u>\$ 19,590,846</u>	<u>\$ 18,233,962</u>	<u>\$ 131,430</u>	<u>\$ 163,402</u>	<u>\$ 19,722,276</u>	<u>\$ 18,397,364</u>

Additional information of the County of Sierra's capital assets can be found in Note 4 on pages 37-38 of this report.

Long-Term Debt. At the end of the current fiscal year, the County of Sierra has total bonded debt outstanding of \$9,038,782, the debt consist of capital leases and a pension bond.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Pension Obligation Bond	\$ 3,944,000	\$ 4,298,000	\$ -	\$ -	\$ 3,944,000	\$ 4,298,000
Other (capital leases, comp balances & landfill closure)	419,767	522,043	3,565,898	3,248,387	3,985,665	3,770,430
Total	<u>\$ 4,363,767</u>	<u>\$ 4,820,043</u>	<u>\$ 3,565,898</u>	<u>\$ 3,248,387</u>	<u>\$ 7,929,665</u>	<u>\$ 8,068,430</u>

The County of Sierra's total debt decreased by \$138,765, approximately 1.72% during the current fiscal year. The key factor in this decrease was the payments on the pension obligation bonds and capital leases.

Additional information on the County of Sierra's long-term debt can be found in notes 6 and 7, on pages 39-41 of this report.

Economic Factors which Impacted Budget

All of the factors listed below were considered in preparing the County of Sierra's budget for the 2013-2014 fiscal year.

- The unemployment rate for the County of Sierra is currently 6.1% (6-30-2014), which is a decrease of 5% from a year ago. This compares to the state's average unemployment rate of 7.4%.

Requests for Information

The financial report is designed to provide a general overview of the County of Sierra's finances for all those with an interest in the government'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 Sierra, Auditor/Controller Office, P.O. Box 425, Downieville, California, 95936.

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Basic Financial Statements

- **Government-Wide Financial Statements**

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COUNTY OF SIERRA
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 10,788,738	\$ 58,511	\$ 10,847,249
Receivables:			
Accounts	1,742	5,198	6,940
Taxes	180,711	-	180,711
Intergovernmental	1,786,846	-	1,786,846
Prepaid costs	877,552	-	877,552
Deposits	775	-	775
Inventory	65,154	-	65,154
Restricted cash and investments	-	1,659,419	1,659,419
Net OPEB asset	483,974	-	483,974
Net pension asset	4,282,881	-	4,282,881
Capital assets:			
Non depreciable	1,012,961	47,088	1,060,049
Depreciable, net	18,577,885	84,342	18,662,227
Total capital assets	19,590,846	131,430	19,722,276
Total Assets	38,059,219	1,854,558	39,913,777
LIABILITIES			
Accounts payable	551,417	12,503	563,920
Salaries and benefits payable	698,849	13,672	712,521
Due to other agencies	-	9,317	9,317
Accrued claims liability	552,638	-	552,638
Long-term liabilities:			
Due within one year	738,966	-	738,966
Due in more than one year	3,624,801	3,565,898	7,190,699
Total Liabilities	6,166,671	3,601,390	9,768,061
NET POSITION			
Net investment in capital assets	19,446,813	131,430	19,578,243
Restricted for:			
General government	148,426	-	148,426
Public protection	1,509,067	-	1,509,067
Public assistance	1,310,857	-	1,310,857
Health and welfare	6,873,548	-	6,873,548
Public ways and facilities	748,956	-	748,956
Unrestricted	1,854,881	(1,878,262)	(23,381)
Total Net Position	\$ 31,892,548	\$ (1,746,832)	\$ 30,145,716

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

COUNTY OF SIERRA
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,266,192	\$ 1,436,756	\$ 646,820	\$ -
Public protection	4,552,646	174,074	1,687,683	28,570
Health and welfare	2,473,038	33,920	3,401,075	-
Public assistance	1,897,632	-	2,777,419	-
Education	88,265	883	-	-
Culture and recreation	207,156	-	141,270	46,548
Public ways and facilities	3,563,487	679,163	2,293,920	3,109,489
Interest on long-term debt	201,260	-	-	-
Total Governmental Activities	15,249,676	2,324,796	10,948,187	3,184,607
Business-type activities:				
Solid waste	1,142,358	816,037	22,832	-
Transit	163,994	17,985	117,316	-
Total Business-Type Activities	1,306,352	834,022	140,148	-
Total	\$ 16,556,028	\$ 3,158,818	\$ 11,088,335	\$ 3,184,607

General revenues:

Taxes:
 Property taxes
 Sales and use taxes
 Transient occupancy taxes
 Property transfer tax
 Timber yield tax
Franchise fees
Interest and investment earnings
Miscellaneous
Transfers

Total General Revenues

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Beginning, Restated

Net Position - Ending

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

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business- Type Activities	Total
\$ (182,616)	\$ -	\$ (182,616)
(2,662,319)	-	(2,662,319)
961,957	-	961,957
879,787	-	879,787
(87,382)	-	(87,382)
(19,338)	-	(19,338)
2,519,085	-	2,519,085
(201,260)	-	(201,260)
<u>1,207,914</u>	<u>-</u>	<u>1,207,914</u>
-	(303,489)	(303,489)
-	(28,693)	(28,693)
<u>-</u>	<u>(332,182)</u>	<u>(332,182)</u>
<u>1,207,914</u>	<u>(332,182)</u>	<u>875,732</u>
3,236,917	-	3,236,917
100,402	-	100,402
348,877	-	348,877
18,006	-	18,006
51,799	-	51,799
38,142	-	38,142
64,563	9,472	74,035
30,774	1,901	32,675
1,475	(1,475)	-
<u>3,890,955</u>	<u>9,898</u>	<u>3,900,853</u>
<u>5,098,869</u>	<u>(322,284)</u>	<u>4,776,585</u>
27,246,248	(1,418,346)	25,827,902
<u>(452,569)</u>	<u>(6,202)</u>	<u>(458,771)</u>
<u>26,793,679</u>	<u>(1,424,548)</u>	<u>25,369,131</u>
<u>\$ 31,892,548</u>	<u>\$ (1,746,832)</u>	<u>\$ 30,145,716</u>

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Basic Financial Statements

- **Fund Financial Statements**

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COUNTY OF SIERRA
Balance Sheet
Governmental Funds
June 30, 2014

	General	Road	Human Services	Public Health and Drug Programs
ASSETS				
Cash and investments	\$ 807,988	\$ 429,408	\$ 2,702,918	\$ 5,092,854
Receivables:				
Accounts	231	1,511	-	-
Taxes	173,581	-	-	-
Intergovernmental	208,055	511,123	188,512	655,910
Prepaid costs	877,552	-	-	-
Deposits	-	-	-	-
Inventory	-	65,154	-	-
Due from other funds	19,684	-	-	-
	Total Assets	Total Assets	Total Assets	Total Assets
	\$ 2,087,091	\$ 1,007,196	\$ 2,891,430	\$ 5,748,764
LIABILITIES				
Accounts payable	\$ 124,884	\$ 298,363	\$ 14,289	\$ 74,983
Salaries and benefits payable	375,284	128,694	88,730	103,424
Accrued claims liability	552,638	-	-	-
Due to other funds	-	-	-	-
	Total Liabilities	Total Liabilities	Total Liabilities	Total Liabilities
	1,052,806	427,057	103,019	178,407
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	240,591	94,246	-	174,364
	Total Deferred Inflows of Resources			
	240,591	94,246	-	174,364
FUND BALANCES				
Nonspendable	877,552	65,154	-	-
Restricted	-	420,738	2,788,412	5,395,993
Unassigned	(83,858)	-	-	-
	Total Fund Balances	Total Fund Balances	Total Fund Balances	Total Fund Balances
	793,694	485,892	2,788,412	5,395,993
	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	Total Liabilities, Deferred Inflows of Resources, and Fund Balances
	\$ 2,087,091	\$ 1,007,195	\$ 2,891,431	\$ 5,748,764

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

Other Governmental Funds	Total
\$ 1,755,570	\$ 10,788,738
-	1,742
7,130	180,711
223,246	1,786,846
-	877,552
775	775
-	65,154
-	19,684
\$ 1,986,721	\$ 13,721,202
\$ 38,898	\$ 551,417
2,717	698,849
-	552,638
19,684	19,684
61,299	1,822,588
32,049	541,250
32,049	541,250
-	942,706
1,920,557	10,525,700
(27,184)	(111,042)
1,893,373	11,357,364
\$ 1,986,721	\$ 13,721,202

COUNTY OF SIERRA
Reconciliation of the Governmental Funds Balance
Sheet to the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2014

Total Fund Balances - Total Governmental Funds	\$ 11,357,364
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	19,590,846
The net OPEB asset is not an available resource and, therefore, is not reported in the governmental funds.	483,974
The net pension asset pertaining to governmental funds is not a current financial resource and therefore, is not recorded in the governmental funds balance sheets.	4,282,881
Other long term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds.	541,250
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Bonds payable	(3,944,000)
Capital leases	(144,033)
Compensated absences	(275,734)
Net Position of Governmental Activities	<u>\$ 31,892,548</u>

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

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COUNTY OF SIERRA
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>Road</u>	<u>Human Services</u>	<u>Public Health and Drug Programs</u>
REVENUES				
Taxes and assessments	\$ 3,566,105	\$ -	\$ -	\$ -
Licenses, permits, and franchises	112,656	-	-	-
Fines and forfeitures	51,986	-	-	-
Intergovernmental	1,012,182	5,373,374	2,715,237	3,282,258
Use of money and property	31,588	-	2,415	26,168
Charges for services	1,433,197	613,253	-	33,553
Other revenues	195,851	27,424	620	6,215
Total Revenues	<u>6,403,565</u>	<u>6,014,051</u>	<u>2,718,272</u>	<u>3,348,194</u>
EXPENDITURES				
Current:				
General government	2,029,783	-	-	-
Public protection	4,071,430	-	-	-
Health and welfare	8,582	-	-	2,464,286
Public assistance	62,375	-	1,795,088	-
Education	40,169	-	-	-
Culture and recreation	206,350	-	-	-
Public ways and facilities	26,882	2,210,626	-	-
Debt service:				
Principal	-	83,390	-	-
Interest and other charges	-	7,624	-	-
Capital outlay	104,351	2,919,648	49,840	31,735
Total Expenditures	<u>6,549,922</u>	<u>5,221,288</u>	<u>1,844,928</u>	<u>2,496,021</u>
Excess of Revenues Over (Under) Expenditures	<u>(146,357)</u>	<u>792,763</u>	<u>873,344</u>	<u>852,173</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,152,917	87,921	696,444	2,567,823
Transfers out	(408,391)	(141,564)	(910,508)	(2,503,725)
Total Other Financing Sources (Uses)	<u>744,526</u>	<u>(53,643)</u>	<u>(214,064)</u>	<u>64,098</u>
Net Change in Fund Balances	<u>598,169</u>	<u>739,120</u>	<u>659,280</u>	<u>916,271</u>
Fund Balances - Beginning	384,767	(265,019)	2,186,122	4,556,100
Prior Period Adjustment	(189,242)	11,791	(56,990)	(76,378)
Fund Balances - Beginning, Restated	<u>195,525</u>	<u>(253,228)</u>	<u>2,129,132</u>	<u>4,479,722</u>
Fund Balances - Ending	<u>\$ 793,694</u>	<u>\$ 485,892</u>	<u>\$ 2,788,412</u>	<u>\$ 5,395,993</u>

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

Other Governmental Funds	Total
\$ 147,820	\$ 3,713,925
-	112,656
32,082	84,068
1,606,680	13,989,731
4,392	64,563
186,266	2,266,269
36,301	266,411
<u>2,013,541</u>	<u>20,497,623</u>
183,058	2,212,841
242,691	4,314,121
-	2,472,868
-	1,857,463
-	40,169
-	206,350
171,939	2,409,447
354,000	437,390
193,636	201,260
-	3,105,574
<u>1,145,324</u>	<u>17,257,483</u>
<u>868,217</u>	<u>3,240,140</u>
535,980	5,041,085
(1,075,422)	(5,039,610)
<u>(539,442)</u>	<u>1,475</u>
<u>328,775</u>	<u>3,241,615</u>
1,706,348	8,568,318
(141,750)	(452,569)
<u>1,564,598</u>	<u>8,115,749</u>
<u>\$ 1,893,373</u>	<u>\$11,357,364</u>

COUNTY OF SIERRA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 3,241,615
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.	
Expenditures for capital outlay	3,105,574
Less current year depreciation	(1,505,212)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. There were no significant proceeds.	
	(243,478)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal retirements	437,390
Miscellaneous adjustments	(33)
Some revenues reported in the statement of activities will not be collected for several months after the County's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.	
Change in unavailable revenue	92,925
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	18,919
Change in net OPEB asset	122,559
Change in net pension asset	(171,390)
Change in Net Position of Governmental Activities	\$ 5,098,869

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

COUNTY OF SIERRA
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities - Enterprise Funds		Total
	Solid Waste	Other Enterprise Funds	
ASSETS			
Current Assets:			
Cash and investments	\$ 58,511	\$ -	\$ 58,511
Receivables:			
Accounts	5,198	-	5,198
Total Current Assets	63,709	-	63,709
Noncurrent Assets:			
Restricted cash and investments	1,659,419	-	1,659,419
Capital Assets :			
Non depreciable	47,088	-	47,088
Depreciable, net	49,450	34,892	84,342
Total Noncurrent Assets	1,755,957	34,892	1,790,849
Total Assets	1,819,666	34,892	1,854,558
LIABILITIES			
Current Liabilities:			
Accounts payable	12,503	-	12,503
Salaries and benefits payable	13,672	-	13,672
Due to other funds	-	9,317	9,317
Total Current Liabilities	26,175	9,317	35,492
Noncurrent Liabilities:			
Closure/postclosure liability	3,565,898	-	3,565,898
Total Noncurrent Liabilities	3,565,898	-	3,565,898
Total Liabilities	3,592,073	9,317	3,601,390
NET POSITION			
Investment in capital assets	96,538	34,892	131,430
Unrestricted	(1,868,945)	(9,317)	(1,878,262)
Total Net Position	\$ (1,772,407)	\$ 25,575	\$ (1,746,832)

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

COUNTY OF SIERRA
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds		Total
	Solid Waste	Other Enterprise Funds	
OPERATING REVENUES			
Charges for services	\$ 816,037	\$ -	\$ 816,037
Passenger fares	-	17,985	17,985
Other revenues	1,901	-	1,901
Total Operating Revenues	817,938	17,985	835,923
OPERATING EXPENSES			
Salaries and benefits	118,291	-	118,291
Services and supplies	1,010,211	-	1,010,211
Purchased transportation	-	132,301	132,301
Administration	-	5,376	5,376
Depreciation	13,856	26,317	40,173
Total Operating Expenses	1,142,358	163,994	1,306,352
Operating Income (Loss)	(324,420)	(146,009)	(470,429)
NON-OPERATING REVENUES (EXPENSES)			
Local transportation funds	-	73,000	73,000
State transit assistance funds	-	4,316	4,316
Intergovernmental	22,832	40,000	62,832
Interest income	9,570	(98)	9,472
Total Non-Operating Revenues (Expenses)	32,402	117,218	149,620
Income (Loss) Before Contributions and Transfers	(292,018)	(28,791)	(320,809)
Transfers out	(1,475)	-	(1,475)
Change in Net Position	(293,493)	(28,791)	(322,284)
Total Net Position - Beginning	(1,472,712)	54,366	(1,418,346)
Prior Period Adjustment	(6,202)	-	(6,202)
Total Net Position - Beginning, Restated	(1,478,914)	54,366	(1,424,548)
Total Net Position - Ending	\$ (1,772,407)	\$ 25,575	\$ (1,746,832)

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

COUNTY OF SIERRA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Solid Waste	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 813,576	\$ -	\$ 813,576
Payments to suppliers	(685,738)	(119,692)	(805,430)
Payments to employees	(120,528)	-	(120,528)
Net Cash Provided (Used) by Operating Activities	7,310	(119,692)	(112,382)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Local transportation funds	-	73,000	73,000
State transit assistance funds	-	4,316	4,316
Intergovernmental revenue received	22,832	40,000	62,832
Transfers from other funds	142,934	-	142,934
Transfers to other funds	(144,409)	-	(144,409)
Interfund loans repaid	-	2,474	2,474
Net Cash Provided (Used) by Noncapital Financing Activities	21,357	119,790	141,147
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(8,201)	-	(8,201)
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,201)	-	(8,201)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	9,570	(98)	9,472
Net Cash Provided (Used) by Investing Activities	9,570	(98)	9,472
Net Increase (Decrease) in Cash and Cash Equivalents	30,036	-	30,036
Balances - Beginning	1,687,894	-	1,687,894
Balances - Ending	\$ 1,717,930	\$ -	\$ 1,717,930
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (324,420)	\$ (146,009)	\$ (470,429)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	13,856	26,317	40,173
Decrease (increase) in:			
Accounts receivable	(4,362)	-	(4,362)
Increase (decrease) in:			
Accounts payable	761	-	761
Salaries and benefits payable	3,964	-	3,964
Closure/post closure liability	317,511	-	317,511
Net Cash Provided (Used) by Operating Activities	\$ 7,310	\$ (119,692)	\$ (112,382)

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

COUNTY OF SIERRA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$ 5,450,589	\$ 313,347
Receivables:		
Taxes	-	523,314
Due from other funds	-	9,317
Total Assets	5,450,589	845,978
LIABILITIES		
Agency funds held for others	-	845,978
Total Liabilities	-	845,978
NET POSITION		
Held in trust for pool participants	\$ 5,450,588	\$ -

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

COUNTY OF SIERRA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	<u>Investment Trust Funds</u>
ADDITIONS	
Contributions to investment pool	\$ 248,278
Total Additions	<u>248,278</u>
DEDUCTIONS	
Distributions from investment pool	<u>1,183,415</u>
Total Deductions	<u>1,183,415</u>
Total Change in Net Position	(935,137)
Net Position - Beginning	<u>6,385,725</u>
Net Position - Ending	<u><u>\$ 5,450,588</u></u>

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

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Basic Financial Statements

- **Notes to Basic Financial Statements**

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COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of County of Sierra (County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

The County operates under an Administrator-Board of Supervisors form of government and provides various services on a county-wide basis including law and justice, education, detention, social services and health, fire protection, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collections.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the County's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the Board of Supervisors. The financial statements of the individual component units may be obtained by writing to the County of Sierra, Auditor-Controller's Office, 211 Nevada Street, Downieville, CA 95936.

Blended Component Units

Special Districts Governed by the Board of Supervisors - The County Board of Supervisors is the governing body of a number of special purpose district funds. Among its duties, the County Board of Supervisors approves the budgets, special taxes, and fees of these special districts. As an integral part of the County, these special districts are reported as nonmajor special revenue funds in the County's financial statements.

County Service Area No. 1
County Service Area No. 3
County Service Area No. 5
Sierra Brooks Water

County Service Area No. 2
County Service Area No. 4
County Service Area No. 4A
Verdi Fire Zone

Discretely Presented Component Units

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

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Agencies

The County is a participant in Trindel Insurance Fund (Trindel) the purpose of which is to provide for the creation and operation of a common risk sharing and insurance purchasing pool to be used to meet the obligations of the member counties to provide Worker's Compensation benefits for their employees and to provide public liability and property damage insurance for its members. Trindel is governed by a Joint Powers Agreement between the member counties pursuant to Article 1 (commencing with Section 6500), Chapter 5 of Division 7, Title 1 of the Government Code of California. Complete audited financial statements can be obtained from their office at P.O. Box 2069, Weaverville, CA 96093. The County is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39, and 61 of the Governmental Accounting Standards Board.

The County is a member of the California State Association of Counties Excess Insurance Authority (CSACEIA). CSACEIA is a joint powers authority organized for the purpose of developing and funding excess insurance programs for member counties. CSACEIA operates public entity risk pools for workers' compensation, comprehensive liability, property, and medical malpractice, and the pool purchases excess insurance and services for members. CSACEIA is under the control and direction of a board of directors consisting of representatives of the fifty-five member counties. Complete audited financial statements can be obtained from CSACEIA's office at 75 Iron Point Circle, Suite 200, Folsom, California 95630. The County is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39, and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the County's business-type activities and each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Certain indirect costs, which cannot be identified and broken down are included in the program expense reported for individual functions and activities. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories; each is displayed in a separate column. All remaining governmental and proprietary funds are separately aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General fund includes such activities as public protection, health and sanitation, public assistance, education, and general government administration services.
- The Road fund is a special revenue fund used to account for revenues and expenditures for streets and road expansion. Funding comes primarily from state highway user taxes and state and federal highway improvement grants.
- The Human Services fund is a special revenue fund used to account for revenues and expenditures for public assistance programs. Funding comes primarily from federal and state grants.
- The Public Health and Drug Programs fund is a special revenue fund used to account for revenue and expenditures for public health programs. Funding comes primarily from federal and state grant revenues.

The County reports the following major proprietary fund:

- The Solid Waste fund is an enterprise fund used to account for activity related to providing customers with solid waste service.

The County reports the following additional fund types:

- The Investment Trust funds account for the assets of legally separate entities that deposit cash with the County Treasurer. The assets of these funds are held in trust for other agencies and are part of the County's external pool. The external investment pool is made up of: school districts, special districts governed by local boards, regional boards and authorities, and pass through funds for tax collections for cities.
- Agency funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the County, acting in the capacity of an agent for distribution to other governmental units or other organizations.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales tax, grants, entitlements, and donations. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds include investment trust funds and agency funds. All investment trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are reported using the accrual basis of accounting to recognize receivables and payables.

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

E. Cash, Cash Equivalents, and Investments

The County sponsors an investment pool that is managed by the County Treasurer. The Treasurer invests on behalf of most funds of the County and external participants in accordance with the California State Government Code and the County's investment policy.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents, and Investments (Continued)

Investment transactions are recorded on the trade date. Investments are reported at fair value which is determined using selected bases annually. The fair value represents the amount the County could reasonably expect to receive for an investment in a current sale between a willing buyer and seller. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate notes are valued by the safekeeping institution and by the County brokerage firm. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements, as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2014, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's average daily cash balance at quarter end in relation to the total pool investments. Interest income earned in agency funds where there are no interest earnings requirements are assigned to the General fund per County policy. Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

For purposes of the accompanying statement of cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased, including restricted cash, and their equity in the County Treasurer's investment pool, to be cash equivalents.

F. Restricted Cash and Investments

Restricted assets in the County's enterprise funds represent cash and investments held in the Solid Waste fund of \$1,659,419 for closure/postclosure funding.

G. Receivables

Receivables for governmental activities consist mainly of accounts, taxes, and intergovernmental revenue.

Receivables for business-type activities consist mainly of user fees. Management believes these receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Other Assets

Inventory

Inventories are stated at cost (first-in, first-out basis) for governmental funds. Inventory recorded by governmental funds includes fuel, materials, and supplies for roads. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed.

Prepaid Costs

Payments made for services that will benefit periods beyond June 30, 2014 are recorded as prepaid costs in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

I. Capital Assets

Capital assets, including public domain (infrastructure such as roads, bridges, sidewalks, sewer, and similar items) are defined by the County as assets with an initial cost of more than \$7,500 and an estimated useful life in excess of one year. Repairs and upgrades to existing equipment and structures with a value of \$7,500 or more for equipment and \$10,000 or more for structures, and extends the useful life of the item for more than three years shall be capitalized. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their estimated fair market value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets estimated useful life in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-15 years
Structures and improvements	30 years
Infrastructure (except for the maintained pavement subsystem)	30 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

J. Property Tax

The State of California's (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1 percent of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of market value, as defined by Article XIII A, and may be adjusted by no more than 2 percent per fiscal year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1 percent tax levy among the County, cities, school districts, and other districts.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Tax (Continued)

The County of Sierra is responsible for assessing, collecting, and distributing property taxes in accordance with State law. Property taxes are levied on both secured (real property) and unsecured (personal property other than land and buildings) property. Supplemental property taxes are assessed upon transfer of ownership in property or completion of new construction.

The County levies, bills, and collects taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Due Dates	November 1 (1 st installment) February 1 (2 nd installment)	July 1
Delinquent dates	December 10 (1 st installment) April 10 (2 nd installment)	August 31

The County of Sierra apportions secured property tax revenue in accordance with the alternate methods of distribution, the “Teeter Plan”, as prescribed by Section 4717 of the California Revenue and Taxation code. Under the Teeter Plan, the County allocates to local taxing agencies 100 percent of the secured property taxes billed. In return, the County retains penalties and interest on delinquent secured taxes in the Tax Loss Reserve Fund (TLRF). The primary purpose of TLRF is to cover losses that may occur as a result of special sales of tax-defaulted property.

The County is legally required to maintain a minimum balance of 1 percent of the annual taxes levied on properties participating in the Teeter Plan. The balance in the TLRF was \$60,230 at June 30, 2014. The County’s management believes that any ownership rights to the TLRF the County may have are effective only upon a Board approved transfer or to the extent of losses related to the sale of tax defaulted property. Amounts in the TLRF are considered to be held in a custodial capacity for the participants in the County’s Teeter Plan and accounted for in an agency fund.

K. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables 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) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Transactions (Continued)

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

L. Unearned Revenue

Under the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue.

M. Compensated Absences

Vacation leave may be accumulated depending on the length of an employee's years of service, up to a maximum of 320 hours or 40 days. Sick leave is paid out only for employees with 15 years or more of employment with the County, at 40 percent of time accrued up to a maximum of 960 hours or 120 days. In the government-wide financial statements the accrued compensated absences are recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2014, the County did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Estimates

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

P. Implementation of Governmental Accounting Standards Board Statements (GASB)

The following Governmental Accounting Standards Board (GASB) Statement has been implemented, if applicable to the County of Sierra, in the current financial statements.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Restatement of Fund Balance/Net Position

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the County reports these changes as restatements of beginning fund balance/net position. During the current year adjustments to net position were required to correct a prior year misstatement of receivables and payroll liabilities. In addition, the County analyzed three special revenue funds and determined that they would be more appropriately classified as agency funds.

The impact of the restatements on the net position on the government-wide financial statements as previously reported is presented below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position, June 30, 2013, as previously reported	\$ 27,246,248	(\$ 1,418,346)
Adjustment associated with:		
Correction of receivables	175,003	-
Correction of payroll liabilities	(487,695)	(6,202)
Reclassification of funds	<u>(139,877)</u>	<u>-</u>
Total Adjustments	<u>(452,569)</u>	<u>(6,202)</u>
Net Position, July 1, 2013, as restated	<u>\$ 26,793,679</u>	<u>(\$1,424,548)</u>

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Restatement of Fund Balance/Net Position (Continued)

The impact of the restatements on the fund balance/net position on the fund financial statements as previously reported is presented below:

	General	Road	Human Services	Public Health and Drug Programs	Other Governmental Funds	Solid Waste
Fund Balance/Net Position, June 30, 2013, as previously reported	\$ 384,767	(\$ 265,019)	\$ 2,186,122	\$ 4,556,100	\$ 1,706,348	(\$ 1,472,712)
Adjustment associated with:						
Correction of receivables	77,472	97,531	-	-	-	-
Correction of payroll liabilities	(266,714)	(85,740)	(56,990)	(76,378)	(1,873)	(6,202)
Reclassification of funds	-	-	-	-	(139,877)	-
Total Adjustments	(189,242)	11,791	(56,990)	(76,378)	(141,750)	(6,202)
Fund Balance/Net Position, July 1, 2013, as restated	<u>\$ 195,525</u>	<u>(\$ 253,228)</u>	<u>\$ 2,129,132</u>	<u>\$ 4,479,722</u>	<u>\$ 1,564,598</u>	<u>(\$ 1,478,914)</u>

B. Deficit Fund Balance/Net Position

The following nonmajor special revenue fund had a deficit fund balance:

- The Office of Emergency Services fund had a fund balance deficit of \$27,184 which is expected to be eliminated in future years through grant revenues.

The following major enterprise fund had a deficit net position:

- The Solid Waste fund had a net position deficit of \$1,772,407, which is expected to be eliminated in future years through increased revenues.

NOTE 3: CASH AND INVESTMENTS

The County Treasurer manages, in accordance with California Government Code Section 53600, funds deposited in the investment pool by the County, all county school districts, various districts, and some cities within the County. The County investment pool is not registered with the Securities and Exchange Commission as an investment company. California Government Code and the County Investment Policy govern the investment pool activity. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The pool attempts to match maturities with planned outlays and maximize the return of investment over various market cycles. Yield is considered only after safety and credit quality have been met, consistent with limiting risk and prudent investment principles.

The Board of Supervisors monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the Board of Supervisors and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. All cash and investments are considered part of the investment pool.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

The County sponsored investment pool includes both internal and external participants. The portion of the pool attributable to external pool participants, which are considered involuntary participants, are included in the primary government as an Investment Trust Fund which does not have separate financial reports. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The investments of involuntary participants in the investment pool totaled \$5,450,589 at June 30, 2014.

A. Financial Statement Presentation

As of June 30, 2014, the County's cash and investments are reported in the financial statements as follows:

Primary government	\$ 12,506,668
Investment trust funds	5,450,589
Agency funds	<u>313,347</u>
Total Cash and Investments	<u>\$ 18,270,604</u>

As of June 30, 2014, the County's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 6,563
Deposits in Treasurer's Pool (less outstanding checks)	<u>637,514</u>
Total Cash	<u>644,077</u>
Investments:	
In Treasurer's Pool	<u>17,626,527</u>
Total Investments	<u>17,626,527</u>
Total Cash and Investments	<u>\$ 18,270,604</u>

B. Cash

At year end, the carrying amount of the County's cash deposits (including amount in checking accounts) was \$637,514 and the bank balance was \$471,101. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the County had cash on hand of \$6,563.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The County's investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the County's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250,000 insured amount are collateralized.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The County's investment policy provides the basis for the management of a prudent, conservative investment program. Funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the investment policy is more restrictive than state law. Under the provisions of the County's investment policy the County may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Medium Term Corporate Notes
- California Asset Management Program (CAMP)
- Negotiable Certificates of Deposit
- Time Certificates of Deposit
- Repurchase Agreements
- Investment Trust of California (CalTRUST)
- Securities of the Federal Government or its Agencies.

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit the exposure to fair value losses from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

As of June 30, 2014, the County had the following investments, all of which had a maturity of five years or less:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years		
Federal Agencies	0.60-0.75%	\$ -	\$ 987,054	\$ 987,054	2.64
Medium Term Notes	0.75-3.75%	1,512,736	4,131,483	5,644,219	1.73
Municipal Bonds	0.85%	1,001,373	-	1,001,373	0.60
Local Agency Investment Fund (LAIF)	Variable	9,993,048	-	9,993,048	-
California Asset Management Program (CAMP)	Variable	833	-	833	-
Total Investments		<u>\$12,507,990</u>	<u>\$ 5,118,537</u>	<u>\$17,626,527</u>	<u>0.74</u>

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by the type of investment to be met at time of purchase. Presented below is the minimum rating required by (where applicable) the California Government Code or the County's investment policy, and the actual rating as of year end for each investment type.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	N/A	AA+	Aaa	2.78%
Federal National Mortgage Assoc.	N/A	AA+	Aaa	2.82%
Medium Term Notes	A	AA+	A1	4.75%
Medium Term Notes	A	A	A2	5.89%
Medium Term Notes	A	A+	A2	2.86%
Medium Term Notes	A	AA	Aa2	4.30%
Medium Term Notes	A	A+	Aa2	2.84%
Medium Term Notes	A	AA+	Aa2	5.72%
Medium Term Notes	A	AA-	Aa3	5.66%
Municipal Bonds	A	A	A1	5.68%
LAIF	N/A	Unrated	Unrated	56.70%
CAMP	N/A	Unrated	Unrated	0.00%
Total				<u>100.00%</u>

Custodial Credit Risk for Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the County's investment policy requires that all of its managed investments shall be held in the name of the County in safekeeping by a third party bank trust department. At June 30, 2014, the County's investment pool had no securities exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The County's investment policy contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) at June 30, 2014, that represent 5 percent or more of total County investments are as follows:

<u>Investment Type</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Toyota Motor Credit	\$ 1,498,460	8.50%
General Electric	1,336,901	7.58%
CA State GO Bonds	1,001,373	5.68%

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

D. Investment in External Investment Pools

Investment in Local Agency Investment Fund - The County of Sierra is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code and is managed by the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designated by State statute. Investments in LAIF are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the County's position in the pool is the same as the value of the pooled shares. At June 30, 2014 the County's investment position in LAIF was \$9,993,048. The total amount invested by all public agencies in LAIF on that day was \$64,846,169,129. Of that amount, 98.14% is invested in non-derivative financial products and 1.86% in structured notes and asset-backed securities.

Investment in California Asset Management Program - The County of Sierra also maintains an investment in the California Asset Management Program (CAMP), a California JPA established in 1989 by the treasurers and finance directors of several California agencies. CAMP was created to provide professional investment services to California public agencies at a reasonable cost. The County's investment with CAMP as of June 30, 2014, was \$833, which approximates fair value.

E. County Investment Pool Condensed Financial Information

The following are condensed statements of net position and changes in net position for the Treasurer's Pool at June 30, 2014:

	<u>Internal Participants</u>	<u>External Participants</u>	<u>Total Pool</u>
Statement of Net Position			
Cash on hand	\$ 6,563	\$ -	\$ 6,563
Deposits (Less outstanding checks)	637,514	-	637,514
Investments	<u>12,175,938</u>	<u>5,450,589</u>	<u>17,626,527</u>
Net Position at June 30, 2014	<u>\$ 12,820,015</u>	<u>\$ 5,450,589</u>	<u>\$ 18,270,604</u>
Statement of Changes in Net Position			
Net position at July 1, 2013	\$ 9,812,211	\$ 5,674,071	\$ 15,486,282
Net changes in investments by pool participants	<u>3,007,804</u>	<u>(223,482)</u>	<u>2,784,322</u>
Net Position at June 30, 2014	<u>\$ 12,820,015</u>	<u>\$ 5,450,589</u>	<u>\$ 18,270,604</u>

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014, was as follows:

Governmental Activities

	Balance July 1, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Capital Assets, Not Being Depreciated:					
Land	\$ 937,606	\$ -	\$ -	\$ -	\$ 937,606
Construction in progress	2,404,590	2,954,465	(242,478)	(5,073,235)	43,342
Historical treasures	32,013	-	-	-	32,013
Total Capital Assets, Not Being Depreciated	<u>3,374,209</u>	<u>2,954,465</u>	<u>(242,478)</u>	<u>(5,073,235)</u>	<u>1,012,961</u>
Capital Assets, Being Depreciated:					
Infrastructure	14,069,304	-		5,038,418	19,107,722
Structures and improvements	7,405,949	69,534		34,817	7,510,300
Equipment	7,276,315	81,575	(24,265)	-	7,333,625
Total Capital Assets, Being Depreciated	<u>28,751,568</u>	<u>151,109</u>	<u>(24,265)</u>	<u>5,073,235</u>	<u>33,951,647</u>
Less Accumulated Depreciation For:					
Infrastructure	(4,873,679)	(960,335)	-	-	(5,834,014)
Structures and Improvements	(3,433,916)	(206,846)	-	-	(3,640,762)
Equipment	(5,584,220)	(338,031)	23,265	-	(5,898,986)
Total Accumulated Depreciation	<u>(13,891,815)</u>	<u>(1,505,212)</u>	<u>23,265</u>	<u>-</u>	<u>(15,373,762)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,859,753</u>	<u>(1,354,103)</u>	<u>(1,000)</u>	<u>5,073,235</u>	<u>18,577,885</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,233,962</u>	<u>\$ 1,600,362</u>	<u>(\$ 243,478)</u>	<u>\$ -</u>	<u>\$ 19,590,846</u>

Business-Type Activities

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Capital Assets, Not Being Depreciated:				
Land	\$ 47,088	\$ -	\$ -	\$ 47,088
Total Capital Assets, Not Being Depreciated	<u>47,088</u>	<u>-</u>	<u>-</u>	<u>47,088</u>
Capital Assets, Being Depreciated:				
Structures and improvements	79,116	-	-	79,116
Equipment	265,297	8,201	-	273,498
Total Capital Assets, Being Depreciated	<u>344,413</u>	<u>8,201</u>	<u>-</u>	<u>352,614</u>
Less Accumulated Depreciation For:				
Structures and improvements	(65,513)	(1,172)	-	(66,685)
Equipment	(162,586)	(39,001)	-	(201,587)
Total Accumulated Depreciation	<u>(228,099)</u>	<u>(40,173)</u>	<u>-</u>	<u>(268,272)</u>
Total Capital Assets, Being Depreciated, Net	<u>116,314</u>	<u>(31,972)</u>	<u>-</u>	<u>84,342</u>
Business-Type Activities Capital Assets, Net	<u>\$ 163,402</u>	<u>(\$ 31,972)</u>	<u>\$ -</u>	<u>\$ 131,430</u>

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 4: CAPITAL ASSETS (CONTINUED)

Historical treasures consist of 159 gold nuggets weighing approximately 1,000 ounces in total. The nuggets were originally donated to the County and are currently on exhibit at the Los Angeles County Museum of Natural History. The gold is insured for \$2,000,000, and was valued at fair market value at the time of donation in 1880.

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 37,944
Public protection	235,758
Public ways and facilities	1,157,571
Health and sanitation	8,146
Public assistance	17,579
Education	<u>48,214</u>
Total Depreciation Expense - Governmental Functions	<u>\$ 1,505,212</u>

Depreciation expense was charged to business-type functions as follows:

Solid Waste	\$ 13,856
Nonmajor proprietary fund	<u>26,317</u>
Total Depreciation Expense – Business-Type Functions	<u>\$ 40,173</u>

Construction in Progress

Construction in progress for governmental activities relates primarily to work performed on the Jim Crow Canyon Bridge.

NOTE 5: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2014:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 19,684	\$ -
Nonmajor Governmental funds	-	19,684
Nonmajor Enterprise funds	-	9,317
Agency funds	<u>9,317</u>	<u>-</u>
Total	<u>\$ 29,001</u>	<u>\$ 29,001</u>

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, reimbursement of various County operations, and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2014:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 1,152,917	\$ 408,391
Road	87,921	141,564
Human Services	696,444	910,508
Public Health and Drug Programs	2,567,823	2,503,725
Nonmajor Governmental funds	535,980	1,075,422
Solid Waste	-	1,475
	<u> </u>	<u> </u>
Total	<u>\$ 5,041,085</u>	<u>\$ 5,041,085</u>

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2013</u>	<u>Adjustments/ Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Pension Obligation Bonds	\$ 4,298,000	\$ -	(\$ 354,000)	\$ 3,944,000	\$ 377,000
Capital Leases Payable	227,390	33	(83,390)	144,033	86,232
Compensated Absences	<u>294,653</u>	<u>263,869</u>	<u>(282,788)</u>	<u>275,734</u>	<u>275,734</u>
Total Governmental Activities	<u>\$ 4,820,043</u>	<u>\$ 263,902</u>	<u>(\$ 720,178)</u>	<u>\$ 4,363,767</u>	<u>\$ 738,966</u>
Business-Type Activities					
Closure/Postclosure	<u>\$ 3,248,387</u>	<u>\$ 317,511</u>	<u>\$ -</u>	<u>\$ 3,565,898</u>	<u>\$ -</u>
Total Business-Type Activities	<u>\$ 3,248,387</u>	<u>\$ 317,511</u>	<u>\$ -</u>	<u>\$ 3,565,898</u>	<u>\$ -</u>

The capital lease liability is liquidated by lease payments made by the Road fund. Compensated absences for governmental activities are generally liquidated by the fund where the accrued liability occurred. The closure/post-closure liability will be liquidated by the Solid Waste fund.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2014, are as follows:

Governmental Activities

Pension Obligation Bonds:

2012 Taxable Pension Obligation Bonds issued June 21, 2012, in the amount of \$4,630,000, due in annual installments of \$166,000 to \$311,000, with an interest rate of 4.60%, and a maturity on June 30, 2022. The bonds were used for the purposes of (a) refinancing the issuer's outstanding "side fund" obligations in respect of retired miscellaneous employees to the California Public Employees' Retirement System and (b) paying the costs associated with the issuance of the bonds.

	<u>\$ 3,944,000</u>
Total Pension Obligation Bonds	<u>3,944,000</u>
Total Governmental Activities	<u><u>\$ 3,944,000</u></u>

Following is a schedule of debt payment requirements of governmental activities to maturity for long-term debt, excluding compensated absences that have indefinite maturities, capital leases which are reported in Note 7, and landfill closure/postclosure costs which are reported in Note 8.

Governmental Activities

<u>Year Ended</u> <u>June 30</u>	<u>Pension Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 377,000	\$ 177,100	\$ 554,100
2016	408,000	159,390	567,390
2017	437,000	140,300	577,300
2018	468,000	119,853	587,853
2019	504,000	97,888	601,888
2020-2022	1,750,000	144,532	1,894,532
Total	\$ 3,944,000	\$ 839,063	\$ 4,783,063

NOTE 7: LEASES

Operating Leases

Rental expenses incurred under operating leases are not considered material.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 7: LEASES (CONTINUED)

Capital Leases

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

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments at June 30, 2014</u>
Governmental activities	3.20-3.50%	\$ 144,033
Total		<u>\$ 144,033</u>

Equipment and related accumulated depreciation under capital lease are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 606,805
Less accumulated depreciation	(313,466)
Net Value	<u>\$ 293,339</u>

As of June 30, 2014, capital lease annual amortization is as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2015	\$ 91,016
2016	30,295
2017	<u>30,295</u>
Total Requirements	151,606
Less Interest	(7,573)
Present Value of Remaining Payments	<u>\$ 144,033</u>

NOTE 8: CLOSURE/POSTCLOSURE

The County of Sierra is responsible for one operating landfill site. State and Federal laws and regulations require the County to perform certain closure and postclosure maintenance and monitoring functions at the site for thirty years after closure. GASB Statement No. 18 requires that a portion of these closure and postclosure care costs be reported as an operating expense in each year based on landfill capacity used as of each statement of net position date. The capacity of the landfill was formally reduced in 2012 following the County's adoption of a revised preliminary closure and postclosure maintenance plan which reflected the landfill's redesign to stay within its existing footprint. The redesign resulted in the total landfill capacity being reduced from 165,827 tons to 71,000 tons. The \$3,565,898 reported as closure/postclosure liability at June 30, 2014, represents the cumulative amount reported to date based on the estimate of 88 percent of total permitted site capacity filled.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 8: CLOSURE/POSTCLOSURE (CONTINUED)

The County will recognize the remaining estimated cost of closure and postclosure care of \$486,259 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure, postclosure, and corrective action care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulation.

The County is required by State and Federal laws and regulations to provide financial assurance that appropriate resources will be available to finance closure and postclosure care costs in the future. At June 30, 2014, cash and investments of \$1,659,419 were held for these purposes. This deposit is held in the Solid Waste fund.

The County expects that future inflation costs will be paid from interest earnings on the funds deposited. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by charges to future landfill users or from future tax revenue.

The County has pledged Solid Waste assessments and fees to secure the payment of postclosure costs of the landfill in accordance with the terms and the provisions of the agreement with the California Department of Resources Recycling and Recovery (CalRecycle). The amount of the pledged revenue shall be equal to \$51,900 per year for the thirty (30) year period of postclosure maintenance, representing the most recent monitoring and postclosure maintenance costs estimate for the Loyalton landfill. It is agreed that the amount of this pledge may increase or decrease to match any adjustments to the identified cost estimate, which is mutually agreed to by the County of Sierra and CalRecycle.

NOTE 9: NET POSITION

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position** - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 9: NET POSITION (CONTINUED)

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 10: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2014, fund balance for governmental funds is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the County’s highest level of decision-making authority. The Board of Supervisors is the highest level of decision making authority for the County that can, by adoption of an ordinance commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the County’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the County’s General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 10: FUND BALANCES (CONTINUED)

The fund balances for all major and nonmajor governmental funds as of June 30, 2014, were distributed as follows:

	General Fund	Road	Human Services	Public Health and Drug Programs	Other Governmental Funds	Total
Nonspendable:						
Prepaid costs	\$ 877,552	\$ -	\$ -	\$ -	\$ -	\$ 877,552
Inventory	-	65,154	-	-	-	65,154
Subtotal	<u>877,552</u>	<u>65,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>942,706</u>
Restricted for:						
Road programs	-	420,738	-	-	-	420,738
Welfare programs	-	-	282,455	-	-	282,455
Social Service programs	-	-	1,206,564	-	-	1,206,564
Protective Services programs	-	-	1,206,518	-	-	1,206,518
CalWorks programs	-	-	92,875	-	-	92,875
Public Health & Drug programs	-	-	-	5,395,993	-	5,395,993
Fish and Game	-	-	-	-	2,562	2,562
Aviation	-	-	-	-	14,102	14,102
Predator Control	-	-	-	-	538	538
Clerk Recorder	-	-	-	-	74,761	74,761
Court Fines	-	-	-	-	44,758	44,758
Law Enforcement	-	-	-	-	1,216,231	1,216,231
Board of Supervisors	-	-	-	-	64,848	64,848
FireSafe programs	-	-	-	-	161,575	161,575
Tax related costs	-	-	-	-	38,168	38,168
Special Districts Under the Board	-	-	-	-	302,158	302,158
Debt Service	-	-	-	-	856	856
Subtotal	<u>-</u>	<u>420,738</u>	<u>2,788,412</u>	<u>5,395,993</u>	<u>1,920,557</u>	<u>10,525,700</u>
Unassigned	(83,858)	-	-	-	(27,184)	(111,042)
Total	<u>\$ 793,694</u>	<u>\$ 485,892</u>	<u>\$ 2,788,412</u>	<u>\$ 5,395,993</u>	<u>\$ 1,893,373</u>	<u>\$11,357,364</u>

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance is available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The Board of Supervisors has adopted a fund balance policy for financial statement reporting. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures. The policy also provides for a measure of financial protection for the County against unforeseen circumstances and to comply with GASB 54. The minimum unrestricted fund balance may be recognized within the committed, assigned, or unassigned classifications.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 11: EMPLOYEES' RETIREMENT PLAN

A. Plan Description

The County contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office – 400 Q Street, Lincoln Plaza East, Sacramento, CA 95811 or www.calpers.ca.gov.

Effective January 1, 2013, the County added retirement tiers for both Miscellaneous and Safety Plans for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding.

B. Funding Policy

For active plan members preceding PEPRA, Miscellaneous Plan members pay 8% of their annual covered salary while Safety Plan members pay 9% of their annual covered salary. For active plan members included in PEPRA, Miscellaneous Plan members pay 6.25% of their annual covered salary while Safety Plan members pay 11.50% of their annual covered salary. The County is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The County has committed to contribute a portion of the required employee contribution in addition to their own required contributions. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established by PERS. Both the Miscellaneous and Safety Plans include a cost sharing agreement which determines whether a portion of the members' contribution is paid by the County or whether a portion of the employers' contribution is paid by the member. Results of the cost sharing agreements are as follows:

	Member Share		County Share		Total	
	Member	County	Member	County	Member	County
Miscellaneous						
Classic	4.000%	4.000%	0.000%	15.685%	4.000%	19.685%
PEPRA						
No MOU	6.250%	0.000%	0.000%	6.250%	6.250%	6.250%
Safety						
Classic	4.500%	4.500%	0.000%	32.675%	4.500%	37.175%
PEPRA						
No MOU	11.500%	0.000%	0.000%	11.500%	11.500%	11.500%

The County's contributions for the year ending June 30, 2014, were \$849,272 for the Miscellaneous Plans and \$322,766 for the Safety Plans, which equaled the required contributions each year. The County's contributions for the years ending June 30, 2013 and 2012 were \$1,478,000 and \$1,792,000 for the Miscellaneous and Safety Plans combined.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 11: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

B. Funding Policy (Continued)

The County's annual pension cost and prepaid pension asset, computed in accordance with GASB 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2014, were as follows:

Annual required contribution	\$ 1,400,874
Less: Interest on pension asset	(343,729)
Miscellaneous adjustment	(128,781)
Plus: Amortization of pension asset	303,012
Prior year interest	<u>340,888</u>
Net pension cost	1,572,264
Actual contributions made	<u>1,400,874</u>
Increase (decrease) in pension asset	(171,390)
Net pension asset, beginning	<u>4,454,271</u>
Net pension asset, ending	<u><u>\$ 4,282,881</u></u>

The following table shows the County's annual pension cost and the percentage contributed for the fiscal year 2013-2014 and each of the two preceding fiscal years:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>Pension Cost</u>	<u>Contributions</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Asset</u>
June 30, 2012	\$ 1,791,955	\$ 6,337,130	354%	\$ 4,545,175
June 30, 2013	1,569,098	1,478,194	94%	4,454,271
June 30, 2014	1,572,264	1,400,874	89%	4,282,881

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The County provides medical, dental and vision insurance to retirees who meet the following requirements:

- For miscellaneous and safety non-management employees, those who terminate or retire with at least 20 years of service with the County. Benefits do not begin unless/until the employee commences his or her retirement benefit under PERS.
- For management employees, those who terminate or retire with at least 10 years of service with the County. PERS retirement is not required for employees to begin receiving the benefit.

For those employees who meet the requirements, the County will pay 100% of the cost of healthcare coverage for the employee and spouse up to an amount fixed at the time of termination or retirement. The retiree is required to the pay any excess amount should healthcare premiums exceed the retiree's cap.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. Plan Description (Continued)

Benefits and coverage end under the following circumstances:

- A non-management employee hired prior to September 1, 1990 becomes eligible for Medicare
- A non-management employee hired on or after September 1, 1990 has received benefits for 5 years, or if earlier, becomes eligible for Medicare
- A management employee becomes eligible for Medicare

Benefits and coverage end under the following circumstances (Continued):

- At the retiree's death.

B. Funding Policy

As required by GASB 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 30 years on a level-dollar basis.

GASB 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 fund an irrevocable trust at this time. The Board of Supervisors 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.

C. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (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. The County elected to prepay the unfunded actuarial liability.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the County's net OPEB obligation (asset).

Annual required contribution	\$ 147,673
Interest on net OPEB obligation	(16,264)
Adjustments to annual required contribution	<u>14,908</u>
Annual OPEB Cost	146,317
Contributions made:	
Pay as you go contribution	(<u>268,876</u>)
Increase (Decrease) in Net OPEB Obligation	(122,559)
Net OPEB Obligation (Asset) Beginning	<u>361,415</u>
Net OPEB Obligation (Asset) Ending	<u><u>(\$ 483,974)</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the current and prior two years are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation (Asset)</u>
June 30, 2012	\$ 152,803	133%	(\$ 227,533)
June 30, 2013	149,865	188%	(361,533)
June 30, 2014	146,317	184%	(483,974)

D. Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$1,945,464 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,945,464. The covered payroll (annual payroll of employees covered by the plan) was \$5,596,985, and the ratio to the UAAL to the covered payroll was 34.8 percent.

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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions 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 (RSI) following the notes to the financial statements, presents multi-year 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.

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

E. Actuarial Methods and Assumptions

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

The most recent actuarial valuation was performed as of July 1, 2011. The assumptions used for this valuation are in accordance with CalPers' "OPEB Assumption Model", which describes guidelines to be used for retiree healthcare valuations for plans intending to pre-fund benefits through California Employers' Retiree Benefit Trust (CERBT).

The annual rate of return on assets used to pay for benefits is assumed to be 4.50% (assumed rate of return on general assets). The rate of return for assets in a trust is assumed to be 7.50%. Salaries are assumed to increase annually at 3.25%, and an assumed increase for amortization payments of 3.25%.

These assumptions reflect an implicit 3.0 percent general inflation assumption. The County's unfunded actuarial accrued liability is being amortized using the level dollar method on a closed basis over 30 years. The remaining amortization period as of June 30, 2014 was 28 years.

NOTE 13: DEFERRED COMPENSATION PLAN

Employees of the County of Sierra may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the County. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries is to be held in trust for the exclusive benefit of plan participants and their beneficiaries.

The deferred compensation balance is not considered an asset of the County and, therefore, does not appear in the financial statements.

NOTE 14: RISK MANAGEMENT

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

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 14: RISK MANAGEMENT (CONTINUED)

The County is a member of the Trindel Insurance Fund, a joint powers agency (JPA). The JPA is classified as a claims-servicing or account pool, which results in the County retaining the risk of loss and being considered self-insured with regard to liability coverage for the first \$100,000 of general liability per occurrence. The County maintains reserves on hand with the JPA for all known claims as calculated by the actuary and a prudent reserve for the deductibles for future claims.

The County also belongs to another larger JPA called the County Supervisors Association of California Excess Insurance Authority (CSACEIA). CSACEIA, along with other commercial carriers, increases the coverage for general liability to \$25 million. Also, CSACEIA, with other commercial carriers, covers replacement cost on property to \$50 million with a \$1,000 deductible per occurrence. The County has funded the first \$300,000 coverage for Workers' Compensation insurance through a JPA.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years and there has not been a significant reduction in coverage in fiscal year 2013/2014.

The claims liability of the County is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

All funds of the County participate in the program and the cost of the coverage is recorded in each participating fund. The County's equity investment in the Trindel Insurance fund of \$877,552 is recorded in the General fund as a prepaid cost. The net change in equity is shown as income or an expenditure in the General fund.

Changes in the County's claims liability amount for the fiscal years 2012, 2013, and 2014 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claims Payments and Changes In Estimates	Balance at End of Fiscal Year
2012	\$ 450,605	\$ 588,463	(\$ 520,264)	\$ 518,804
2013	518,804	338,648	(299,575)	557,877
2014	557,877	113,124	(118,363)	552,638

NOTE 15: OTHER INFORMATION

A. Contingencies

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

COUNTY OF SIERRA
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 15: OTHER INFORMATION (CONTINUED)

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2014 through January 22, 2015, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information
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COUNTY OF SIERRA
Required Supplementary Information
For the Year Ended June 30, 2014

I. SCHEDULE OF FUNDING PROGRESS - PENSION

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

II. SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Schedule of Funding Progress - Other Postemployment Benefits provides a consolidated snapshot of the County's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage Of Covered Payroll
June 30, 2009	\$ -	\$ 2,306,169	\$2,306,169	0.00%	\$ 5,489,039	42.0%
July 1, 2011	-	1,945,464	1,945,464	0.00%	5,596,985	34.8%

COUNTY OF SIERRA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ 3,555,678	\$ 3,555,678	\$ 3,566,105	\$ 10,427
Licenses, permits, and franchises	144,300	144,300	112,656	(31,644)
Fines and forfeitures	46,000	46,000	51,986	5,986
Intergovernmental	1,088,159	1,085,478	1,012,182	(73,296)
Use of money and property	12,030	12,030	31,588	19,558
Charges for services	1,389,396	1,389,396	1,433,197	43,801
Other revenues	143,510	143,510	195,851	52,341
Total Revenues	<u>6,379,073</u>	<u>6,376,392</u>	<u>6,403,565</u>	<u>27,173</u>
EXPENDITURES				
Current:				
General government	2,939,069	2,935,419	2,029,783	905,636
Public protection	4,170,954	4,316,242	4,071,430	244,812
Health and welfare	8,733	9,370	8,582	788
Public assistance	102,480	102,480	62,375	40,105
Education	45,924	45,924	40,169	5,755
Culture and recreation	258,095	258,095	206,350	51,745
Public ways and facilities	51,186	51,186	26,882	24,304
Debt service:				
Principal	-	848	-	848
Capital outlay	-	-	104,351	(104,351)
Total Expenditures	<u>7,576,441</u>	<u>7,719,564</u>	<u>6,549,922</u>	<u>1,169,642</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,197,368)</u>	<u>(1,343,172)</u>	<u>(146,357)</u>	<u>1,196,815</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,178,640	1,258,640	1,152,917	(105,723)
Transfers out	(207,720)	(209,822)	(408,391)	(198,569)
Total Other Financing Sources (Uses)	<u>970,920</u>	<u>1,048,818</u>	<u>744,526</u>	<u>(304,292)</u>
Net Change in Fund Balance	<u>(226,448)</u>	<u>(294,354)</u>	<u>598,169</u>	<u>892,523</u>
Fund Balance - Beginning	384,767	384,767	384,767	-
Prior Period Adjustment	-	-	(189,242)	(189,242)
Fund Balance - Beginning, Restated	<u>384,767</u>	<u>384,767</u>	<u>195,525</u>	<u>(189,242)</u>
Fund Balance - Ending	<u>\$ 158,319</u>	<u>\$ 90,413</u>	<u>\$ 793,694</u>	<u>\$ 703,281</u>

COUNTY OF SIERRA
Required Supplementary Information
Budgetary Comparison Schedule
Road - Major Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 2,335,870	\$ 4,961,870	\$ 5,373,374	\$ 411,504
Charges for services	781,000	781,000	613,253	(167,747)
Other revenues	3,000	3,000	27,424	24,424
Total Revenues	<u>3,119,870</u>	<u>5,745,870</u>	<u>6,014,051</u>	<u>268,181</u>
EXPENDITURES				
Current:				
Public ways and facilities	2,566,305	2,535,497	2,210,626	324,871
Debt service:				
Principal	150,000	320,643	83,390	237,253
Interest and other charges	-	22,884	7,624	15,260
Capital outlay	657,000	3,120,280	2,919,648	200,632
Total Expenditures	<u>3,373,305</u>	<u>5,999,304</u>	<u>5,221,288</u>	<u>778,016</u>
Excess of Revenues Over (Under) Expenditures	<u>(253,435)</u>	<u>(253,434)</u>	<u>792,763</u>	<u>1,046,197</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	53,688	53,688	87,921	34,233
Transfers out	-	-	(141,564)	(141,564)
Total Other Financing Sources (Uses)	<u>53,688</u>	<u>53,688</u>	<u>(53,643)</u>	<u>(107,331)</u>
Net Change in Fund Balance	<u>(199,747)</u>	<u>(199,746)</u>	<u>739,120</u>	<u>938,866</u>
Fund Balance - Beginning	(265,019)	(265,019)	(265,019)	-
Prior Period Adjustment	-	-	11,791	11,791
Fund Balance - Beginning, Restated	<u>(265,019)</u>	<u>(265,019)</u>	<u>(253,228)</u>	<u>11,791</u>
Fund Balance - Ending	<u>\$ (464,766)</u>	<u>\$ (464,765)</u>	<u>\$ 485,892</u>	<u>\$ 950,657</u>

COUNTY OF SIERRA
Required Supplementary Information
Budgetary Comparison Schedule
Human Services - Major Special Revenue Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 2,249,679	\$ 2,238,679	\$ 2,715,237	\$ 476,558
Use of money	-	-	2,415	2,415
Other revenues	27,500	27,500	620	(26,880)
Total Revenues	<u>2,277,179</u>	<u>2,266,179</u>	<u>2,718,272</u>	<u>452,093</u>
EXPENDITURES				
Current:				
Public assistance	2,789,755	2,789,755	1,795,088	994,667
Capital outlay	-	-	49,840	(49,840)
Total Expenditures	<u>2,789,755</u>	<u>2,789,755</u>	<u>1,844,928</u>	<u>944,827</u>
Excess of Revenues Over (Under) Expenditures	<u>(512,576)</u>	<u>(523,576)</u>	<u>873,344</u>	<u>1,396,920</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	579,458	579,458	696,444	116,986
Transfers out	(696,884)	(696,884)	(910,508)	(213,624)
Total Other Financing Sources (Uses)	<u>(117,426)</u>	<u>(117,426)</u>	<u>(214,064)</u>	<u>(96,638)</u>
Net Change in Fund Balance	<u>(630,002)</u>	<u>(641,002)</u>	<u>659,280</u>	<u>1,300,282</u>
Fund Balance - Beginning	2,186,122	2,186,122	2,186,122	-
Prior Period Adjustment	-	-	(56,990)	(56,990)
Fund Balance - Beginning, Restated	<u>2,186,122</u>	<u>2,186,122</u>	<u>2,129,132</u>	<u>(56,990)</u>
Fund Balance - Ending	<u>\$ 1,556,120</u>	<u>\$ 1,545,120</u>	<u>\$ 2,788,412</u>	<u>\$ 1,243,292</u>

COUNTY OF SIERRA
Required Supplementary Information
Budgetary Comparison Schedule
Public Health and Drug Programs - Major Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 2,480,356	\$ 2,491,356	\$ 3,282,258	\$ 790,902
Use of money	6,000	6,000	26,168	20,168
Charges for services	17,401	17,401	33,553	16,152
Other revenues	70,825	70,825	6,215	(64,610)
Total Revenues	<u>2,574,582</u>	<u>2,585,582</u>	<u>3,348,194</u>	<u>762,612</u>
EXPENDITURES				
Current:				
Health and welfare	3,407,310	3,418,310	2,464,286	954,024
Capital outlay	-	-	31,735	(31,735)
Total Expenditures	<u>3,407,310</u>	<u>3,418,310</u>	<u>2,496,021</u>	<u>922,289</u>
Excess of Revenues Over (Under) Expenditures	<u>(832,728)</u>	<u>(832,728)</u>	<u>852,173</u>	<u>1,684,901</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,823,211	1,823,211	2,567,823	744,612
Transfers out	(1,808,226)	(1,808,226)	(2,503,725)	(695,499)
Total Other Financing Sources (Uses)	<u>14,985</u>	<u>14,985</u>	<u>64,098</u>	<u>49,113</u>
Net Change in Fund Balance	<u>(817,743)</u>	<u>(817,743)</u>	<u>916,271</u>	<u>1,734,014</u>
Fund Balance - Beginning	4,556,100	4,556,100	4,556,100	-
Prior Period Adjustment	-	-	(76,378)	(76,378)
Fund Balance - Beginning, Restated	<u>4,556,100</u>	<u>4,556,100</u>	<u>4,479,722</u>	<u>(76,378)</u>
Fund Balance - Ending	<u>\$ 3,738,357</u>	<u>\$ 3,738,357</u>	<u>\$ 5,395,993</u>	<u>\$ 1,657,636</u>

COUNTY OF SIERRA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
For the Year Ended June 30, 2014

BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The County presents a comparison of annual budgets to actual results for the County's General and Major Special Revenue funds. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

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

The following procedures are performed by the County in establishing the budgetary data reflected in the financial statements:

- (1) The County Administrative Officer submits to the Board of Supervisors a recommended draft budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Supervisors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein, as recommended expenditures become appropriations to the various County departments. The Board of Supervisors may amend the budget by motion during the fiscal year. The County Administrative Officer may authorize transfers from one object or purpose to another within the same department.

The County does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

Combining Nonmajor Fund Statements

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Nonmajor Governmental Funds

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COUNTY OF SIERRA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue	Debt Service	Total
ASSETS			
Cash and investments	\$ 1,755,489	\$ 81	\$ 1,755,570
Receivables:			
Taxes	7,130	-	7,130
Intergovernmental	223,246	-	223,246
Deposits	-	775	775
Total Assets	\$ 1,985,865	\$ 856	\$ 1,986,721
LIABILITIES			
Accounts payable	\$ 38,898	\$ -	\$ 38,898
Salaries and benefits payable	2,717	-	2,717
Due to other funds	19,684	-	19,684
Total Liabilities	61,299	-	61,299
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	32,049	-	32,049
Total Deferred Inflows of Resources	32,049	-	32,049
FUND BALANCES			
Restricted	1,919,701	856	1,920,557
Unassigned	(27,184)	-	(27,184)
Total Fund Balances	1,892,517	856	1,893,373
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,985,865	\$ 856	\$ 1,986,721

COUNTY OF SIERRA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue	Debt Service	Total
REVENUES			
Taxes and assessments	\$ 147,820	\$ -	\$ 147,820
Fines and forfeitures	32,082	-	32,082
Intergovernmental	1,606,680	-	1,606,680
Use of money and property	4,392	-	4,392
Charges for services	186,266	-	186,266
Other revenues	11,724	24,577	36,301
	1,988,964	24,577	2,013,541
Total Revenues			
EXPENDITURES			
Current:			
General government	182,256	802	183,058
Public protection	242,691	-	242,691
Public ways and facilities	171,939	-	171,939
Debt service:			
Principal	-	354,000	354,000
Interest and other charges	-	193,636	193,636
	596,886	548,438	1,145,324
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	1,392,078	(523,861)	868,217
OTHER FINANCING SOURCES (USES)			
Transfers in	12,118	523,862	535,980
Transfers out	(1,075,422)	-	(1,075,422)
	(1,063,304)	523,862	(539,442)
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	328,774	1	328,775
Fund Balances - Beginning	1,705,493	855	1,706,348
Prior Period Adjustment	(141,750)	-	(141,750)
Fund Balances - Beginning, Restated	1,563,743	855	1,564,598
Fund Balances - Ending	\$ 1,892,517	\$ 856	\$ 1,893,373

Nonmajor Governmental Funds

- **Special Revenue Funds**

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COUNTY OF SIERRA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

	<u>Fish and Game</u>	<u>Aviation</u>	<u>Predator Control</u>	<u>Clerk Recorder</u>	<u>Court Fines</u>
ASSETS					
Cash and investments	\$ 2,855	\$ 14,225	\$ 538	\$ 74,820	\$ 44,758
Receivables:					
Taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Total Assets	<u>\$ 2,855</u>	<u>\$ 14,225</u>	<u>\$ 538</u>	<u>\$ 74,820</u>	<u>\$ 44,758</u>
LIABILITIES					
Accounts payable	\$ 293	\$ 123	\$ -	\$ 59	\$ -
Salaries and benefits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	<u>293</u>	<u>123</u>	<u>-</u>	<u>59</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	2,562	14,102	538	74,761	44,758
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>2,562</u>	<u>14,102</u>	<u>538</u>	<u>74,761</u>	<u>44,758</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,855</u>	<u>\$ 14,225</u>	<u>\$ 538</u>	<u>\$ 74,820</u>	<u>\$ 44,758</u>

Law Enforcement	Board of Supervisors	Fire Safe	Transportation	Tax Related Costs Trust	Office of Emergency Services	Special Districts Under the Board	Total
\$ 1,029,117	\$ 67,768	\$ 166,419	\$ -	\$ 38,925	\$ -	\$ 316,064	\$ 1,755,489
-	-	-	-	-	-	7,130	7,130
191,188	9	-	-	-	32,049	-	223,246
<u>\$ 1,220,305</u>	<u>\$ 67,777</u>	<u>\$ 166,419</u>	<u>\$ -</u>	<u>\$ 38,925</u>	<u>\$ 32,049</u>	<u>\$ 323,194</u>	<u>\$ 1,985,865</u>
\$ 4,074	\$ 2,929	\$ 4,844	\$ -	\$ 757	\$ 7,500	\$ 18,319	\$ 38,898
-	-	-	-	-	-	2,717	2,717
-	-	-	-	-	19,684	-	19,684
<u>4,074</u>	<u>2,929</u>	<u>4,844</u>	<u>-</u>	<u>757</u>	<u>27,184</u>	<u>21,036</u>	<u>61,299</u>
-	-	-	-	-	32,049	-	32,049
-	-	-	-	-	32,049	-	32,049
1,216,231	64,848	161,575	-	38,168	-	302,158	1,919,701
-	-	-	-	-	(27,184)	-	(27,184)
<u>1,216,231</u>	<u>64,848</u>	<u>161,575</u>	<u>-</u>	<u>38,168</u>	<u>(27,184)</u>	<u>302,158</u>	<u>1,892,517</u>
<u>\$ 1,220,305</u>	<u>\$ 67,777</u>	<u>\$ 166,419</u>	<u>\$ -</u>	<u>\$ 38,925</u>	<u>\$ 32,049</u>	<u>\$ 323,194</u>	<u>\$ 1,985,865</u>

COUNTY OF SIERRA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	<u>Fish and Game</u>	<u>Aviation</u>	<u>Predator Control</u>	<u>Clerk Recorder</u>	<u>Court Fines</u>
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	798	-	-	-	1,823
Intergovernmental	-	-	62	-	-
Use of money and property	-	1,999	-	-	-
Charges for services	-	-	-	102,796	-
Other revenues	1,949	-	-	4,122	-
Total Revenues	<u>2,747</u>	<u>1,999</u>	<u>62</u>	<u>106,918</u>	<u>1,823</u>
EXPENDITURES					
Current:					
General government	1,293	-	-	99,205	-
Public protection	-	-	-	-	-
Public ways and facilities	-	13,825	-	-	-
Total Expenditures	<u>1,293</u>	<u>13,825</u>	<u>-</u>	<u>99,205</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>1,454</u>	<u>(11,826)</u>	<u>62</u>	<u>7,713</u>	<u>1,823</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(26,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>1,454</u>	<u>(11,826)</u>	<u>62</u>	<u>(18,287)</u>	<u>1,823</u>
Fund Balances - Beginning	1,108	25,928	476	93,048	42,935
Prior Period Adjustment	-	-	-	-	-
Fund Balances - Beginning, Restated	<u>1,108</u>	<u>25,928</u>	<u>476</u>	<u>93,048</u>	<u>42,935</u>
Fund Balances - Ending	<u>\$ 2,562</u>	<u>\$ 14,102</u>	<u>\$ 538</u>	<u>\$ 74,761</u>	<u>\$ 44,758</u>

Law Enforcement	Board of Supervisors	Fire Safe	Transportation	Tax Related Costs Trust	Office of Emergency Services	Special Districts Under the Board	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,370	\$ -	\$ 145,450	\$ 147,820
2,897	26,564	-	-	-	-	-	32,082
1,558,360	17	31,248	-	-	16,993	-	1,606,680
832	-	-	-	-	-	1,561	4,392
-	-	-	-	14,229	-	69,241	186,266
253	-	-	-	5,400	-	-	11,724
<u>1,562,342</u>	<u>26,581</u>	<u>31,248</u>	<u>-</u>	<u>21,999</u>	<u>16,993</u>	<u>216,252</u>	<u>1,988,964</u>
-	-	-	-	9,705	-	72,053	182,256
163,412	12,405	47,882	-	-	18,992	-	242,691
-	7,176	-	-	-	-	150,938	171,939
<u>163,412</u>	<u>19,581</u>	<u>47,882</u>	<u>-</u>	<u>9,705</u>	<u>18,992</u>	<u>222,991</u>	<u>596,886</u>
<u>1,398,930</u>	<u>7,000</u>	<u>(16,634)</u>	<u>-</u>	<u>12,294</u>	<u>(1,999)</u>	<u>(6,739)</u>	<u>1,392,078</u>
-	-	-	-	-	-	12,118	12,118
(1,041,579)	-	-	-	-	-	(7,843)	(1,075,422)
<u>(1,041,579)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,275</u>	<u>(1,063,304)</u>
<u>357,351</u>	<u>7,000</u>	<u>(16,634)</u>	<u>-</u>	<u>12,294</u>	<u>(1,999)</u>	<u>(2,464)</u>	<u>328,774</u>
858,880	57,848	178,209	139,877	25,874	(25,185)	306,495	1,705,493
-	-	-	(139,877)	-	-	(1,873)	(141,750)
<u>858,880</u>	<u>57,848</u>	<u>178,209</u>	<u>-</u>	<u>25,874</u>	<u>(25,185)</u>	<u>304,622</u>	<u>1,563,743</u>
<u>\$ 1,216,231</u>	<u>\$ 64,848</u>	<u>\$ 161,575</u>	<u>\$ -</u>	<u>\$ 38,168</u>	<u>\$ (27,184)</u>	<u>\$ 302,158</u>	<u>\$ 1,892,517</u>

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Nonmajor Governmental Funds

- **Debt Service Fund**

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**COUNTY OF SIERRA
Combining Balance Sheet
Nonmajor Debt Service Fund
June 30, 2014**

	Debt Service	Totals
ASSETS		
Cash and investments	\$ 81	\$ 81
Deposits	775	775
Total Assets	\$ 856	\$ 856
LIABILITIES		
Accounts payable	\$ -	\$ -
Total Liabilities	-	-
FUND BALANCE		
Restricted	856	856
Total Fund Balance	856	856
Total Liabilities and Fund Balance	\$ 856	\$ 856

COUNTY OF SIERRA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Debt Service Fund
For the Year Ended June 30, 2014

	Debt Service	Totals
REVENUES		
Other revenues	\$ 24,577	\$ 24,577
Total Revenues	24,577	24,577
EXPENDITURES		
Current:		
General government	802	802
Debt service:		
Principal	354,000	354,000
Interest and other charges	193,636	193,636
Total Expenditures	548,438	548,438
Excess of Revenues Over (Under) Expenditures	(523,861)	(523,861)
OTHER FINANCING SOURCES (USES)		
Transfers in	523,862	523,862
Total Other Financing Sources (Uses)	523,862	523,862
Net Change in Fund Balance	1	1
Fund Balance - Beginning	855	855
Fund Balance - Ending	\$ 856	\$ 856

Nonmajor Proprietary Fund

- **Enterprise Fund**

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COUNTY OF SIERRA
Combining Statement of Net Position
Nonmajor Proprietary Fund
June 30, 2014

	Transit	Total
ASSETS		
Current Assets:		
Cash and investments	\$ -	\$ -
Total Current Assets	-	-
Noncurrent Assets:		
Capital Assets :		
Depreciable, net	34,892	34,892
Total Noncurrent Assets	34,892	34,892
Total Assets	34,892	34,892
LIABILITIES		
Current Liabilities:		
Due to other funds	9,317	9,317
Total Current Liabilities	9,317	9,317
Total Liabilities	9,317	9,317
NET POSITION		
Investment in capital assets	34,892	34,892
Unrestricted	(9,317)	(9,317)
Total Net Position	\$ 25,575	\$ 25,575

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

COUNTY OF SIERRA
Combining Statement of Revenues, Expenses, and
Changes in Net Position
Nonmajor Proprietary Fund
For the Year Ended June 30, 2014

	Transit	Total
OPERATING REVENUES		
Passenger fares	\$ 17,985	\$ 17,985
Total Operating Revenues	17,985	17,985
OPERATING EXPENSES		
Purchased transportation	132,301	132,301
Administration	5,376	5,376
Depreciation	26,317	26,317
Total Operating Expenses	163,994	163,994
Operating Income (Loss)	(146,009)	(146,009)
NON-OPERATING REVENUES (EXPENSES)		
Local transportation funds	73,000	73,000
State transit assistance funds	4,316	4,316
Intergovernmental	40,000	40,000
Interest income	(98)	(98)
Total Non-Operating Revenues (Expenses)	117,218	117,218
Change in Net Position	(28,791)	(28,791)
Total Net Position - Beginning	54,366	54,366
Total Net Position - Ending	\$ 25,575	\$ 25,575

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

COUNTY OF SIERRA
Combining Statement of Cash Flows
Nonmajor Proprietary Fund
For the Year Ended June 30, 2014

	Transit	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	\$ (119,692)	\$ (119,692)
Net Cash Provided (Used) by Operating Activities	(119,692)	(119,692)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local transportation funds	73,000	73,000
State transit assistance funds	4,316	4,316
Intergovernmental revenue received	40,000	40,000
Interfund loans repaid	2,474	2,474
Net Cash Provided (Used) by Noncapital Financing Activities	119,790	119,790
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	(98)	(98)
Net Cash Provided (Used) by Investing Activities	(98)	(98)
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Balance - Beginning	-	-
Balance - Ending	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (146,009)	\$ (146,009)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	26,317	26,317
Net Cash Provided (Used) by Operating Activities	\$ (119,692)	\$ (119,692)

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

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Fiduciary Funds

- **Trust and Agency Funds**

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COUNTY OF SIERRA
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2014

	<u>Special Districts Governed by Local Boards</u>	<u>School Districts</u>	<u>Trial Court</u>	<u>Other Investment Trust Funds</u>	<u>Total Investment Trust Funds</u>
ASSETS					
Cash and investments	\$ 715,043	\$ 4,609,029	\$ 81,517	\$ 45,000	\$ 5,450,589
Total Assets	<u>715,043</u>	<u>4,609,029</u>	<u>81,517</u>	<u>45,000</u>	<u>5,450,589</u>
NET POSITION					
Held in trust for pool participants	<u>\$ 715,043</u>	<u>\$ 4,609,029</u>	<u>\$ 81,516</u>	<u>\$ 45,000</u>	<u>\$ 5,450,588</u>

COUNTY OF SIERRA
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ending June 30, 2014

	Special Districts Governed by Local Boards	School Districts	Trial Court	Other Investment Trust Funds	Total Investment Trust Funds
ADDITIONS					
Contributions to investment pool	\$ 83,570	\$ 123,260	\$ 37,835	\$ 3,613	\$ 248,278
Total Additions	<u>83,570</u>	<u>123,260</u>	<u>37,835</u>	<u>3,613</u>	<u>248,278</u>
DEDUCTIONS					
Distributions from investment pool	24,850	1,144,113	14,452	-	1,183,415
Total Deductions	<u>24,850</u>	<u>1,144,113</u>	<u>14,452</u>	<u>-</u>	<u>1,183,415</u>
Total Change in Net Position	58,720	(1,020,853)	23,383	3,613	(935,137)
Net Position - Beginning	<u>656,323</u>	<u>5,629,882</u>	<u>58,133</u>	<u>41,387</u>	<u>6,385,725</u>
Net Position - Ending	<u>\$ 715,043</u>	<u>\$ 4,609,029</u>	<u>\$ 81,516</u>	<u>\$ 45,000</u>	<u>\$ 5,450,588</u>

COUNTY OF SIERRA
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2014

	County Departmental Agency	Total Agency Funds
ASSETS		
Cash and investments	\$ 313,347	\$ 313,347
Taxes receivable	523,314	523,314
Due from other funds	9,317	9,317
Total Assets	\$ 845,978	\$ 845,978
LIABILITIES		
Agency funds held for others	\$ 845,978	\$ 845,978
Total Liabilities	\$ 845,978	\$ 845,978

COUNTY OF SIERRA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
COUNTY DEPARTMENTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 51,760	\$ 359,657	\$ 98,070	\$ 313,347
Taxes receivable	671,197	-	147,883	523,314
Due from other funds	-	9,317	-	9,317
Total Assets	\$ 722,957	\$ 368,974	\$ 245,953	\$ 845,978
LIABILITIES				
Accounts payable	\$ 138,234	\$ -	\$ 138,234	\$ -
Agency funds held for others	584,723	368,974	107,719	845,978
Total Liabilities	\$ 722,957	\$ 368,974	\$ 245,953	\$ 845,978
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 51,760	\$ 359,657	\$ 98,070	\$ 313,347
Taxes receivable	671,197	-	147,883	523,314
Due from other funds	-	9,317	-	9,317
Total Assets	\$ 722,957	\$ 368,974	\$ 245,953	\$ 845,978
LIABILITIES				
Due to other funds	\$ 138,234	\$ -	\$ 138,234	\$ -
Agency funds held for others	584,723	368,974	107,719	845,978
Total Liabilities	\$ 722,957	\$ 368,974	\$ 245,953	\$ 845,978

**INDEPENDENT ACCOUNTANT'S REPORT ON SUPPLEMENTARY
INFORMATION**

To the Board of Supervisors and Grand Jury
County of Sierra
Downieville, California

We have audited the financial statements of County of Sierra as of and for the year ended June 30, 2014, and have issued our report thereon dated January 22, 2015 which contains an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor Special Districts Under the Board fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Smith & Newell CPAs
Yuba City, California
January 22, 2015

COUNTY OF SIERRA
Combining Balance Sheet
Special Districts Under the Board
June 30, 2014

	Co. Service Area #1	Co. Service Area #2	Co. Service Area #3	Co. Service Area #4
ASSETS				
Cash and investments	\$ 106	\$ 22,153	\$ 469	\$ 6,894
Receivables:				
Taxes	437	904	611	296
Total Assets	<u>\$ 543</u>	<u>\$ 23,057</u>	<u>\$ 1,080</u>	<u>\$ 7,190</u>
LIABILITIES				
Accounts payable	\$ 22	\$ 16	\$ 1,078	\$ 30
Salaries and benefits payable	-	-	-	-
Total Liabilities	<u>22</u>	<u>16</u>	<u>1,078</u>	<u>30</u>
FUND BALANCES				
Restricted	<u>521</u>	<u>23,041</u>	<u>2</u>	<u>7,160</u>
Total Fund Balances	<u>521</u>	<u>23,041</u>	<u>2</u>	<u>7,160</u>
Total Liabilities and Fund Balances	<u>\$ 543</u>	<u>\$ 23,057</u>	<u>\$ 1,080</u>	<u>\$ 7,190</u>

Co. Service Area #5	Sierra Brooks Water	Verdi Fire Zone	Total
\$ 137	\$ 264,641	\$ 21,664	\$ 316,064
719	4,163	-	7,130
<u>\$ 856</u>	<u>\$ 268,804</u>	<u>\$ 21,664</u>	<u>\$ 323,194</u>
\$ 39	\$ 17,134	\$ -	\$ 18,319
-	2,717	-	2,717
39	19,851	-	21,036
817	248,953	21,664	302,158
817	248,953	21,664	302,158
<u>\$ 856</u>	<u>\$ 268,804</u>	<u>\$ 21,664</u>	<u>\$ 323,194</u>

COUNTY OF SIERRA
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Special Districts Under the Board
For the Year Ended June 30, 2014

	Co. Service Area #1	Co. Service Area #2	Co. Service Area #3	Co. Service Area #4
REVENUES				
Taxes and assessments	\$ 9,021	\$ 23,393	\$ 13,538	\$ 6,362
Use of money and property	-	-	-	-
Charges for services	-	-	-	-
Total Revenues	<u>9,021</u>	<u>23,393</u>	<u>13,538</u>	<u>6,362</u>
EXPENDITURES				
Current:				
General government	15,796	15,644	14,848	6,760
Public ways and facilities	-	-	-	-
Total Expenditures	<u>15,796</u>	<u>15,644</u>	<u>14,848</u>	<u>6,760</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,775)</u>	<u>7,749</u>	<u>(1,310)</u>	<u>(398)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,943	-	1,766	-
Transfers out	(83)	(1,720)	(1,065)	(48)
Total Other Financing Sources (Uses)	<u>6,860</u>	<u>(1,720)</u>	<u>701</u>	<u>(48)</u>
Net Change in Fund Balances	<u>85</u>	<u>6,029</u>	<u>(609)</u>	<u>(446)</u>
Fund Balances - Beginning	436	17,012	611	7,606
Prior Period Adjustment	-	-	-	-
Fund Balances - Beginning, Restated	<u>436</u>	<u>17,012</u>	<u>611</u>	<u>7,606</u>
Fund Balances - Ending	<u>\$ 521</u>	<u>\$ 23,041</u>	<u>\$ 2</u>	<u>\$ 7,160</u>

Co. Service Area #5	Sierra Brooks Water	Verdi Fire Zone	Total
\$ 13,436	\$ 79,700	\$ -	\$ 145,450
-	1,443	118	1,561
-	65,795	3,446	69,241
13,436	146,938	3,564	216,252
19,005	-	-	72,053
-	150,938	-	150,938
19,005	150,938	-	222,991
(5,569)	(4,000)	3,564	(6,739)
3,409	-	-	12,118
(12)	(4,915)	-	(7,843)
3,397	(4,915)	-	4,275
(2,172)	(8,915)	3,564	(2,464)
2,989	259,741	18,100	306,495
-	(1,873)	-	(1,873)
2,989	257,868	18,100	304,622
\$ 817	\$ 248,953	\$ 21,664	\$ 302,158