



Board Agenda Item 26

DATE: March 1, 2016

TO: Board of Supervisors

SUBMITTED BY: Vicki Crow, C.P.A.
Auditor-Controller-Treasurer-Tax Collector

SUBJECT: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015

RECOMMENDED ACTION(S):

Receive and file the County of Fresno Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015.

ALTERNATIVE ACTION(S):

There is no viable alternative as the CAFR is submitted in compliance with Government Code Sections 25520 and 25253.

FISCAL IMPACT:

There is no fiscal impact associated with this action.

DISCUSSION:

The County of Fresno's CAFR is provided for your review in compliance with Government Code Sections 25250 and 25253. The preparation of the 2015 CAFR required the implementation of two Governmental Accounting Standards Board (GASB) pronouncements (GASB No.'s 68 and 71) that significantly impact the presentation of the Government-wide and Proprietary Fund financial statements. Note 2 of the Notes to the Financial Statements provide an overview of the basis of financial statement presentation for the Government-wide and Fund Financial Statements (page 28).

The primary objective of the first pronouncement, GASB No. 68, was to improve accounting and financial reporting for pensions. The pronouncement requires the Net Pension Liability (NPL) of the County for defined benefit pensions be measured as the portion of the present value of projected benefit payments to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. It should be noted that this pronouncement decouples pension funding requirements from pension expense recognition and pension liability measurement. The annual funding contribution will still be determined based upon an actuarial study whereas the recognition of pension expense and pension liability are now incorporated into the Government-wide and Proprietary Funds Statement of Net Position, Government-wide Statement of Activities, and Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position. Information about total pension assets and liabilities was disclosed in the notes to the financial statements in prior year CAFR's.

The second pronouncement, GASB No. 71, addressed transition provisions of GASB No. 68 when employer contributions are made after the pension liability measurement date but before the employer's reporting period. The County of Fresno used a measurement date of June 30, 2014 to calculate the net pension liability for the

June 30, 2015 reporting date. As such, the County contributions made between the measurement dates and reporting date are reported as Deferred Outflows of Resources.

At June 30, 2015, the County's NPL was \$815.9 million, based on a June 30, 2014 measurement date. This liability was recognized on the Statement of Net Position for the primary government under noncurrent liabilities, "Due beyond one year" (page 14) and Statement of Net Position for Propriety Funds under Noncurrent Liabilities, "Net pension liability" (page 20). At June 30, 2015 the County reported deferred outflows of resources and deferred inflow of resources related to pensions from several sources, including experience change assumptions, difference in projected and actual investment earnings, county contributions subsequent to the measurement date and differences in assumptions. Note 11 in the Notes to the Financial Statements (pages 52-58) provide greater detail on the pension plan and GASB 68 implementation.

The County of Fresno Government-wide statement reported (amounts presented in thousands) a June 30, 2015 net position of (\$169,114), a decrease of \$1,428,949 from total net position of \$1,259,835 as of June 30, 2014. The change in net position was primarily the result of a (\$1,638,374) prior period adjustment as required with the implementation of GASB No. 68. The details of the prior period adjustment can be found under Note 17-Prior Period Adjustments (page 63). The two material prior period adjustments were \$1,098,799 to beginning net position and \$545,271 in the elimination of the Net Pension Asset, both required adjustments under GASB No. 68. The recognition of the long-term pension liability eliminated the surplus net position from the 2014 CAFR and created the unrestricted net position deficit.

Government-wide assets increased by \$128,804 with the primary contributor as cash and investments that increased by \$141,326 and was offset by a decline to Restricted Cash and investments and Accounts Receivable in the amounts of \$2,227 and \$9,752, respectively.

Government-wide liabilities increased by \$821,960 with the primary contributor as Noncurrent Liabilities beyond one-year of \$805,142 and Accounts Payable of \$26,749 offset by a decline to Due to Other Government of \$12,590. The increase in noncurrent liabilities relates to the recognition of \$815.9 in NPL.

The County's net position of (\$169,114) was comprised of a \$592,335 net investment in capital assets, \$1,588 in restricted assets for debt service, and (\$763,037) in unrestricted net assets. The net investment in capital assets represents capital assets such as buildings, equipment, and roads less depreciation and debt used to purchase those capital assets. The County's change in net position was \$209,425 as program and general revenues of \$907,987 and \$527,354, respectively, exceeded expenses of \$1,225,916.

The County of Fresno's total revenues increased by 7.02% from \$1,341,194 in fiscal year 2013-14 to \$1,435,341 in fiscal year 2014-15. This revenues increase of \$94,147 was the result of a \$42,094 increase in operating grants and contributions, a \$55,022 increase in general revenues, and a \$2,969 decline in charges for services.

Revenues of \$1,435,341 were comprised of \$812,827 from operating grants and contributions, \$527,354 from general revenues and \$95,160 from charges for services.

General Revenues accounted for 36.74% (\$527,354) of the County's total revenues, an increase of 11.65% (\$55,022). The primary source of general revenues is from property taxes (44.19% or \$233,085) and sales tax (35.41% or \$186,747). The remaining 20.40% (\$107,522) of general revenue was comprised of unrestricted motor vehicle in-lieu taxes (11.18% or \$58,964), other (3.01% or \$15,840), unrestricted investment earnings (1.90% or \$9,982), and franchise tax (4.31% or \$22,736).

The County of Fresno's total expenditures decreased by 4.73% (\$60,921) from \$1,286,837 in fiscal year 2013-14 to \$1,225,916 in fiscal year 2014-15. The County's primary sources of expenditures are for health, sanitation, and public assistance (62.06% or \$760,840) and public protection (23.75% or \$291,148). The remaining 14.19% (\$173,928) in expenditures are spent on general government (2.83% or \$34,673), public ways and facilities (3.72% or \$45,635), interest and fiscal charges (3.28% or \$40,219), education (1.95% or \$23,918), landfill (1.75% or \$21,451), water and sewer (.46% or \$5,652) and culture and recreation (.20% or \$2,380). The increased expenditures for health, sanitation, and public assistance are primarily the result of the fund project that changed the accounting for trust funds to the general fund or special revenue funds.

The 2014-15 CAFR is available online: <http://www2.co.fresno.ca.us/0410/CAFR/CAFR2015.pdf>

OTHER REVIEWING AGENCIES:

The CAFR and corresponding audit was presented to the Audit Committee at its' February 26, 2016 meeting.

REFERENCE MATERIAL

BAI #26, July 14, 2015
BAI #8, June 3, 2014
BAI #21, March 12, 2013
BAI #26, March 27, 2012

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with the Clerk - Report

CAO ANALYST:

Charlotte Tilkes