

**FRESNO METROPOLITAN FLOOD
CONTROL DISTRICT**

**FINANCIAL STATEMENTS,
COMBINING FUND FINANCIAL STATEMENTS,
AND SUPPLEMENTAL SCHEDULES**

FOR THE YEAR ENDED JUNE 30, 2014

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
JUNE 30, 2014**

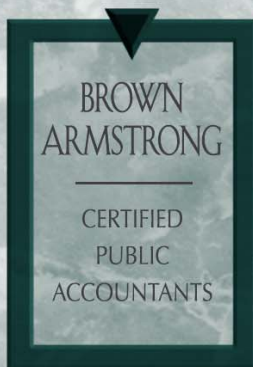
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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Fresno Metropolitan Flood Control District
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fresno Metropolitan Flood Control District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows and the respective budgetary comparison statement for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-22 and schedule of funding progress on page 45 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 District's basic financial statements. The combining fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedules on pages 54 and 55 include the effects of recording a liability to developers in the special revenue fund. This liability is not actually payable from the fund's assets at June 30, 2014. Developers will only be paid when the improvements, which have been financed by the developers, are later reimbursed by the owners of the property benefited by these improvements. The schedules also include the gross amount of contracts payable for awarded contracts rather than presenting the liability net of the percent incomplete. This amount is presented by management to present the amount of resources required in future periods to reduce those liabilities.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the District'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 District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 30, 2014

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

This section of the Fresno Metropolitan Flood Control District's (the District) Annual Financial Report presents a narrative overview of the District and its programs along with an analysis of the District's financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with information presented in our financial statements.

INTRODUCTION

The District is a "special act" district, created by the electorate to provide fully coordinated and comprehensive stormwater management and related services on a regional basis through a quasi-joint powers relationship among the Cities of Fresno and Clovis and the County of Fresno.

In the following sections, the mission, history, and organization of the District are presented, as well as an overview of District services and programs.

GOAL AND MISSION OF THE DISTRICT

The mission of the District is to control and manage the flood, storm, and surface and groundwater resources of the area, so as to prevent damage, injury, and inconvenience; to conserve such waters for local, domestic, and agricultural use; and to maximize the public use and benefit of the District's programs and infrastructure.

The District is a service agency created by and for the benefit of the community. Its goal is to meet the flood control, drainage, and water resources management needs of its constituency, while adhering to high standards of performance, environmental sensitivity, economic efficiency, and maximization of public benefit.

The District works to address stormwater and related water resource problems and needs, while seeking to prevent the creation of new problems. The District strives to achieve these goals within the reasonable time and economic parameters established through collective community discussion and decision-making as entrusted to the District Board of Directors. As a service agency, it is the District's responsibility to respond to the community's needs for technical information; resources conservation; and facility construction, operation, and maintenance.



McKinley and Fairfax 1962

DISTRICT HISTORY

The District exists as a direct creation of the electorate of the Fresno-Clovis metropolitan area. Until June 5, 1956, the responsibility for stormwater management and related functions was vested individually in the Cities of Fresno and Clovis and the County of Fresno. Until that time, stormwater management generally consisted of independent, site-specific actions intended only to alleviate individual problem locations, but failing to create comprehensive solutions. In response to the rapidly increasing number of stormwater management problems and the inability of the three independent jurisdictions to provide an effective, coordinated solution, a citizens' committee formed to explore alternatives.

The result of the citizens' efforts was draft legislation creating a "special act" district designed to mandate a quasi-joint powers relationship among the Cities of Fresno and Clovis and the County of Fresno, which would provide the desired stormwater management services. The act is known as the Fresno Metropolitan Flood Control District Act of 1955 (the District Act) and was signed into law on May 13, 1955. The District Act became law on September 17, 1955, subject to voter approval. On June 5, 1956, the District Act was ratified by a five-to-one majority vote (32,030 voting in favor, 5,974 voting in opposition) and was established as Chapter 73 of the California Water Code appendix. Additional information is available from the District's web site at www.fresnofloodcontrol.org.



Downtown 1925

Joaquin and Kings rivers. The District is authorized to control stormwaters within an urban and rural foothill watershed of approximately 400 square miles, known as the Fresno County Stream Group. The watershed extends eastward into the Sierra Nevada to an elevation of approximately 4,500 feet above sea level. The District service area includes most of the Fresno-Clovis metropolitan area (excluding the community of Easton), and unincorporated lands to the east and northeast.

OVERVIEW OF DISTRICT SERVICES AND PROGRAMS

District Service Area

The District is located in the north-central portion of Fresno County between the San



Basin D on Forkner Ave.

For the purposes of program planning, structure, service delivery, and financing, a distinction is made between flood control and local drainage services. The flood control program relates to the control, containment, and safe disposal of stormwaters that flow onto the valley floor from the eastern streams. The local drainage program relates to the collection and safe disposal of stormwater runoff generated within the urban and rural watersheds or "drainage areas." These and other major District programs are introduced below and described in detail in the District's Service Plan. All are closely integrated and coordinated to provide efficient, comprehensive services. Collectively, these facilities comprise the "Storm Drainage and Flood Control Master Plan."

Flood Control Program

The District's flood control program consists of a system of facilities and operations which control the flows from several low-elevation streams that drain a part of the west slope of the Sierra Nevada between the San Joaquin and Kings rivers. These streams are collectively referred to as the Fresno County Stream Group. The system is currently composed of eight major flood control facilities and many related streams and channel features. The District is the local sponsor of the U.S. Army Corps of Engineers' (Corps) Redbank-Fancher Creeks Flood Control Project, which consists of five of the system's



Redbank Creek Reservoir, Fresno County

major facilities. Through its contract with the federal government, the District is responsible for construction costs sharing, land acquisition, operation, and maintenance of the Redbank-Fancher Creeks project. The District is also responsible for construction, operation, and maintenance of additional, non-federal flood control facilities required to control the stream group, and for flood plain management.

Rural Streams Program

Between the easterly boundary of the planned urban stormwater drainage system and the District's eastern boundary, there are approximately 175 miles of streams and channels, many of which are severely obstructed. The District has implemented the rural streams program to preserve, restore, and maintain these channels, and to complete any additional facilities necessary to safely convey storm flows through the rural area and the downstream urban area. The rural streams program includes activities to secure and maintain drainage amenities necessary for rural lands within the watershed.

Local Stormwater Drainage Program

The District's local stormwater drainage system consists of storm drains, detention and retention basins, and pump stations, some of which discharge to irrigation canals, creeks, and the San Joaquin River. The system is designed to retain and infiltrate as much runoff as possible. The District's Storm Drainage and Flood Control Master Plan includes 163 adopted or proposed drainage areas, each providing service to approximately one to two square miles. All but five of the developed drainage areas are served by a retention or detention facility. Local drainage services include topographic mapping; Master Plan engineering and facility design; system construction, operation, and maintenance; and engineering design services to ensure adequate drainage for new development.

Stormwater Quality Management Program

In compliance with the federal Clean Water Act and implementing stormwater permit regulations, the District and four other local public agencies (County of Fresno, City of Fresno, City of Clovis, and CSU Fresno) developed a stormwater quality management program to be implemented in the Fresno-Clovis metropolitan area. The program proposal was submitted to the Central Valley Regional Water Quality Control Board (RWQCB) as a part of the National Pollutant Discharge Elimination System Program (NPDES) municipal stormwater permit process. The RWQCB incorporated into the permit specific program requirements, including best management practices to prevent and reduce stormwater pollutants. The NPDES permit was originally issued to the participating agencies in September 1994, and was renewed in March 2001 and again on May 30, 2013. The permit is scheduled to expire in May 2018.

As owner and operator of the stormwater drainage system serving the metropolitan area, the District has primary responsibility for implementing this mandated program. The stormwater quality management program includes specific pollution prevention and control practices for urban drainage system planning, design, construction, and maintenance. The program also includes public education to prevent stormwater pollution, municipal operations control measures, commercial and industrial control measures, illicit discharges control measures, and control measures associated with planning and land development. The program also includes monitoring to assess stormwater impacts on receiving water and methodologies to evaluate the effectiveness of targeted best management practices; and development and implementation of ordinances to effect and enforce stormwater quality controls.

Water Conservation Program

Water conservation benefits are a design objective of the flood control and urban drainage systems, which detain and retain stormwater runoff for groundwater recharge. The District also maintains groundwater recharge contracts with the Fresno Irrigation District (FID) and the Cities of Fresno and Clovis, which provide for dry season delivery of imported surface water into many of the District's local stormwater drainage retention basins. Through cooperative agreements with the Cities of Fresno and Clovis, the District continually investigates the feasibility of building additional interties between the surface water channels and basins, and otherwise expanding the system, to increase the system's water conservation capabilities. When practical, the District will irrigate with surface water to preserve higher quality water for commercial or industrial use.

Recreation Program

The District includes landscaping of urban basin sites with turf, trees, and irrigation systems as part of the improvements in the drainage system. The landscaping stabilizes the soil, adds a green and open space area with aesthetic appeal, and provides the opportunity for recreational activities. Basins in residential areas are designed with depths and slopes that permit large open basin floors to be landscaped and available for passive or active recreational activities. Non-residential basins are designed with depths and slopes that are not accommodative to public access. These basins are only landscaped around the top perimeter and are not available for recreational access. The basins in residential areas are made available for recreational use during the dry weather season and are commonly used for public open space, playing fields, and other organized and unorganized recreation. Organized recreation is controlled by the District through facility use agreements. The District has cooperated with the Cities of Fresno and Clovis to provide active recreational features, such as baseball fields and playgrounds. The District has improved three sites with recreational features specifically designed for use by physically challenged citizens.



Oso De Oro Park, Basin "D"

Wildlife Management Program

The District's flood control and urban stormwater drainage programs provide benefits to wildlife. The District's flood control reservoirs and rural streams provide riparian habitat for many birds and other animals.



Canada Geese

Through implementation of a Memorandum of Understanding (MOU), which serves as a section 1601 Master Streambed Alteration Agreement between the District and the Department of Fish & Game (DFG), authorized rural stream activities, including channel flow capacity restoration, are intended to accomplish long-term net benefits for fish, wildlife, water quality, native plants, and stream habitat. Furthermore, the Master MOU provides for wildlife habitat improvement to be incorporated comprehensively into District stream restoration projects in lieu of imposing incremental requirements on a project-by-project basis, and results in a net benefit to wildlife and habitat.

The District has also designated three areas at its reservoirs as existing or potential wildlife habitat. Many urban retention basins also provide wildlife benefits. The District has implemented the wildlife program to conserve and enhance habitats in its facilities, and to provide related environmental education and awareness opportunities to the public.

DISTRICT ORGANIZATION

District Board of Directors

A seven member Board of Directors (the Board) governs the District. The Fresno City Council appoints four members; the Fresno County Board of Supervisors appoints two members; and the Clovis City Council appoints one member. Each director serves a 4-year term and may be re-appointed for consecutive terms. Board meetings normally occur on the second and fourth Wednesday of each month. The Board must approve the District budget, fees and assessments, direct matters of policy and enact ordinances, and perform other responsibilities authorized and required by the District Act.

Assets

The District's physical assets consist of the flood control and local drainage structures and real property, the operations center, and equipment. With the completion of the District's system of flood control facilities, the flows of the stream group will be controlled by eight major flood control structures (dams, reservoirs, and detention basins) and other appurtenant facilities. The five major components of the system initially constructed with the Corps of Engineers as the Redbank-Fancher Creeks Flood Control Project was completed in 1993 at a total cost of approximately \$62,226,677.

As of June 30, 2014, the District had invested \$70,750,171 for land and \$278,844,096 for infrastructure building the local stormwater drainage system. This value represents the actual costs at the time of construction, and does not reflect the current value of the system to the community.

Revenue Sources and Financing

The financing program of the District includes five major categories of revenues. These include (1) general property tax; (2) assessments; (3) capital construction contributions by other public agencies; (4) fees and service charges; and (5) grants. In addition to these, the District receives minor miscellaneous revenues such as rents and leases, interest, and an occasional gift. The general authority to receive or collect such revenues is set forth in the District's enabling legislation, other state legislation under which the District is an eligible participant, and through joint powers relationships in which the District participates.

Organizational Structure and Functions

District Personnel

For the fiscal year 2013-2014, the Board of Directors authorized 77 full-time positions. Organizational functions are separated into two primary divisions: administration and engineering. The General Manager-Secretary, District Engineer, and support staff performs District administration. Major administrative functions include accounting, assessment collection, office management and clerical support, land acquisition, legal services, community relations, information systems, and environmental resources management.

District engineering functions include system master planning, design, construction, development review, and facility operations and maintenance. These duties are performed by staff engineering personnel, consultants, and contractors under the direction of the District General Manager-Secretary through the District Engineer.

System operations and maintenance activities involve District field staff that monitor all facility operations, perform pump maintenance and equipment repairs, facilitate water diversions and deliveries, and investigate illegal dumping and nuisance complaints related to the storm drain system. Field staff monitors the performance of contractors that provide maintenance services and direct maintenance crews that perform pipeline system cleaning on a contract basis to the District. Field staff also performs inspections of all construction projects to ensure conformance to District design and construction standards.

District engineering staff performs master plan and design engineering for the rural streams system, reviews and comments on development entitlement applications within the District boundaries, and directs the master planning and design engineering of the urban storm drainage systems performed by the District's consultants. Staff administers the Drainage Fee Ordinance of the three land use entitlement agencies (City of Fresno, County of Fresno, and the City of Clovis) and administers a system of reimbursements for developers who advance facility construction in excess of their drainage fee obligation.

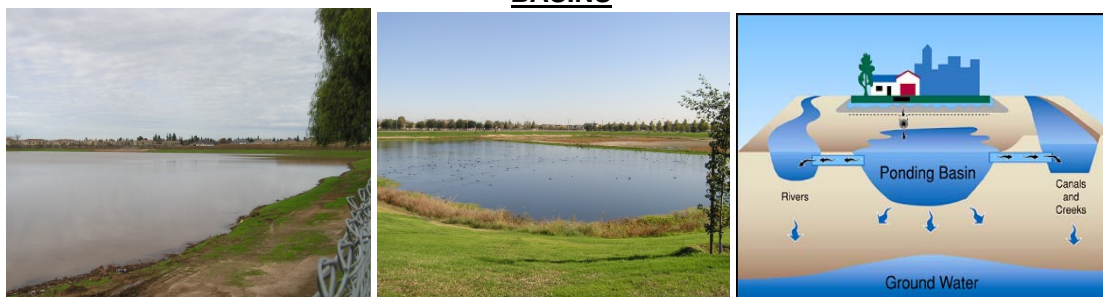
Outsourcing to Private Contractors and Consultants

The District contracts with private entities for many administrative, environmental, and engineering services; for most maintenance services; and for all appraisal and construction services. Legal services and legislative review are performed through an agreement with private legal counsel. Community relations activities and many environmental resources planning and compliance activities are performed through professional service contracts. Master plan design engineering is performed by staff plus private engineering firms under professional service contracts. Maintenance of all dams, reservoirs, basins, pipeline systems, and all construction activity are contracted with private enterprise entities. Approximately \$7.6 million in expenditures were outsourced during the current fiscal year.

Storm Drainage System

The Storm Drainage and Flood Control Master Plan includes a five-year construction schedule which includes projects managed on a priority basis. The urban Master Plan calls for the construction of basin facilities with an interconnected network of underground pipes and above ground conveyance facilities. The Master Plan is subdivided into 170 urban drainage areas and rural watersheds. Each drainage area has at least one basin, and a network of underground pipelines. In recent years, pump stations and telemetry have been added to basin sites to improve the efficiency of moving stormwater through the system.

BASINS



Ponding basins vary in size from the smallest 4.2 acre site at “CC” to 33 acres for Basin “DP”.

“CAST IN PLACE” PIPELINE CONSTRUCTION



The drainage system is comprised of pipes as large as 96 inches and as small as 18 inches.

CONSTRUCTION OF A PUMP STATION



FINANCIAL HIGHLIGHTS

FRESNO METROPOLITAN FLOOD CONTROL DISTRICT SUMMARY OF NET POSITION			
	June 30, 2014	Change	June 30, 2013
ASSETS			
Cash and investments	\$ 22,742,120	\$ 1,253,364	\$ 21,488,756
Receivables	413,548	(200,605)	614,153
Restricted cash	14,604,443	(308,173)	14,912,616
Capital assets (Net of depreciation)	274,937,524	2,811,494	272,126,030
Total assets	\$ 312,697,635	\$ 3,556,080	\$ 309,141,555
LIABILITIES			
Current liabilities:	\$ 646,888	\$ (460,523)	\$ 1,107,411
Advances from 3rd parties	138,135	-	138,135
Non-current liabilities:			
Due within one year:	1,674,409	41,513	1,632,896
Due in more than one year:	18,809,003	(1,437,341)	20,246,344
Total liabilities	21,268,435	(1,856,351)	23,124,786
NET POSITION			
Invested in capital assets, net of related debt	257,579,339	4,131,973	253,447,366
Restricted for:			
Debt service	1,758,409	59,494	1,698,915
Construction	21,915,701	1,422,255	20,493,446
Unrestricted	10,175,751	(201,291)	10,377,042
Total Net Position	\$ 291,429,200	\$ 5,412,431	\$ 286,016,769

Statement of Net Position-Total Assets

The total assets of the District increased \$3,556,080 from the prior year. Capital assets increased \$2,811,494 net of depreciation. Non-Capital assets, which are comprised of cash and receivables on hand at the end of the fiscal period, increased \$744,586. The District saw a decrease in receivables of \$200,605, and an increase in restricted and unrestricted cash on hand of \$945,191.

Statement of Net Position-Total Liabilities

As of the end of the year, total liabilities decreased \$1,856,351. Current liabilities decreased \$460,523. Non-current liabilities decreased \$1,395,828 over the prior year. Non-current liabilities include the liability for Other Post Employment Benefits.

Statement of Net Position-Net Position

As of the end of the year, assets exceeded liabilities by \$291,429,200 (net position). Unrestricted Net Position decreased \$201,291 to \$10,175,751 and may be used to meet the District's ongoing obligations to citizens and creditors. Restricted Net Position, which may only be used for construction or debt service, increased by \$1,481,749. The Net Investment in Capital Assets increased \$4,131,973 to \$257,579,339.

FRESNO METROPOLITAN FLOOD CONTROL DISTRICT CHANGES IN NET POSITION			
	June 30, 2014	Change	June 30, 2013
Revenues			
Program Revenues			
Charges for Services	\$ 627,999	\$ 94,091	\$ 533,908
Capital Grants & Contributions	7,429,666	885,804	6,543,862
Total Program Revenues	8,057,665	979,895	7,077,771
General Revenues			
Property taxes, levied for general purposes	9,469,049	668,140	8,800,909
Assessment tax, levied for specific benefit	8,169,007	11,737	8,157,270
Investment earnings and rental revenue	495,527	(13,872)	509,399
Gain (Loss) on Disposal of Assets	19,599	2,779	16,820
Miscellaneous	5,927	4,004	1,923
Total General Revenues	18,159,109	672,788	17,486,321
Total Revenues	26,216,774	1,652,682	24,564,092
Functions and Programs			
Flood control system	2,822,434	64,329	2,758,105
General Government	17,255,329	1,545,905	15,709,424
Interest on Long Term Debt	726,580	24,792	701,788
Total Expense	20,804,343	1,635,026	19,169,317
Change in Net Position	5,412,431	17,657	5,394,775
Net Position beginning	286,016,769	5,394,775	280,621,994
Net Position-ending	<u>\$ 291,429,200</u>	<u>\$ 5,412,432</u>	<u>\$ 286,016,769</u>

Changes in Net Position

Overall, the net increase in Net Position was consistent with the prior year. Net position increased \$17,655 more than the prior year for a net increase of \$5,412,430. Revenues increased \$1,652,679 primarily due to an increase in program revenues of \$979,896 and an increase of \$668,141 in property tax revenues. Expenses increased \$1,635,024, due to an expenditure increase the special revenue fund. This special revenue fund accounts for developer impact fees and saw an increase of \$1,322,799 in reimbursements to developers and in increase of \$884,394 in depreciation expense. All other funds had a net reduction in expenditures for the year.

Governmental Funds-Fund Balance Reporting Requirements

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires all governmental entities to implement changes to governmental fund financial statements. GASB Statement No. 54 requires that the new requirements must be implemented for fiscal years beginning after June 15, 2010. It changes the presentation of the elements of the fund balance. GASB Statement No. 54 also clarified the definitions of special revenue funds, capital projects funds, debt service funds, and their relationship to the General Fund. GASB Statement No. 54 challenges norms that have been in place since fiscal year 2002. Listed are the Fund Balance Categories:

- **Nonspendable** fund balances are balances in permanent funds. This could apply to non-restricted long-term receivables.
- **Restricted** fund balances are legally enforceable requirements that the resources can only be used for specific purposes enumerated in the law. This would apply to the District's Debt Service and Special Revenue Funds (PPDA).
Committed fund balances are balances that the District's Board has approved for construction for the fiscal year. This would apply to the District's Capital Project Fund.
- **Assigned** fund balances are amounts intended for a specific purpose by the government entities management team. This would apply to general obligations including payroll and overhead expenses in the District's General Fund.
- **Unassigned** fund balances are amounts available for any purpose. They are not precluded by a management decision in the General Fund.

The fund balance categories focus largely on the nature of inflows in relation to laws and management decisions. Reserves will no longer be presented, nor will encumbrances, in the fund financial statements. Reserves are either renamed as restricted, committed, or assigned balances.

FRESNO METROPOLITAN FLOOD CONTROL DISTRICT SUMMARY BALANCE SHEET-GOVERNMENTAL FUNDS			
	June 30, 2014	Change	June 30, 2013
ASSETS			
Cash and investments	\$ 22,742,120	\$ 1,253,364	\$ 21,488,756
Receivable:			
Taxes	17,546	17,546	-
Developer	18,773	(13,235)	32,008
Fees and charges	199,750	(120,445)	320,195
Other	74,625	58,212	16,413
Due from other funds	671,566	(1,172,334)	1,843,900
Restricted cash	14,604,443	(308,173)	14,912,616
Total assets	<u>\$ 38,328,823</u>	<u>\$ (285,065)</u>	<u>\$ 38,613,888</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 470,718	\$ (159,797)	\$ 630,515
Contracts payable (see supplemental schedule on pg. 55)	44,381	(256,403)	300,784
Salaries payable	131,789	(44,323)	176,112
Due to other funds	671,566	(1,172,334)	1,843,900
Deferred revenue	138,135	-	138,135
Liability for compensated absences	64,420	(33,742)	98,162
Total liabilities	<u>1,521,009</u>	<u>(1,666,599)</u>	<u>3,187,608</u>
Fund balances:			
Restricted:			
Debt service	1,758,409	59,494	1,698,915
Drainage assessments	11,945,294	532,142	11,413,152
Committed:			
Construction	9,970,407	890,113	9,080,294
Assigned:			
General obligations	7,124,703	184,568	6,940,135
Unassigned:	6,009,001	(284,783)	6,293,784
Total fund balances	<u>36,807,814</u>	<u>1,381,534</u>	<u>35,426,280</u>
Total liabilities and fund balances	<u>\$ 38,328,823</u>	<u>\$ (285,065)</u>	<u>\$ 38,613,888</u>

Fund Balance-Governmental Funds

As of June 30, 2014, the District's governmental funds reported combined ending fund balances of \$36,807,814, an increase of \$1,381,534. Though total assets reduced \$285,065 for the period, unrestricted cash and investments and liquidity increased \$1,253,364 during the period

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The statements are comprised of four components:

- 1) **Government-Wide Financial Statements**
- 2) **Fund Financial Statements**
- 3) **Notes to Financial Statements**
- 4) **Supplementary Information**

Government-Wide Financial Statements are designed to provide readers with a broad overview of District finances in a manner similar to a private-sector business.

- ❖ The Statement of Net Position, which is similar to a Balance Sheet, presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

- ❖ The Statement of Activities presents information showing how the District'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, instead of when the related cash flows in or out. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as the collection of year-end Accounts Receivable or the payment of year-end Accounts Payable.
- ❖ The governmental activities or programs of the District include general government, flood control system, and interest on long-term debt.

Fund Financial Statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the District are governmental funds.

- ❖ **Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of each fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the District's projects and operations.

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 District's near-term financing decisions. Both the governmental fund's Balance Sheet and the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *Governmental Activities*.

The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual-General Fund provides a comparison to the adopted budget and the activities of the General Fund.

Governmental Fund Structure:

The District maintains several individual governmental funds organized according to their type (general, debt service, capital project, and an expendable trust fund). Information is presented separately in the governmental fund's Balance Sheet and in the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances for each of these funds.

General Fund:

The General Fund is the chief operating fund of the District. Generally, all revenue resources are recorded in the General Fund and allocated to the Capital Project Fund or Debt Service Fund by Board action through its adopted Budget. These allocated resources are transferred as the resources become available.

Special Revenue Fund (Drainage Fees):

This fund is an expendable trust fund that is used to account for Developer Impact fees (Drainage Fees) received from the development community. These fees, commonly called Assembly Bill (AB) 1600 fees, are used to pay for the construction of Master Planned Facilities either by the Developer or the District. A trust account has been established for each planned local drainage area. As drainage fees are received, they are deposited in this fund and are allocated to the appropriate planned local drainage areas. The ending fund balance is restricted by statute.

Expenditures are recorded on the modified accrual basis of accounting. Reporting of fund balance, revenue, and expenditure activity is done monthly, quarterly, and yearly.

These resources are restricted and may only be used to:

- a. Construct drainage facilities,
- b. Reimburse Developers for obligations resulting from construction activity,
- c. Pay for debt service obligations whose funds were used exclusively to purchase or build planned facilities,
- d. Reimburse construction expenditures of the General Fund for construction in a specific planned local drainage area,
- e. Reimburse Developer Construction Agreement administrative costs, or
- f. Reimburse the General Fund for engineering costs for Master Plan engineering related development services.

Capital Project Fund:

The Capital Project Fund is used to account for resources to be used to construct Master Plan capital facilities. Funding comes from the General Fund. The District Budget allocates resources in this fund to support the Capital Project construction program for all planned drainage areas of the master plan and rural facilities. This fund includes a number of sub-funds with resources for specific projects. The ending fund balance is restricted by Board action for use for capital facilities only.

Debt Service Fund:

The Debt Service Fund is used to account for all Debt Service. Funding comes from the General Fund. The Debt Service Fund includes resources for the debt service payments for the California Infrastructure and Economic Development Bank loan and the State of California revolving loan that were used to purchase or construct Master Planned facilities. As of the end of the fiscal year, there were sufficient resources to make loan payments during the first six months of the next fiscal year.

- ❖ ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Combining Fund Financial Statements provide information for the major governmental funds, and are presented following the notes to the financial statements.

Combining Balance Sheet – Debt Service Fund

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Debt Service Fund

These statements present the fiscal year activities and the resources available as of June 30, 2014, for the obligations of the District's Debt Service Fund. Debt service accounts for the State of California revolving loan and the California Infrastructure and Economic Development Bank loan are part of this fund.

Combining Balance Sheet – Capital Project Fund – Project Areas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Capital Project Fund – Project Areas

These statements present the fiscal year activities and the resources available as of June 30, 2014, for the obligations of the District's Capital Project Funds. Each of the sub funds show resources currently allocated and available for construction activity in those project areas.

Supplementary Schedules include:

Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

This schedule compares actual results to the final adopted budget.

Schedule of Combined Balance Sheet - Governmental Funds (Developer Payable and Construction Contracts Included as a Liability) and Schedule of Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (Developer Payable and Construction Contracts Included as a Liability)

Accounting principles generally accepted in the United States of America, Generally Accepted Accounting Principles (GAAP), requires the use of the percentage of completion method for capital construction projects, which reduces the year-end liability for outstanding construction contracts of \$217,145 by \$172,764 (the amount that is not yet complete). GAAP also precludes the District from recording as a liability of its Special Revenue Fund, the liability due to the development community of \$8,625,217 for amounts owed by it because of the contingent nature of that liability. It is contingent, as the reimbursement obligation from the Special Revenue Fund to the developers, because the repayment obligation expires after 20 years. Payments are made semi-annually to the Development Community based upon the current collection of fees. Management presents this schedule as the GAAP adjustment materially increases the ending fund balance and understates the potential obligations of the District as of the end of the fiscal year. The purpose of this statement is to show the financial obligations and financial impact on the District's governmental funds as though these rules did not exist. Management believes this reflects a better picture of the liabilities due from its operations.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Current Year vs. Prior Year - General Fund

This schedule compares actual results for the current year to the actual results of the prior year. It is not intended to show compliance with the budget, but to show how the results for the current year compare to the results of the prior year.

Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance - Current Year vs. Prior Year - General Fund

This schedule is a line by line detail of the previous schedule.

ANALYSIS OF GOVERNMENTAL ACTIVITIES

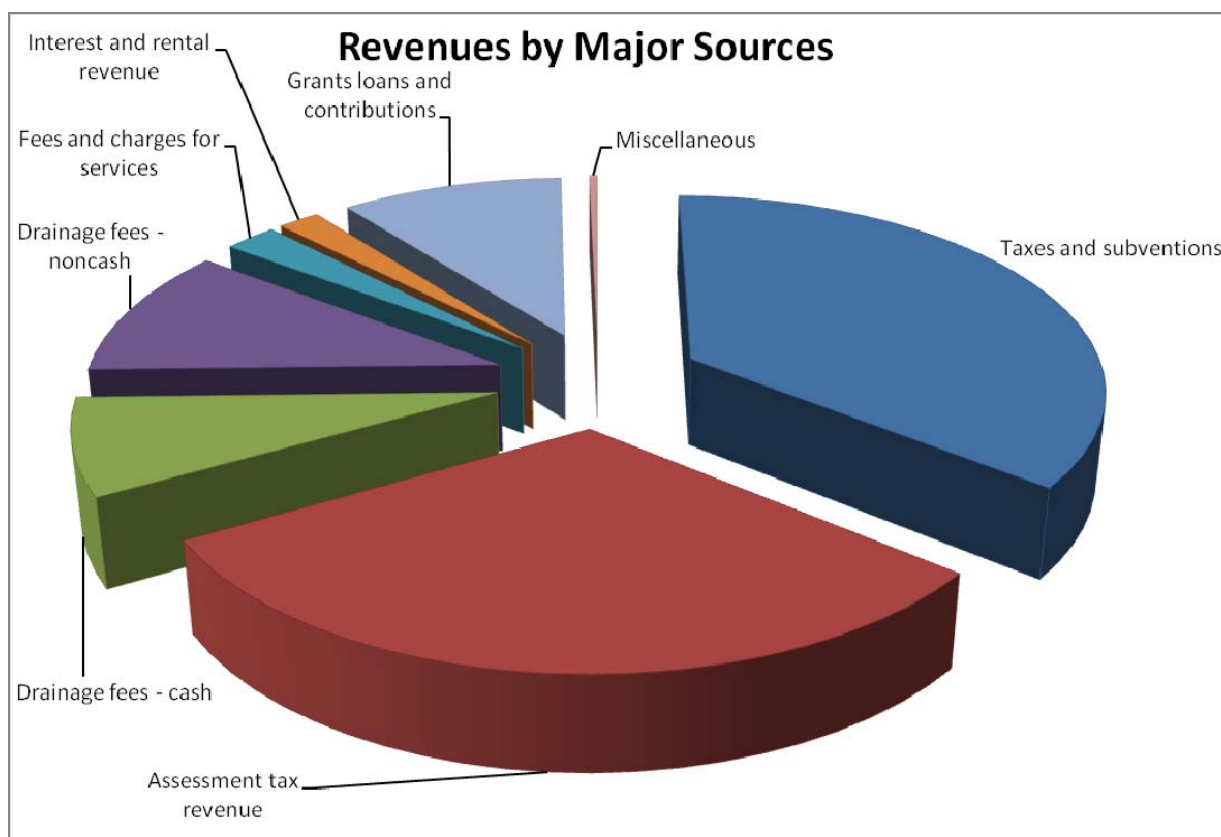
REVENUES

Property Tax Revenue Loss:

After the passage of Proposition (Prop) 13 in 1978, the California legislature enacted legislation that changed the allocation and apportionment of property tax revenues to local governments and public schools. In 1978-79 to help local government deal with the significant revenue loss associated with Prop 13, the State offered agencies bail-out funds. For those agencies, like the District, who took bail-out funds in 1978-79, the State, in 1979-80, converted the bail-out funds to property tax allocations by reducing property taxes allocated to local education and re-allocating those property taxes to local government. From 1980 through 1992, those property taxes grew based upon a formula developed by the State called the "AB-8" formula. The AB-8 legislation was designed to provide local agencies and public schools with a property tax base that would grow as assessed property values increased. Under that formula, property tax allocations were comprised of a base amount (which is equal to the amount of property taxes received in the prior fiscal year) and a proportionate share of any incremental growth (which is the growth or reduction in the property taxes from one year to the next). Beginning in fiscal year 1992-93, the legislature enacted legislation that shifted a portion of local property tax revenues from local public agencies back to the public schools to meet the State's Proposition 98 mandates. This legislation

was known as the Educational Revenue Augmentation Fund or “ERAF.” In 1992-93, the District lost \$1,475,500 of its base property tax revenue to ERAF. In 1993-94, the State enacted legislation titled ERAF II that limited the ERAF I computation to the current value of the property taxes allocated to local government from schools in 1979-80. In 2003-04, the legislature enacted a two year amendment to the ERAF formula called ERAF III. For the two fiscal years 2004-05 and 2005-06, an additional \$438,197 of District property tax revenues was shifted to schools. In 2004, the District discovered an error in the computation of the original 1992-93 ERAF I and 1993-94 ERAF II. This error was verified by the audit staff of the State Controller’s office and determined to be a loss of \$633,000. After working with the Fresno County Auditor-Controller’s Office and the State Controller’s office, it was determined the only way to correct this error was through legislation. In 2007, Juan Arambula introduced AB 263 which was designed to fix the error. The bill received endorsement from local Assembly and Senate Republicans and Democrats and was signed into law on October 11, 2007. As of fiscal year 2013-14, the District’s ERAF contribution has grown to an annual revenue loss of \$4,940,268.

Total revenues were \$26,427,783 with General Fund revenues of \$19,689,293, PPDA revenues of \$6,365,952, Capital Project revenues of \$361,987, and Debt Service revenues of \$10,551.



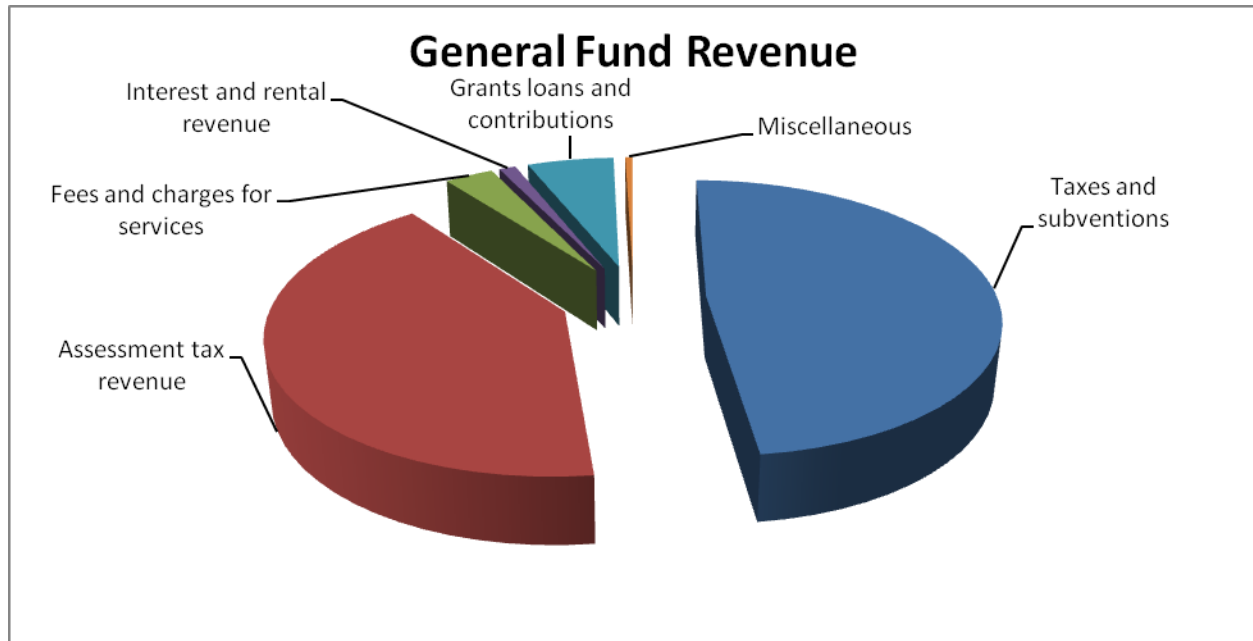
Property Tax Revenues:

Property Tax Revenues, net of the ERAF shift, comprise 48% of the District’s General Fund revenues and 36% of the District’s total revenues. Property taxes are based upon the District’s proportionate share of Fresno County’s ad-valorem property tax. The District receives less than 2% of the total countywide property tax revenue collected by the County of Fresno through property tax assessment rolls prepared by the Auditor-Controller/Treasurer-Tax Collector’s office.

Property tax revenues are recorded in the General Fund. This category includes current secured taxes, current unsecured taxes, current collections of unsecured taxes for prior periods, any supplemental taxes, and subventions received from the State and allocated by the County of Fresno to the District and homeowners’ relief.

Assessments:

Assessment Revenues comprise 31% of the District's total revenue, 41% of the General Fund revenue. Of the assessment revenue, approximately 15% (approximately \$1.2 million) is earmarked for debt service for our California Infrastructure and Economic Development Bank (CIEDB) loan. Assessment tax revenues are recorded in the General Fund.



Interest and Rental Revenue:

Interest revenue is recorded in all funds while rental revenues are recorded only in the General Fund.

Fees and Charges for Services:

Fees and Charges are recorded in the General Fund. This income category includes charges for Non-Conforming Facilities; Master Plan Engineering Fees; Excavation Permits; reimbursements for recharge maintenance; PPDA Administration Fees; and other miscellaneous fees, charges, and income.

Drainage Fees:

Drainage Fees are recorded only in the Special Revenue "PPDA Trust Fund." A cash fee is collected and recorded when the fee charged exceeds any construction requirement. An in lieu or non-cash fee is recorded when a developer constructs qualifying master planned facilities and those costs are deducted from the cash fee owed.

Grants, Loans, and Construction Contributions:

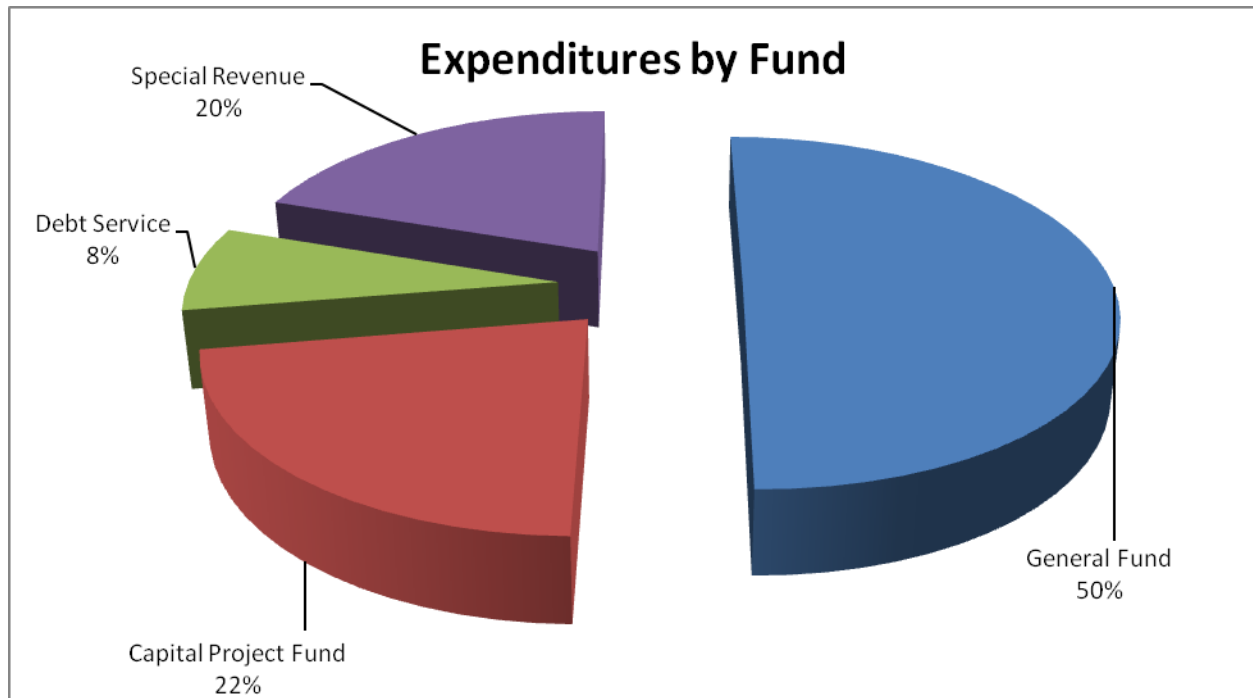
Grants and construction contributions are both recorded in multiple Funds. General Fund activity primarily reflects contributions and grants from other public agencies, while Developers make up the primary contributors of capital in the Special Revenue "PPDA Trust Fund." General Fund grant income is recorded on a reimbursement basis. Revenue is recognized on the accrual basis. Special Revenue "PPDA Trust Fund" contribution revenues represent the value of contributions by Developers of master plan facilities through the developer agreement process. These contributions do not create expendable resources.

Other Financing Sources-Operating Transfers In:

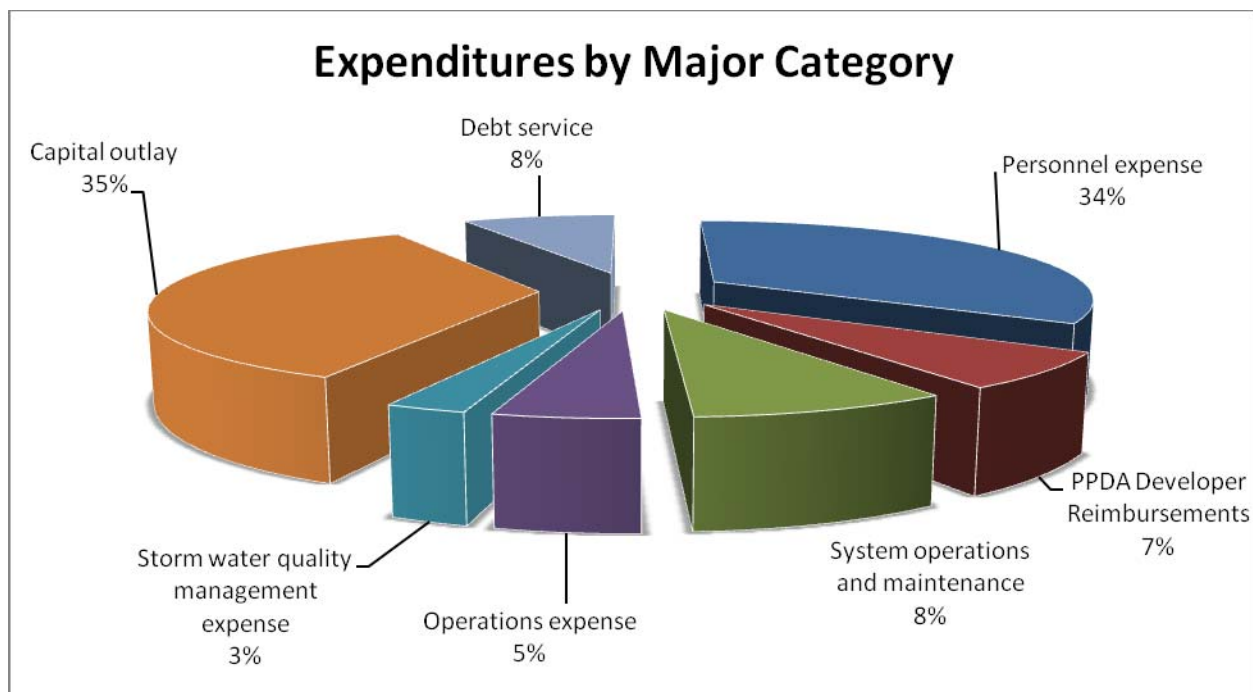
Operating Transfers represent the movement of cash from one fund to another. The Capital Project Fund is funded primarily from resources of the Special Revenue "PPDA Trust Fund" and allocations by the Board of available resources in the General Fund. The Debt Service Fund is funded primarily from the General Fund.

EXPENDITURES

Total expenditures were \$25,066,681. The following chart shows the expenditures by fund.



The following chart shows the expenditures by major category.



PERSONNEL, SERVICES, AND SUPPLIES

- ❖ Personnel Expense represents all costs related to personnel including salaries, benefits, workers' compensation insurance, retirement plans, and temporary services. It represents 34% of total expenditures and was under budget approximately 3%.
- ❖ Operations Expense represents all operational expenses including liability insurance, office administration expenses, legal expenses, and supplies. It represents 5% of total expenditures and was under budget approximately 23%.
- ❖ Systems Operations and Maintenance includes all expenditures for maintaining the urban and rural drainage facilities. It represents 8% of total expenditures and was approximately 18% under budget. Maintenance expenditures vary based upon how the weather impacts the full implementation of the program.
- ❖ Stormwater Quality Management Expense represents those costs associated with the implementation of our NPDES permit. This account group represents 3% of total expenditures and was approximately 24% under budget.

DEBT ADMINISTRATION

On June 30, 2014, the District had total loans outstanding of \$17.2 million as compared to \$18.5 million in the prior year. The major components of this balance include \$2.8 million for one California State Revolving Fund loan and \$14.4 million for our California Infrastructure and Economic Development Bank loan.

- ❖ CALIFORNIA STATE REVOLVING FUND (SRF) LOAN 2 was used almost exclusively for infrastructure purchases.

The total advances for SRF Loan #2 were \$10,000,000. As of June 30, 2014, it has been fully funded and has a balance due of \$2,797,540. Annual debt service payments are \$749,187 and are due each January 5th. The final payment is due January 5, 2018.

- ❖ CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK LOAN totaled \$20,000,000 and was used exclusively for infrastructure construction in an older area of the City of Fresno (Drainage Areas "II" & "RR"). As of June 30, 2010, the entire loan had been funded. Annual debt service payments are about \$1.2 million. A principal and interest payment is due each August and interest only payments are due each February. The remaining principal balance due as of June 30, 2014, was \$14,451,857. The final payment is due August 1, 2031.

Other Long-Term Debt

As of June 30, 2014, other long-term debt totaled \$1,268,983 and included \$1,160,195 in compensated absences and \$108,788 to the City of Fresno.

- ❖ Compensated Absences are the current value of accumulated annual leave as of June 30, 2014. Employees can accumulate up to 100 days of service. Any accumulation of annual leave in excess of 100 days is paid out annually.
- ❖ Advance from the City of Fresno: The City of Fresno advanced the District \$175,000 without interest to assist in the construction of drainage facilities in drainage areas "KK", "LL", and "AW". The District made a partial repayment of \$66,212 during the fiscal year leaving a remaining balance of \$108,788.

Other Post Employment Benefits (OPEB)

- ❖ Other Post Employment Benefits is the actuarial value required to be accrued per GASB Statement No. 45 (see the Notes to the Financial Statements). The District subsidizes the health insurance cost for employees who retire after age 55 with at least 10 years of service. The District pays 50% of the “full benefit” for employees with more than 10 years of service but less than 15 years of service. The employees who retire after the age of 55 with more than 15 years of service receive a “full benefit”.

The Full Benefit: There are two tiers of employee health benefits.

- ❖ For employees hired prior to July 1, 1988, the District pays either 100% of the cost of the employee's health insurance or 60% of the cost of the employee plus dependents premium.
- ❖ For those employees hired after July 1, 1988, the District pays 100% of the cost of the employee's health insurance plus 60% of the cost of the additional dependent's premium.
- ❖ The District established a Trust fund and has made regular deposits to it to fund the OPEB liability. As of June 30, 2014, the cash balance in that fund was \$1,665,473. In addition, the Board has elected to continue to pay the retiree health premiums in addition to the annual budgeted contribution to this fund. A deposit for the 2014-2015 Budget of \$400,000 was made on July 14, 2014.
- ❖ The District's retirement plan is a Defined Contribution plan similar to those found in many non-governmental entities. As a result, District employees tend to retire later than age 55. If this experience continues, then the OPEB liability may be overstated as calculated under GASB Statement No. 45. The impact could reduce the annual required contribution of \$516,432 by as much as \$100,000. The contribution including the payment of retiree health benefits for this year was \$489,890.
- ❖ The required actuarial computation includes an “Implicit Liability.” This is that portion of the actuarial assumed liability related to the cost difference between an age based plan and a non-aged based plan. As long as the District maintains a non-aged based plan, this implicit liability will never be realized. As of June 30, 2012, the date of the last actuarial computation, the unfunded liability of \$3,410,131 included an implicit liability component of \$572,790.

Chart of Historical Total Long-Term Debt

Long-term debt was used primarily to finance the acquisition of land for basin sites and for the construction of the drainage system. The increase in long-term debt beginning in 2001 is primarily the result of a new \$20 million loan for the construction of the drainage system in Drainage Areas “II” and “RR”.

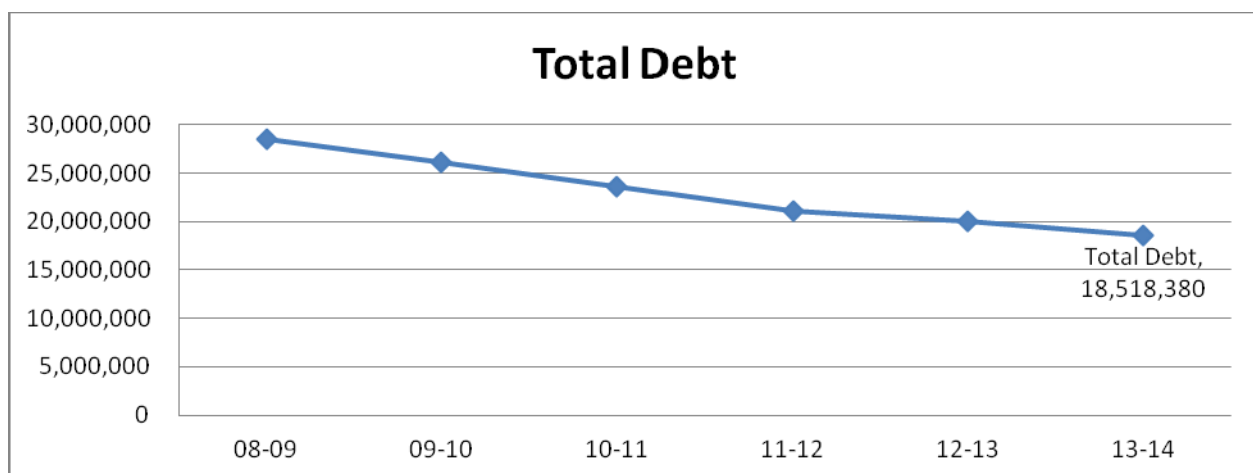
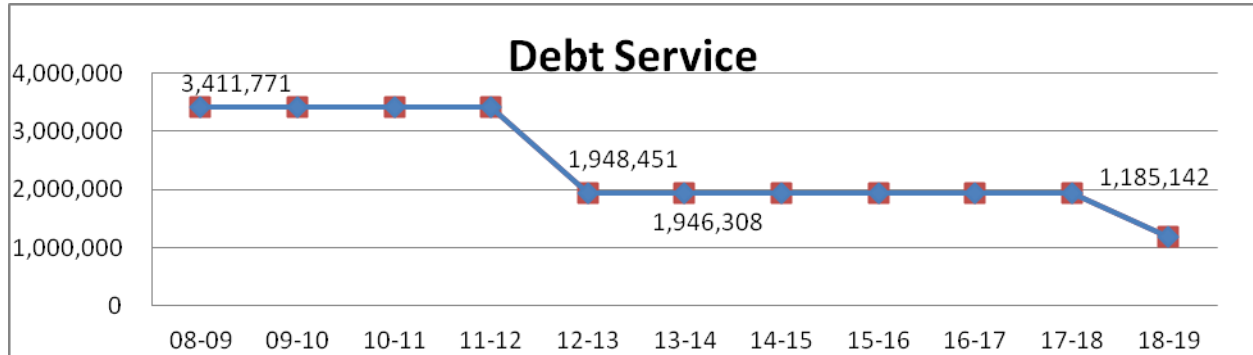


Chart of Historical Debt Service

As of June 30, 2014, all loans had been fully funded. Debt service has stabilized and began a gradual decrease. The annual debt service for 2013-14 was \$1,946,308.

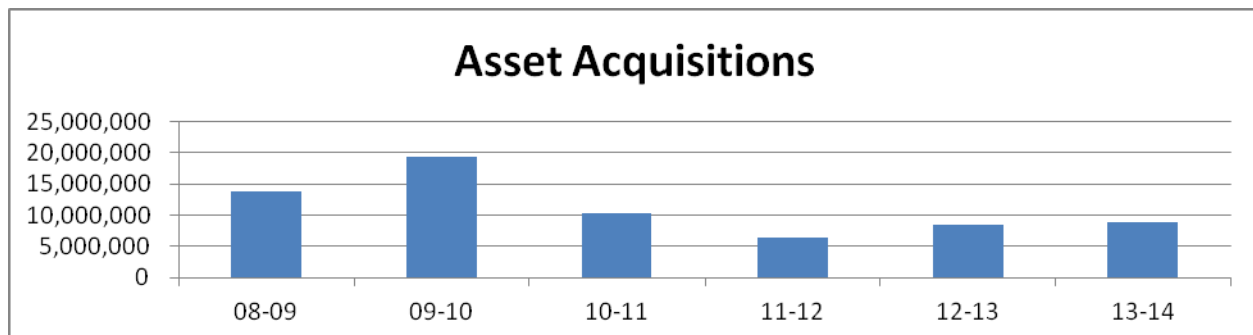
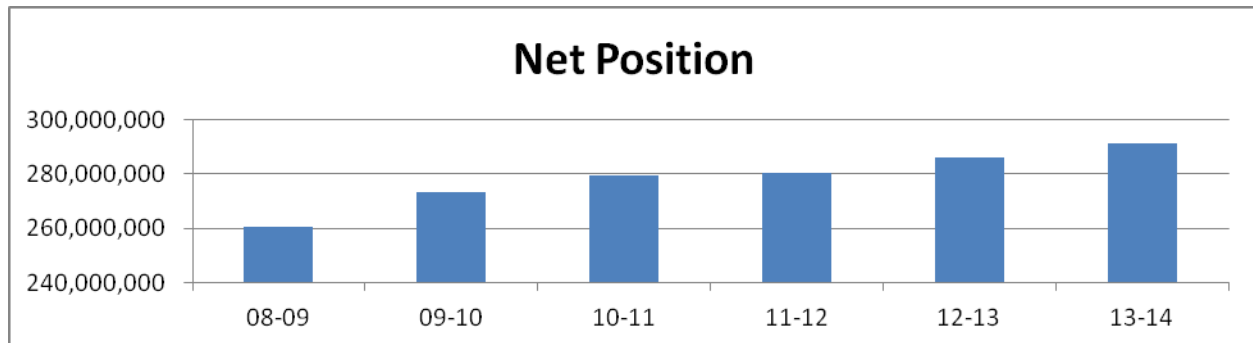


CAPITAL ASSETS

Capital Assets: The District's investment in capital assets for its governmental activities as of June 30, 2014, amounted to \$274,937,524 (net of accumulated depreciation). The investment in capital assets includes land, easements, infrastructure, structures and improvements, equipment, and construction in progress. The total increase in the District's investment in capital assets for the current period is \$8,003,162. Current period depreciation is \$5,918,590. Retirements of assets totaled \$88,758 net of depreciation.

CHART OF NET POSITION

Over the last five years, net position has increased \$30,946,183. A principal reason for the increase is the District's and the Development Community's commitment to constructing new drainage area facilities. The District has constructed \$38,754,354 and the Development Community has constructed \$23,009,858 in drainage area facilities in the last 5 years.



Budgeted capital expenditures for 2013-14 were estimated at \$6,874,039 including \$930,000 in budget contingencies and construction reserves. Actual expenditures were \$3,617,118 net of \$136,753 for percentage incomplete as of June 30, 2014, plus \$1,272,816 for percentage incomplete as of June 30, 2013. Capital Expenditures in the Expendable Trust Fund totaled \$3,134,384 and were all from development activities. Major capital asset events during the current fiscal year included the following:

- ❖ Land purchases and Construction that began or was ongoing for the following projects budgeted in fiscal year 2013-14:

URBAN FACILITIES

Drainage area locations are provided to give the reader the general locations. All Drainage Areas are irregular shapes, as they are based on topography. For actual boundaries, please refer to the District's Storm Drainage and Flood Control Master Plan Map.

Drainage Area "D": This drainage area is located at Hughes and Fruit. There was one project in this Drainage Area to restore Basin "D" Park features to like-new condition by removing and replacing the Play Surface and Playground Equipment. Funding for this project was provided by the Fansler Foundation. Construction and engineering costs incurred at the end of the fiscal year were \$122,741.

Drainage Area "FF": This drainage area is located at Kearney and West. There was one large project in this Drainage Area to construct non-master plan pipe. A number of inlets were retro-fitted to prevent theft. Construction and engineering costs incurred at the end of the fiscal year were \$91,762.

Drainage Area "RR": This drainage area is located at Nielson and Tielman. Drainage pipe and inlets was constructed near Franklin and Broadway Avenues. Safety frames and chains for Type D inlets were retro-fitted to prevent theft. Construction and engineering costs incurred at the end of the fiscal year were \$76,534.

Drainage Area "XX": This drainage area is located near Clinton and Marks. One project was completed to replace stolen/damaged pump station electrical wiring. Construction and engineering costs incurred at the end of the fiscal year were \$78,491.

Drainage Area "BL": This drainage area is located near Fowler and Locan. The District is in ongoing negotiations to purchase land in Drainage Area "BL". Costs incurred at the end of the fiscal year included perimeter fencing, consulting/relocation fees, and a deposit to purchase the land totaling \$152,421.

Drainage Area "BO": This drainage area is located near Sunnyside and Tulare. There were a number of projects completed including internal pipeline/outfall structure and landscaping/irrigation. Construction and engineering costs incurred at the end of the fiscal year were \$336,195.

Drainage Area "BX": This drainage area is located near Armstrong and Thompson. There were two projects completed including outfall and pipeline extension on North Side of Basin "BX" and grading of slopes/floor. Construction and engineering costs incurred at the end of the fiscal year were \$57,012.

Drainage Area "EH": This drainage area is located near Grantland and Hayes. A Non-MP Facilities project was completed at Golden State Blvd. and UPRR s/o Herndon Ave. Construction and engineering costs incurred at the end of the fiscal year were \$184,353.

RURAL FACILITIES

Big Dry Creek Dam and Reservoir: MP Facilities Improvements for Toe Drain/Hydroseeding, Pump Station, and Discharge Line with additional funding from DWR Prop 1E Grant. Construction costs incurred were \$1,999,052.

Dry Creek Extension Basin: MP Facilities Improvements for the Fanning Ditch Pipeline, 25 acre land purchase and 20 acre land donation with additional funding from DWR Prop 1E Grant. Construction costs incurred were \$1,055,846.

PPDA (Pre-Paid Drainage Assessment): The District processed and completed twenty developer agreements during the fiscal year 2013-14. The total capital improvements were \$3,134,384.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year using the straight-line depreciation method. Fund financial statements record capital asset purchases as expenditures.

The District's infrastructure assets are recorded at historical costs in the government-wide financial statements as required by GASB Statement No. 34.

LOOKING INTO THE FUTURE

The following summarizes the basic focus and direction of the 2014-15 Budget.

The Budget significantly advances the District commitment to support economic development initiatives of the Cities of Fresno and Clovis and County of Fresno by means of the following:

1. For another consecutive year, funding an economic development capital project program.
2. Continuing the system excavation program which produces a significant costs savings to the development community in reduced development fees.

As the District's inventory of completed facilities continues to increase, the non-capital expenditures will increase as a percentage of total expenditures. The District continues its commitment to the local economy by its use of local businesses for most of the maintenance services and capital construction programs.

A significant portion of the total storm drainage improvements constructed today occurs through the drainage ordinance process. The Budget continues to be pro-active toward constructing local drainage and flood control systems by allocating a portion of property and assessment revenues to Capital related projects. This includes budget support of drainage system construction in older neighborhoods, construction in support of development, and construction of the Rural Flood Control System.

The Budget continues the District's commitment to the environmental quality and compliance with the stormwater regulations. The total sum of \$911,618 was budgeted for continued water and soil monitoring activities, environmental analysis, and stormwater quality control programs and facilities. Also included is a parks and wildlife element in our Storm Drainage Master Plan.

The Budget addresses the growing operations, maintenance, and repair needs of the District's completed urban and rural facilities through budget allocations totaling \$2,694,620.

REQUEST FOR INFORMATION

This Financial Report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Paul Merrill, Finance Manager, Fresno Metropolitan Flood Control District, 5469 East Olive Avenue, Fresno, California 93727. The District's website is at www.fresnofloodcontrol.org.

FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
Assets:	
Cash and investments	\$ 22,742,120
Receivable:	
Taxes	17,546
Developer	121,627
Fees and charges	199,750
Other	74,625
Restricted cash	14,604,443
Capital assets:	
Land	70,750,171
Structures and improvements	278,844,096
Office building	5,496,991
Furniture, fixtures, and equipment	3,929,336
Contribution - corps project	4,577,620
Accumulated depreciation	(88,660,690)
Total assets	<u>312,697,635</u>
LIABILITIES	
Liabilities:	
Accounts payable	470,718
Contracts payable (see supplementary schedule on pg. 54)	44,381
Salaries payable	131,789
Advances from 3rd parties	138,135
Non-current liabilities:	
Due within one year:	
Interest payable	315,077
Compensated absences	64,420
State revolving loans	670,785
CIEDB loan	624,127
Due in more than one year:	
Compensated absences	1,095,775
State revolving loans	2,126,755
CIEDB loan	13,827,730
Other post employment benefits liability	1,649,955
Other debt	108,788
Total liabilities	<u>21,268,435</u>
NET POSITION	
Net investment in capital assets	257,579,339
Restricted for:	
Debt service	1,758,409
Construction	21,915,701
Unrestricted	10,175,751
Total net position	<u><u>\$ 291,429,200</u></u>

The accompanying footnotes are an integral part of the financial statements.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	Total Governmental Activities
General government	\$ 17,255,329	\$ 627,999	\$ -	\$ (16,627,330)
Flood control system	2,822,434	-	7,429,666	4,607,232
Interest on long-term debt	726,580	-	-	(726,580)
Total	\$ 20,804,343	\$ 627,999	\$ 7,429,666	(12,746,678)
General revenues:				
Taxes:				
Property taxes				9,469,049
Assessment tax				8,169,007
Investment earnings and rental revenue				495,527
Miscellaneous				5,927
Gain on disposal of capital assets				19,599
Total general revenues				18,159,109
Change in net position				5,412,431
Net position - beginning				286,016,769
Net position - ending				\$ 291,429,200

The accompanying footnotes are an integral part of the financial statements.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 13,202,796	\$ 9,539,324	\$ -	\$ -	\$ 22,742,120
Receivable:					
Taxes	17,546	-	-	-	17,546
Developer	-	-	-	18,773	18,773
Fees and charges	-	-	-	199,750	199,750
Other	74,625	-	-	-	74,625
Due from other funds	671,566	-	-	-	671,566
Restricted cash	-	447,697	1,758,409	12,398,337	14,604,443
Total assets	<u>\$ 13,966,533</u>	<u>\$ 9,987,021</u>	<u>\$ 1,758,409</u>	<u>\$ 12,616,860</u>	<u>\$ 38,328,823</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 451,005	\$ 19,713	\$ -	\$ -	\$ 470,718
Contracts payable (see supplementary schedule on pg. 54)	11,469	32,912	-	-	44,381
Salaries payable	131,789	-	-	-	131,789
Due to other funds	-	-	-	671,566	671,566
Advances from 3rd parties	138,135	-	-	-	138,135
Liability for compensated absences	64,420	-	-	-	64,420
Total liabilities	<u>796,818</u>	<u>52,625</u>	<u>-</u>	<u>671,566</u>	<u>1,521,009</u>
Fund balances:					
Restricted:					
Debt service	-	-	1,758,409	-	1,758,409
Drainage assessments	-	-	-	11,945,294	11,945,294
Committed:					
Construction	36,011	9,934,396	-	-	9,970,407
Assigned:					
General obligations	7,124,703	-	-	-	7,124,703
Unassigned:	6,009,001	-	-	-	6,009,001
Total fund balances	<u>13,169,715</u>	<u>9,934,396</u>	<u>1,758,409</u>	<u>11,945,294</u>	<u>36,807,814</u>
Total liabilities and fund balances	<u>\$ 13,966,533</u>	<u>\$ 9,987,021</u>	<u>\$ 1,758,409</u>	<u>\$ 12,616,860</u>	<u>\$ 38,328,823</u>

The accompanying footnotes are an integral part of the financial statements.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balances	\$ 36,807,814
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds (net of accumulated depreciation of \$88,660,690).	274,937,524
Certain revenues are not recognized in the governmental funds balance sheet because they are long-term in nature. On the government-wide statement of net position, these revenues are recorded as receivables.	102,854
Long-term liabilities are not due and payable in the current period and, therefore, are not included in the governmental funds balance sheet. Long-term liabilities at year-end consist of:	<u>(20,418,992)</u>
Total net position - governmental activities	<u><u>\$ 291,429,200</u></u>

The accompanying footnotes are an integral part of the financial statements.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	General	Capital Project	Debt Service	Special Revenue	Total Governmental Funds
Revenues:					
Taxes and subventions	\$ 9,469,049	\$ -	\$ -	\$ -	\$ 9,469,049
Assessment tax revenue	8,169,007	-	-	-	8,169,007
Drainage fees - cash	-	-	-	2,080,103	2,080,103
Drainage fees - noncash	-	-	-	2,815,092	2,815,092
Fees and charges for services	627,999	-	-	-	627,999
Interest and rental revenue	213,954	111,526	10,551	159,496	495,527
Grants loans and contributions	1,115,432	250,461	-	1,311,261	2,677,154
Miscellaneous	5,927	-	-	-	5,927
Total revenues	19,601,368	361,987	10,551	6,365,952	26,339,858
Expenditures:					
Personnel expense	8,442,823	-	-	-	8,442,823
Office administration	190,387	-	-	-	190,387
Management support	59,409	-	-	-	59,409
Insurance	191,222	-	-	-	191,222
Professional services	343,561	-	-	-	343,561
Other administrative expense	246,094	-	-	1,767,379	2,013,473
System operations and maintenance	2,151,897	-	-	-	2,151,897
Operations center expense	172,010	-	-	-	172,010
Storm water quality management expense	670,537	-	-	-	670,537
Capital outlay	115,597	5,568,861	-	3,134,384	8,818,842
Debt service	-	-	1,946,308	66,212	2,012,520
Total expenditures	12,583,537	5,568,861	1,946,308	4,967,975	25,066,681
Excess (deficiency) of revenues over (under) expenditures	7,017,831	(5,206,874)	(1,935,757)	1,397,977	1,273,177
Other financing sources (uses):					
Transfers in	1,778,062	6,097,769	1,995,251	1,249	9,872,331
Transfers out	(8,028,443)	-	-	(1,843,888)	(9,872,331)
Proceeds from sale of assets	99,360	-	-	8,997	108,357
Total other financing sources (uses)	(6,151,021)	6,097,769	1,995,251	(1,833,642)	108,357
Net change in fund balances	866,810	890,895	59,494	(435,665)	1,381,534
Fund balances, beginning of year	13,270,712	9,043,501	1,698,915	11,413,152	35,426,280
Prior period adjustment	(967,807)	-	-	967,807	-
Fund balances, end of year	\$ 13,169,715	\$ 9,934,396	\$ 1,758,409	\$ 11,945,294	\$ 36,807,814

The accompanying footnotes are an integral part of the financial statements.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds	\$ 1,381,534
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	2,900,252
In the statement of activities, only the loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the assets sold.	(88,758)
Certain revenues are recognized in the current year in the government-wide statement of activities under the full accrual basis of accounting and are not recognized in the current year at the fund level. These revenues decrease receivables in the current year in the statement of net position.	(142,683)
Compensated absences are measured by the amounts paid during the period in governmental funds. In the statement of activities, compensated absences are measured by the amount earned.	85,681
Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis of accounting. This year, the difference between the OPEB costs and the actual employer contributions was:	(9,535)
Repayment of principal on long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.	<u>1,285,940</u>
Change in net position - governmental activities	<u><u>\$ 5,412,431</u></u>

The accompanying footnotes are an integral part of the financial statements.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts Budgetary	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP	Variance with Final Budget
	Original	Final	Basis		Basis	
Revenues:						
Taxes and subventions	\$ 8,571,462	\$ 8,571,462	\$ 9,469,049	\$ -	\$ 9,469,049	\$ 897,587
Assessment tax revenue	8,216,782	8,216,782	8,169,007	-	8,169,007	(47,775)
Fees and charges for services	407,400	407,400	627,999	-	627,999	220,599
Interest and rental revenue	164,983	164,983	213,954	-	213,954	48,971
Grants loans and contributions	2,231,086	1,549,692	1,115,432	-	1,115,432	(434,260)
Miscellaneous	2,000	2,000	5,927	-	5,927	3,927
Total revenues	19,593,713	18,912,319	19,601,368	-	19,601,368	689,049
Expenditures:						
Personnel expense	8,667,849	8,667,849	8,520,888	78,065	8,442,823	225,026
Office administration	241,083	241,083	190,387	-	190,387	50,696
Management support	90,151	90,151	59,409	-	59,409	30,742
Insurance	294,205	294,205	191,222	-	191,222	102,983
Professional services	443,014	435,014	343,561	-	343,561	91,453
Other administrative expense	280,408	280,408	246,094	-	246,094	34,314
System operations and maintenance	2,617,420	2,610,420	2,151,897	-	2,151,897	458,523
Operations center expense	181,015	181,015	172,010	-	172,010	9,005
Storm water quality management expense	874,875	882,875	670,537	-	670,537	212,338
Capital outlay	190,250	197,250	115,597	-	115,597	81,653
Total expenditures	13,880,270	13,880,270	12,661,602	78,065	12,583,537	1,296,733
Excess (deficiency) of revenues over (under) expenditures	5,713,443	5,032,049	6,939,766	(78,065)	7,017,831	1,985,782
Other financing sources (uses):						
Transfers in	1,100,000	1,715,000	1,778,062	-	1,778,062	63,062
Transfers out	(7,734,455)	(8,466,655)	(8,028,443)	-	(8,028,443)	438,212
Proceeds from sale of assets	10,500	87,900	99,360	-	99,360	11,460
Total other financing sources (uses)	(6,623,955)	(6,663,755)	(6,151,021)	-	(6,151,021)	512,734
Net change in fund balance	(910,512)	(1,631,706)	788,745	(78,065)	866,810	2,498,516
Fund balance - beginning	8,005,974	8,005,974	13,270,712		13,270,712	5,264,738
Prior period adjustment	-	-	-		(967,807)	(967,807)
Fund balance - ending	\$ 7,095,462	\$ 6,374,268	\$ 14,059,457		\$ 13,169,715	\$ 6,795,447

Explanation of Budget to GAAP differences:

Budget basis for payroll is on the cash basis, and adjustments include the reconciliation between cash and accrual payroll expenditures as follows:

Add: Prior year payroll accrual	274,274
Less: Current year payroll accrual	(196,209)
Total:	\$ 78,065

The accompanying footnotes are an integral part of the financial statements.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fresno Metropolitan Flood Control District (the District) was formed on June 26, 1956, under provisions of the Fresno Metropolitan Flood Control Act, Chapter 73 of the Water Code, and uncodified acts of the State of California. The District was organized to provide for the control and conservation of flood, storm, and other waste water in the Fresno, California, metropolitan area.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Standards and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Financial Statements – Government-Wide Statements

The District's financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and reported on a full accrual, economic resource basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fees and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. The capital grants and contributions column reflects capital-specific grants and contributions. The net costs by function are normally covered by general revenue.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

B. Financial Statements – Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements. The District uses the following fund types:

Governmental Fund Types

General Fund – is the general operating fund of the District. The fund is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Statements – Fund Financial Statements (Continued)

Capital Project Fund – is used to account for the proceeds of special revenue sources restricted for construction of capital facilities. The proceeds result from the levy of special assessments pursuant to the Municipal Improvement Act of the California Streets and Highways Code or levy of assessment taxes pursuant to the Fresno Metropolitan Flood Control Act, Chapter 73 of the Appendices to the California Water Code.

Debt Service Fund – is used to account for resources accumulated to pay principal and interest on long-term debt, including bonded assessments which are levied on specific properties to retire debt established to finance improvements of special benefit to those properties.

Special Revenue Fund – GASB Statement No. 34 requires that the District's Expendable Trust Fund be presented as a Special Revenue Fund for purposes of financial statement presentation.

The Special Revenue Fund is used to account for drainage fees collected from developers pursuant to local ordinance codes held by the District in a trustee capacity, which will be expended solely for construction of local drainage facilities within the area from which the fees were collected. The fund was established pursuant to the State of California Subdivision Map Act and local ordinances of the Cities of Fresno and Clovis, the County of Fresno, and the District itself.

Developer fees are held in each planned local drainage area trust account. As the District and the development community construct master plan drainage facilities, they are reimbursed for their construction from these accounts, with the development community's construction having priority over the District's construction reimbursement. Following construction of all the master planned facilities within each planned local drainage area and the payment of all related claims from the trust account, the District shall determine by resolution the amount of surplus, if any, remaining in each fund. Any surplus shall be used for one of the following purposes:

- a) For transfer to the General Fund provided that the amount of the transfer shall not exceed five percent of the total amount expended from the particular fund, and provided that the funds transferred are used to support the operation and maintenance of those facilities for which the fees are collected;
- b) For the construction of additional or modified facilities within the particular drainage area; or
- c) As a refund in the manner provided in the California Government Code.

The emphasis in fund financial statements is on the major funds. Non-major funds are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures of either fund category or the government combined) for the determination of major funds. For the year ended June 30, 2014, all of the District's individual fund types qualified as major funds.

C. Measurement Focus and Basis of Accounting

The basis of accounting refers to the point in time when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under this method of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized when the related liability is incurred. The exceptions to this rule are that principal and interest on long-term debt are recognized when due, and for District improvement contracts, the liability is recorded when the contract is awarded, offset by the percent incomplete.

Within the governmental fund types, the measurement focus is the determination of financial position and changes in financial position rather than income determination.

D. Budget and Budgetary Accounting

An annual budget is adopted by the Board of Directors for the General Fund. The budget is adopted on a basis consistent with GAAP, except payroll, which is adopted on a cash basis and then reconciled. No formal budget is adopted by the District for the Special Revenue Fund, as all funds are restricted by statute, and thus they are excluded from the general funds computation and annual budget. As such, no budget to actual comparison is required to be presented as required supplementary information for the special revenue major fund in accordance with GAAP.

E. Capital Assets

Capital assets purchased or constructed are reported at historical cost or estimated historical cost. In the case of acquisitions through gifts or contributions, such assets are recorded at fair value at the time received. The District records at cost the work performed for any construction contracts in progress at year-end. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over their estimated useful lives.

The estimated useful lives of the assets are as follows:

Structures and improvements	10-50 years
Machinery and equipment	4-10 years

F. Capitalization of Interest

Interest incurred on debt during the construction of projects is not capitalized as a cost of the projects.

G. Liability for Earned Compensated Absences

The District's obligation relating to employees' rights to receive compensation for future absences, which is attributable to services already rendered, is recorded in the General Fund. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Tax/Assessment Tax Payment Delinquencies

On October 12, 1993, the Fresno County (the County) Board of Supervisors voted to adopt an alternate method of tax/assessment tax apportionment known as the Teeter Plan, effective fiscal year 1993-94. The Teeter Plan provided a one-time fiscal benefit during fiscal year 1993-94 and in future years offers the District a consistent and predictable amount of tax/assessment tax revenue unaffected by delinquent tax payments. This is accomplished by the fact that the District will receive 100% of its current secured and supplemental tax levy, not just the amount collected, with the County owning the delinquent receivable. The County will apportion the revenue in three installments throughout the year. The Teeter Plan does not apply to unsecured taxes.

Unsecured taxes are due periodically throughout the year and become delinquent, if unpaid, on August 31. The lien date for unsecured tax/assessment tax is March 1 of the preceding fiscal year. All tax/assessment taxes are levied and collected by the County Auditor and are paid to the District as described above.

Tax/assessment tax revenues related to current secured and supplemental taxes are recognized in the fiscal year in which they are levied, due to the adoption of the Teeter Plan. Also, the adoption of the Teeter Plan eliminates the need for a receivable for these types of property taxes. Tax/assessment tax revenues related to unsecured taxes are recognized in the fiscal year for which they become available. Available means when due, past due and receivable within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

I. Interfund Transfers

The District records the annual transfer from the Special Revenue Fund to the General Fund when approved by the Board of Directors, which is typically subsequent to year-end. As a result, the transfer recorded for the year ended June 30, 2014, relates to activity from the year ended June 30, 2013. All other transfers relate to activity for the year ended June 30, 2014.

All interfund transfers are operating transfers, which are transfers from a fund receiving the revenue to the fund which has expended the resources. All of the interfund transfers are netted as part of the reconciliation to the government-wide financial statements.

J. Interfund Receivables and Payables

Short-term amounts owed between funds are classified as “due to/from other funds” and are subject to elimination upon consolidation.

K. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable** - Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact.
- **Restricted** - 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 or enabling legislation.
- **Committed** - Amounts constrained to specific purposes by the District itself, using the District's highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance (Continued)

- **Assigned** - Amounts the District *intends* to use for a specific purpose. Intent can be expressed by the District at either the highest level of decision-making authority or by an official or body to which the District delegates the authority. This is also the classification for residual funds in the District's Special Revenue Fund.
- **Unassigned** - The residual classification for the District's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The District establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved construction contracts. Assigned fund balance is established by the District through adoption or amendment of the budget or future year budget plan as intended for a specific purpose.

When both restricted and unrestricted resources are available for use, it is the District's informal policy/practice to use restricted resources first, followed by the committed, assigned, and unassigned resources as they are needed.

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The District, as per their Internal Policy, is required to achieve and maintain unrestricted fund balance in the General Fund sufficient to cover approximately 6 months of working capital at the close of each fiscal year, which exceeds the recommended level (approximately 60 days working capital) promulgated by the Government Finance Officers Association (GFOA).

L. Accounting Standards Update

During the fiscal year ending June 30, 2014, the District implemented the following GASB standards:

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. There was no effect on the District's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 66 – *Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62*. The statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. There was no effect on the District's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 67 – *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25*. The statement improves financial reporting by state and local governmental pension plans. There was no effect on the District's accounting or financial reporting as a result of implementing this standard.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accounting Standards Update (Continued)

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement enhances comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. There was no effect on the District's accounting or financial reporting as a result of implementing this standard.

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

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* will improve the decision usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The District is assessing, but has not yet determined, the effects of the implementation of this statement on its financial statements.

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations* provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2013. The District is assessing, but has not yet determined, the effects of the implementation of this statement on its financial statements.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual basis financial statements of employers and nonemployer contributing entities. The provisions of this statement should be applied simultaneously with the provisions of Statement No. 68 and therefore are effective for financial periods beginning after June 15, 2014. The District is assessing, but has not yet determined, the effects of the implementation of this statement on its financial statements.

NOTE 2 – CASH AND INVESTMENTS

Statutes authorize the District to invest in the County Treasury, Local Agency Investment Fund, U.S. Treasury and registered state warrants, notes, bonds, bills or certificates, commercial paper, repurchase agreements, and other similar instruments. The District's cash, which approximated market value at June 30, 2014, was invested in the County Treasury.

At year-end, the District had the following cash and investments and maturities:

Investment	Fair Value	Investment Maturities (in Years)	
		Less Than One	1-5
Cash in banks	\$ 131,921	\$ 131,921	\$ -
The County Treasury	37,214,642	37,214,642	-
Total	<u>\$ 37,346,563</u>	<u>\$ 37,346,563</u>	<u>\$ -</u>

NOTE 2 – CASH AND INVESTMENTS (Continued)

The District's investment is collateralized with pools of securities held by the Treasury of Fresno County, but not in the District's name. As a result they meet the criteria of Category 3 investments as set forth in GASB Statement No. 40. The investment policies of the County are governed by state statute and an adopted investment policy with oversight by the County Treasury Investment Committee. The Treasury Pool's portfolio has an average dollar-weighted quality of AAA.

Custodial Credit Risk

The District's deposits are fully insured by Federal Depository Insurance Corporation (FDIC). As of June 30, 2014, the District's bank balances were not exposed to custodial credit risk as uninsured or uncollateralized.

Restricted Cash

Receipts from the Capital Project and the Special Revenue Funds are classified as restricted cash because their use is limited to planned construction and repayment of related debt service obligations. Cash held in the Debt Service Fund is classified as restricted cash as amounts are held for future payments on long-term debt of the District.

NOTE 3 – CAPITAL ASSETS

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

	Balance June 30, 2013	Additions/ Completions	Retirements/ Adjustments	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 69,945,850	\$ 815,680	\$ (11,359)	\$ 70,750,171
Structures and improvements, Corps Project	<u>4,577,620</u>	<u>-</u>	<u>-</u>	<u>4,577,620</u>
Total capital assets not being depreciated	<u>74,523,470</u>	<u>815,680</u>	<u>(11,359)</u>	<u>75,327,791</u>
Capital assets being depreciated:				
Structures and improvements	271,033,930	7,887,565	(77,399)	278,844,096
Office building	5,496,991	-	-	5,496,991
Furniture, fixtures, and equipment	<u>3,855,546</u>	<u>115,597</u>	<u>(41,807)</u>	<u>3,929,336</u>
Total capital assets being depreciated	<u>280,386,467</u>	<u>8,003,162</u>	<u>(119,206)</u>	<u>288,270,423</u>
Less accumulated depreciation for:				
Structures and improvements	(78,818,021)	(5,530,658)	-	(84,348,679)
Office building	(1,612,006)	(123,430)	-	(1,735,436)
Furniture, fixtures, and equipment	<u>(2,353,880)</u>	<u>(264,502)</u>	<u>41,807</u>	<u>(2,576,575)</u>
Total accumulated depreciation	<u>(82,783,907)</u>	<u>(5,918,590)</u>	<u>41,807</u>	<u>(88,660,690)</u>
Total capital assets being depreciated, net	<u>197,602,560</u>	<u>2,084,572</u>	<u>(77,399)</u>	<u>199,609,733</u>
Total capital assets, net	<u>\$ 272,126,030</u>	<u>\$ 2,900,252</u>	<u>\$ (88,758)</u>	<u>\$ 274,937,524</u>

Depreciation expense was charged as direct expense to the following governmental activities:

General government and administration	\$ 215,645
Flood control system	<u>5,702,945</u>
	<u>\$ 5,918,590</u>

NOTE 4 – LONG-TERM DEBT

Transactions for the year ended June 30, 2014, are summarized as follows:

	Balance June 30, 2013	Additions	Expenditures	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 1,279,618	\$ 675,878	\$ (795,301)	\$ 1,160,195	\$ 64,420
State revolving loans	3,450,123	-	(652,583)	2,797,540	670,785
CIEDB loan	15,053,541	-	(601,684)	14,451,857	624,127
Other long-term debt	175,000	-	(66,212)	108,788	-
	<u>\$ 19,958,282</u>	<u>\$ 675,878</u>	<u>\$ (2,115,780)</u>	<u>\$ 18,518,380</u>	<u>\$ 1,359,332</u>

NOTE 5 – OTHER LONG-TERM DEBT PAYABLE

Construction advance received from the City of Fresno for drainage facilities in an area known as the "Industrial Triangle" (Drainage Area "KK", "LL", and "AW"). Repayment to begin when the area is 40% developed and to be equal to drainage assessments from the area collected subsequent to that time and continuing until either fully repaid or the area is 80% developed, at which time any amount then unpaid is due. As of June 30, 2014, 47% of the area within the boundaries of the Industrial Triangle has been developed from drainage fee proceeds. The City of Fresno has authorized the District to defer payments and allow the District to use drainage fee revenue to construct Master Plan Facilities. Following completion of the required construction, and after payment of other agreements with chronological priority preceding the date of the required construction, the District will forward any additional fee revenue to the City of Fresno pursuant to all other terms of the agreement.

\$ 108,788

NOTE 6 – STATE REVOLVING LOANS

Revolving loan with the State of California in the maximum amount of \$10,000,000, dated July 1, 1997. Principal and interest shall be payable in 20 annual installments beginning one year from the date of the first advance, which was January 5, 1998. Repayment is to be made from drainage fees paid with the General Fund as a secondary source of funding should drainage fees prove inadequate to meet the loan repayment obligation. The interest rate in effect at June 30, 2014, was 2.8%. The full amount of \$10,000,000 has been loaned to the District.

\$ 2,797,540

\$ 2,797,540

Payments on the state revolving loan debt at June 30, 2014, for succeeding years will be as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 670,785	\$ 78,331	\$ 749,116
2016	689,640	59,547	749,187
2017	708,950	40,237	749,187
2018	<u>728,165</u>	<u>20,387</u>	<u>748,552</u>
	<u><u>\$ 2,797,540</u></u>	<u><u>\$ 198,502</u></u>	<u><u>\$ 2,996,042</u></u>

Interest expense incurred on this loan during the year ended June 30, 2014, is \$96,603.

NOTE 7 – CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (CIEDB) LOAN

Loan with the California Infrastructure and Economic Development Bank in the maximum amount of \$20,000,000, dated May 1, 2001. As of June 30, 2001, interest only payments shall be payable in four semiannual installments beginning August 1, 2001. Beginning August 1, 2003, principal shall be payable in 28 annual installments and interest shall be payable in 56 semiannual installments. Interest is payable at the rate of 3.73%. Repayment is to be made from Assessment Tax Revenues collected with the General Fund and any other source of funds legally available for the purpose of making the annual payment as secondary sources of funding should Assessment Tax Revenues be inadequate to meet the loan repayment obligation. Collateral consists of a pledge and first lien on all of the Assessment Tax Revenues and all amounts in the Assessment Tax Revenues Special Revenue Fund. The full amount of \$20,000,000 has been loaned to the District.

\$ 14,451,857

NOTE 7 – CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (CIEDB) LOAN (Continued)

Payments on the CIEDB loan debt at June 30, 2014, for succeeding years will be as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 624,127	\$ 570,770	\$ 1,194,897
2016	647,407	545,183	1,192,590
2017	671,555	518,643	1,190,198
2018	696,604	491,112	1,187,716
2019	722,588	462,554	1,185,142
2020-2024	4,037,903	1,845,700	5,883,603
2025-2029	4,849,287	953,928	5,803,215
2030-2031	<u>2,202,386</u>	<u>92,872</u>	<u>2,295,258</u>
	<u>\$ 14,451,857</u>	<u>\$ 5,480,762</u>	<u>\$ 19,932,619</u>

Interest expense incurred on the loan during the year ended June 30, 2014, is \$595,437.

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of amounts due from and due to other funds:

Due to and due from other funds:

To General Fund:

From Special Revenue Fund	<u>\$ 671,566</u>
	<u>\$ 671,566</u>

Transfers in and transfers out:

To General Fund:

From Special Revenue Fund	\$ 1,778,062
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To Capital Project Fund:

From General Fund	6,031,943
From Special Revenue Fund	65,826

To Debt Service Fund:

From General Fund	1,995,251
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To Special Revenue Fund:

From General Fund	<u>1,249</u>
	<u>\$ 9,872,331</u>

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES (Continued)

The transfers to the General Fund from the Special Revenue Fund are to reimburse the General Fund for construction activity. Total transfers of \$1,778,062 were transferred to the General Fund as reimbursement for construction activity. The transfers from the General Fund and the Special Revenue Fund to the Capital Project Fund were for allocation of assessment tax and payment of capital projects, totaling \$6,097,769. The transfers from the General Fund to the Debt Service Fund were allocation of assessment and property taxes, in accordance with debt agreements to fund debt service payments, and totaled \$1,995,251. Transfers from the General Fund to the Special Revenue Fund were repayments of prior loans, totaling \$1,249.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Retirement Plan

The Fresno Metropolitan Flood Control District Pension Plan (the Plan) is a defined contribution pension plan established by the Board of Directors of the District. The Plan covers all full-time employees who have completed at least six months of continuous service and have attained the age of eighteen. Monthly employer contributions for employees hired prior to June 30, 1988, are 14% of the employees' salary. Monthly employer contributions for employees hired after June 30, 1988, is 10% of the employees' salaries. Participants are 25% vested after 2 years of service and an additional 25% after each additional year until they are fully vested. District contributions for, and interest forfeited by, employees who leave employment before becoming 100% vested are used to reduce the District's current period contribution requirement. Plan provisions and contribution requirements are established and may be amended by the Administrative Committee of the Board of Directors of the District. The District made the required contribution amounting to \$581,937 as of June 30, 2014.

B. Construction Program

The District, in a cooperative effort with the United States Army Corps of Engineers and the State of California, is constructing a system of dams, reservoirs, channels, and streams known as the Redbank-Fancher Creeks Flood Control Project. Physical construction for the project began in 1987 and was completed in August 1993. The total project is estimated to cost \$73,610,000. The District's share of the total cost is presently estimated to be \$27,705,258, of which the District anticipates to be reimbursed \$13,298,524 from the State of California. At June 30, 2014, total costs incurred by the District amounted to \$28,450,408, and the District has received reimbursements in the amount of \$13,223,712 from the State of California. As of June 30, 2014, the District has a receivable from the State of California of \$996 for outstanding retention being withheld until an audit has been performed by the State Controller's Office. The receivables will be recorded when they become available to finance expenditures of the current period. Currently, the District does not have any new claims submitted to the State.

C. Litigation

The District is a party to a number of lawsuits, claims, and eminent domain litigation arising out of the conduct of its operation. While the ultimate results of lawsuits or other proceedings against the District cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial position or results of operations of the District.

D. Joint Powers Insurance Authority (JPIA)

The District has entered into a joint powers agreement along with other members of the Association of California Water Agencies (ACWA) to form a self-insuring pool for liability coverage up to \$500,000. Insurance in excess of \$500,000 is collectively purchased through excess policies covering all included members. The excess insurance is for \$39,500,000 per occurrence for a total coverage of \$40,000,000.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)**D. Joint Powers Insurance Authority (JPIA)** (Continued)

The JPIA is governed by a board of directors composed of one representative from each member agency. The JPIA governing board controls the operation of the JPIA, independent of any influence by the District other than the District's representation on the governing board.

The JPIA is independently accountable for its fiscal matters. The JPIA maintains its own accounting records. The JPIA's budget is not subject to any approval other than that of its governing board.

The relationship between the District and the JPIA is such that the JPIA is not a component unit of the District for financial reporting purposes.

Separate financial statements of the JPIA are available upon request at 5620 Birdcage Street, Suite 200, Citrus Heights, California 95610, (916) 335-7500.

Condensed financial information for the JPIA's most recent year audited is shown below:

ACWA/JPIA	September 30, 2013
Total assets	\$ 194,823,604
Total liabilities	100,307,836
Designated equity	<u>\$ 94,515,768</u>
Total revenues	\$ 140,452,408
Total expenditures	<u>133,299,974</u>
Net increase in fund balance	<u><u>\$ 7,152,434</u></u>

E. Construction Contracts

The District has executed construction contracts for system improvements of \$217,145. The financial statements have \$44,381 recorded, which reflects the percent of the contract completed at June 30, 2014, and the District has remaining commitments under the contracts for \$172,764.

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITSPlan Description

The District provides post employment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service if hired prior to July 1, 1988, or after attaining age 55 with at least 10 years of service if hired on/after July 1, 1988. Currently, 5 employees meet those eligibility requirements. The District contribution varies by employee classification up to 100 percent of the amount of premiums incurred by retirees and their dependents. Expenditures for post employment benefits are recognized on a pay-as-you-go basis, premiums are paid. During the year, expenditures of \$489,890 were recognized for retirees' health care benefits.

The approximate actuarial accrued liability for the District at June 30, 2014, amounts to \$3,715,339. This is offset by the actuarial value of assets at June 30, 2014, of \$1,665,473, resulting in an approximated unfunded liability of \$2,049,866 as of June 30, 2014. These amount were calculated based upon an actuarial valuation by Demsey Filliger dated as of June 30, 2012.

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)Plan Description (Continued)

The District participates in an industry association plan (ACWA) that has about 300 employer members. There are two providers in the plan: Kaiser and Blue Cross/Blue Shield (BCBS) that offer PPO and HMO plans. Same benefit options are available to retirees as active employees. Upon reaching Medicare eligibility, the plans do not coordinate with Medicare. There is a small rate decrease for retirees who up for Medicare Part B. The health plans are community-rated. Kaiser plans are fully-insured while BCBS plans are self-insured. The District employees represent a very small percentage of the pool for the BCBS plans and thus these plans are assumed to be community-rated with no implicit subsidy to the District. The District employees represent approximately 6% of the pool for the Kaiser plans and thus these plans are not assumed to be community-rated. There will be a GASB implicit subsidy to the District for employees enrolled in this plan.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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 the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For fiscal year 2013-14, the District's annual OPEB cost was \$499,425. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2014, were as follows:

Annual required contribution	\$ 516,432
Interest on net OPEB obligation	112,451
Adjustments to annual required contribution	<u>(129,458)</u>
Annual OPEB cost	499,425
Contributions made	<u>489,890</u>
Change in net OPEB obligation	9,535
Net OPEB obligation - beginning of year	<u>1,640,420</u>
Net OPEB obligation - end of year	<u><u>\$ 1,649,955</u></u>

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation (Asset)
2012	\$ 502,055	\$ 309,394	61.63%	\$ 1,550,722
2013	\$ 500,015	\$ 410,317	82.06%	\$ 1,640,420
2014	\$ 499,425	\$ 489,890	98.09%	\$ 1,649,955

Funding Policy, Funded Status, and Funding Progress

The District's required contribution is based on pay-as-you-go financing requirements. For fiscal year 2013-14, the District contributed \$489,890 to the Plan.

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Funding Policy, Funded Status, and Funding Progress (Continued)

As of June 30, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$3,715,339. This is offset by the actuarial value of assets at June 30, 2014, of \$305,208, resulting in an approximated unfunded liability of \$3,410,131 as of June 30, 2014. The covered payroll (annual payroll of active employees covered by the Plan) was \$5,517,049 and the ratio of the unfunded actuarial accrued liability (UAAL) to covered payroll was 62%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the ARCs of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because 2008-09 was the year of implementation of GASB Statement No. 45 and the District elected to apply the statement prospectively, only two actuarial valuation years are presented in the schedule at this time. In future years, required trend analysis will be presented.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used 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 actuarial assumptions used for rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding health care inflation and interest were based on a standard set of actuarial assumptions modified as appropriate for the District. Turnover rates are based on CalPERS State Tier 2 non-vested rates modified to fit the District's termination experience for the past five years. Retirement rates were also based on District experience. Health care inflation rates are based on actuarial analysis of recent District experience and actuarial knowledge of the general health care environment. The actuarial assumption to determine the cost of covering early retirees (those under the age of 65) was an age-specific claims cost matrix fitted to the average estimated equivalent one-party premium for the current retiree group. Discount rate and return on assets of 4% and 4%, respectively, were used.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The District made offsetting prior period adjustments in the amount of \$967,807, in the General and Special Revenue Funds to reclassify contingent receivable loans to the Special Revenue Fund that should have been recorded as transfers when they were made.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 30, 2014, which is the date the basic financial statements were available to be issued. No events have occurred that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST EMPLOYMENT BENEFITS
JUNE 30, 2014**

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2009	\$ -	\$4,853,181	\$ 4,853,181	0%	\$ 5,054,764	96%
2012	\$ 305,208	\$3,715,339	\$ 3,410,131	8%	\$ 5,517,049	62%

COMBINING FUND FINANCIAL STATEMENTS

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
COMBINING BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 2014**

	<u>Total</u>	<u>CIEDB Loan</u>	<u>SRF Loan</u>
ASSETS			
Restricted cash	<u>\$ 1,758,409</u>	<u>\$ 984,574</u>	<u>\$ 773,835</u>
Total assets	<u><u>\$ 1,758,409</u></u>	<u><u>\$ 984,574</u></u>	<u><u>\$ 773,835</u></u>
LIABILITIES AND FUND BALANCES			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for debt service	<u>1,758,409</u>	<u>984,574</u>	<u>773,835</u>
Total liabilities and fund balances	<u><u>\$ 1,758,409</u></u>	<u><u>\$ 984,574</u></u>	<u><u>\$ 773,835</u></u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Total</u>	<u>CIEDB Loan</u>	<u>SRF Loan</u>
Revenues:			
Interest	\$ 10,551	\$ 3,343	\$ 7,208
Expenditures:			
Debt service	1,946,308	1,197,121	749,187
Excess (deficiency) of revenues over (under) expenditures	<u>(1,935,757)</u>	<u>(1,193,778)</u>	<u>(741,979)</u>
Other financing sources (uses):			
Transfers in	1,995,251	1,246,064	749,187
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses):	1,995,251	1,246,064	749,187
Net change in fund balances	59,494	52,286	7,208
Fund balances, beginning of year	<u>1,698,915</u>	<u>932,288</u>	<u>766,627</u>
Fund balances, end of year	<u><u>\$ 1,758,409</u></u>	<u><u>\$ 984,574</u></u>	<u><u>\$ 773,835</u></u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT FUND – PROJECT AREAS
JUNE 30, 2014**

	Total	Capital Construction Fund	Land	Improvement District CC	II-RR Construction	Basin D	Park Fund
ASSETS							
Cash	\$ 9,539,324	\$ 5,956,417	\$ 3,580,058	\$ 2,849	\$ -	\$ -	\$ -
Restricted cash	447,697	-	-	-	-	136,114	311,583
Total assets	<u>\$ 9,987,021</u>	<u>\$ 5,956,417</u>	<u>\$ 3,580,058</u>	<u>\$ 2,849</u>	<u>\$ -</u>	<u>\$ 136,114</u>	<u>\$ 311,583</u>
LIABILITIES AND FUND BALANCES							
Accounts payable	\$ 19,713	\$ 19,713	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts payable	32,912	32,912	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>52,625</u>	<u>52,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Committed for construction	<u>9,934,396</u>	<u>5,903,792</u>	<u>3,580,058</u>	<u>2,849</u>	<u>-</u>	<u>136,114</u>	<u>311,583</u>
Total fund balances	<u>9,934,396</u>	<u>5,903,792</u>	<u>3,580,058</u>	<u>2,849</u>	<u>-</u>	<u>136,114</u>	<u>311,583</u>
Total liabilities and fund balances	<u>\$ 9,987,021</u>	<u>\$ 5,956,417</u>	<u>\$ 3,580,058</u>	<u>\$ 2,849</u>	<u>\$ -</u>	<u>\$ 136,114</u>	<u>\$ 311,583</u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND – PROJECT AREAS
FOR THE YEAR ENDED JUNE 30, 2014**

	Total	Capital Construction Fund	Land	Improvement District CC	II-RR Construction	Basin D	Park Fund
Revenues:							
Capital contributions	\$ 250,461	\$ 250,461	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	111,526	57,451	49,713	-	-	1,039	3,323
Total revenues	361,987	307,912	49,713	-	-	1,039	3,323
Expenditures:							
Capital outlay	5,568,861	5,568,861	-	-	-	-	-
Total expenditures	5,568,861	5,568,861	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(5,206,874)	(5,260,949)	49,713	-	-	1,039	3,323
Other financing sources (uses):							
Transfers in	6,097,769	5,963,514	-	-	-	124,395	9,860
Capital project intrafund transfers	-	501,200	(501,200)	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	6,097,769	6,464,714	(501,200)	-	-	124,395	9,860
Net change in fund balances	890,895	1,203,765	(451,487)	-	-	125,434	13,183
Fund balances, beginning of year	9,043,501	4,700,027	4,031,545	2,849	-	10,680	298,400
Fund balances, end of year	<u>\$ 9,934,396</u>	<u>\$ 5,903,792</u>	<u>\$ 3,580,058</u>	<u>\$ 2,849</u>	<u>\$ -</u>	<u>\$ 136,114</u>	<u>\$ 311,583</u>

SUPPLEMENTARY SCHEDULES

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund		
	Budget	Actual	Variance with Final Budget
Revenues:			
Taxes:			
Property taxes - current	\$ 8,279,976	\$ 8,525,974	\$ 245,998
Property taxes - prior year levies	23,750	37,484	13,734
General subventions	141,960	200,050	58,090
Other	125,776	705,541	579,765
Assessment tax revenue	8,216,782	8,169,007	(47,775)
Interest revenue	95,850	147,650	51,800
Grant revenue	1,549,692	1,115,432	(434,260)
Construction contributions	-	-	-
Fees and charges for services:			
Non-conforming facilities fees	20,000	60,855	40,855
Master plan engineering fees	95,000	244,458	149,458
Excavation permit fees	100,000	176,424	76,424
Recharge maintenance	56,500	59,005	2,505
PPDA administration fees	5,000	16,926	11,926
Other fees and charges	130,900	70,331	(60,569)
Rental income	69,133	66,304	(2,829)
Miscellaneous	2,000	93,852	91,852
Other financing sources:			
Transfers in	1,715,000	1,778,063	63,063
Revenue from sale of assets	87,900	11,435	(76,465)
Total revenues and other financing sources	<u>20,715,219</u>	<u>21,478,791</u>	<u>763,572</u>
Expenditures:			
Personnel expense:			
Salaries, regular and part-time	5,874,432	5,595,602	278,830
Payroll related taxes	428,448	413,362	15,086
Employee insurance	1,070,939	1,027,801	43,138
Workers' compensation	114,756	85,596	29,160
Retirement	609,935	581,937	27,998
Annual leave	166,539	305,095	(138,556)
OPEB contribution	400,000	400,000	-
Unemployment insurance	1,800	7,946	(6,146)
Temporary help	1,000	25,484	(24,484)
Total personnel expense	<u>8,667,849</u>	<u>8,442,823</u>	<u>225,026</u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund		
	Budget	Actual	Variance with Final Budget
Expenditures, continued:			
Office administration:			
General office supplies	56,020	39,478	16,542
Records and maps	35,880	21,134	14,746
Reproduction	14,796	14,938	(142)
Office equipment maintenance	75,803	68,158	7,645
Communications	45,000	35,785	9,215
Postage	7,034	7,934	(900)
Printing	6,400	2,913	3,487
Courier service	150	47	103
Total office administration	241,083	190,387	50,696
Management support:			
Conferences and meetings	13,090	6,324	6,766
General management	40,891	38,002	2,889
Professional education	36,170	15,083	21,087
Corps project representation	-	-	-
Total management support	90,151	59,409	30,742
Insurance:			
Employee bonding	1,770	1,738	32
Notary, trustee, and fiduciary	6,495	6,399	96
Directors' liability	7,950	7,780	170
Fire, theft, and office content	19,920	21,621	(1,701)
Automobile	19,980	21,524	(1,544)
General liability	159,000	132,260	26,740
Deductibles, settlements	5,000	(100)	5,100
Dam failure	74,090	-	74,090
Total insurance	294,205	191,222	102,983
Professional services:			
Legal services	280,000	231,622	48,378
Accounting services	61,000	46,000	15,000
Consulting engineers	800	638	162
Computer support	47,500	27,488	20,012
Other professional services	13,820	28,172	(14,352)
Legislative services	10,000	-	10,000
Personnel services	10,220	3,079	7,141
Benefit administration	11,674	6,562	5,112
Total professional services	435,014	343,561	91,453

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund		
	Budget	Actual	Variance with Final Budget
Expenditures, continued:			
Other administrative expense:			
Records storage	1,075	660	415
Revenue collection expense	176,080	171,190	4,890
Directors' expense	59,358	50,963	8,395
Public information	27,000	18,328	8,672
Service charges	3,390	3,177	213
Assessment refunds	12,480	516	11,964
Special events expense	1,000	1,248	(248)
San Joaquin Conservancy expense	-	-	-
Miscellaneous expense	25	12	13
Total other administrative expense	280,408	246,094	34,314
System operations and maintenance:			
Basin maintenance:			
Developed basin maintenance	565,000	579,969	(14,969)
Undeveloped basin maintenance	298,600	286,568	12,032
Recharge maintenance	156,000	86,698	69,302
Parks and recreation maintenance	40,000	43,982	(3,982)
Winter operations	30,000	2,587	27,413
Fence repair	77,100	63,657	13,443
Pump operations/maintenance	288,000	210,816	77,184
Drainline operations	175,500	69,232	106,268
Flood control maintenance:			
Dam operations/maintenance	283,000	207,260	75,740
Channel operations	226,500	182,787	43,713
Detention basin operations	87,000	81,643	5,357
Vehicle operations	167,000	110,628	56,372
Vehicle repairs	12,600	8,229	4,371
Vehicle supplies	2,500	2,629	(129)
Operation expense	24,000	16,403	7,597
Operation service charges	500	-	500
Field equipment maintenance	50,000	62,788	(12,788)
Warehouse expense	1,020	-	1,020
Other operations expense	8,000	2,556	5,444
Uniform expense	7,500	5,730	1,770
Telemetry maintenance	9,600	5,361	4,239
Environmental management:			
Environmental analysis	79,000	101,531	(22,531)
Water resource planning	17,000	17,000	-
Other environmental management	5,000	3,843	1,157
Total system operations and maintenance	2,610,420	2,151,897	458,523

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund		
	Budget	Actual	Variance with Final Budget
Expenditures, continued:			
Operations center expense:			
Utilities	94,454	90,478	3,976
Building maintenance	54,361	56,347	(1,986)
Landscape maintenance	23,200	23,149	51
Repairs and rehabilitation	7,500	1,176	6,324
Other operations center	1,500	860	640
Total operations center expense	181,015	172,010	9,005
Storm water quality management expense:			
Consulting services	-	61,299	(61,299)
NPDES permit application	-	-	-
Municipal NPDES development	127,500	60,426	67,074
Industrial NPDES development	37,000	-	37,000
SWQM operations/maintenance	350,650	208,776	141,874
Municipal NPDES implementation	359,725	340,036	19,689
Industrial NPDES implementation	8,000	-	8,000
Total storm water quality management expense	882,875	670,537	212,338
Capital outlay:			
Operations center	5,000	-	5,000
Field equipment	192,250	115,597	76,653
Total capital outlay	197,250	115,597	81,653
Total expenditures	13,880,270	12,583,537	1,296,733
Other uses:			
Transfers out	8,466,655	8,028,444	438,211
Total expenditures and other uses	22,346,925	20,611,981	1,734,944
Net change in fund balance	(1,631,706)	866,810	2,498,516
Fund balance, beginning of year	8,005,974	13,270,712	5,264,738
Prior period adjustment	-	(967,807)	(967,807)
Fund balance, end of year	\$ 6,374,268	\$ 13,169,715	\$ 6,795,447

FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
SCHEDULE OF COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
(DEVELOPER PAYABLE AND CONSTRUCTION CONTRACTS INCLUDED AS A LIABILITY)
JUNE 30, 2014

	General	Capital Project	Debt Service	Special Revenue	Total Governmental Funds
ASSETS					
Cash	\$ 13,202,796	\$ 9,539,324	\$ -	\$ -	\$ 22,742,120
Receivables:					
Taxes	17,546	-	-	-	17,546
Developer	-	-	-	18,773	18,773
Fees and charges	-	-	-	199,750	199,750
Other	74,625	-	-	-	74,625
Due from other funds	671,566	-	-	-	671,566
Restricted cash	-	447,697	1,758,409	12,398,337	14,604,443
Total assets	\$ 13,966,533	\$ 9,987,021	\$ 1,758,409	\$ 12,616,860	\$ 38,328,823
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 451,005	\$ 19,713	\$ -	\$ -	\$ 470,718
Contracts payable	47,480	169,665	-	-	217,145
Salaries payable	131,789	-	-	-	131,789
Due to other funds	-	-	-	671,566	671,566
Developers payable	-	-	-	8,625,217	8,625,217
Advances from 3rd parties	138,135	-	-	-	138,135
Liability for compensated absences	64,420	-	-	-	64,420
Total liabilities	832,829	189,378	-	9,296,783	10,318,990
Fund balances:					
Restricted:					
Debt service	-	-	1,758,409	-	1,758,409
Drainage assessments	-	-	-	3,320,077	3,320,077
Committed:					
Construction	36,011	9,797,643	-	-	9,833,654
Assigned:					
General obligations	7,124,703	-	-	-	7,124,703
Unassigned:	5,972,990	-	-	-	5,972,990
Total fund balances	13,133,704	9,797,643	1,758,409	3,320,077	28,009,833
Total liabilities and fund balances	\$ 13,966,533	\$ 9,987,021	\$ 1,758,409	\$ 12,616,860	\$ 38,328,823

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
SCHEDULE OF COMBINED REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
(DEVELOPER PAYABLE AND CONSTRUCTION CONTRACTS
INCLUDED AS A LIABILITY)
FOR THE YEAR ENDED JUNE 30, 2014**

	General	Capital Project	Debt Service	Special Revenue	Total Governmental Funds
Revenues:					
Taxes and subventions	\$ 9,469,049	\$ -	\$ -	\$ -	\$ 9,469,049
Assessment tax revenue	8,169,007	-	-	-	8,169,007
Drainage fees - cash	-	-	-	2,080,103	2,080,103
Drainage fees - noncash	-	-	-	2,815,092	2,815,092
Fees and charges for services	627,999	-	-	-	627,999
Interest and rental revenue	213,954	111,526	10,551	159,496	495,527
Grants loans and contributions	1,115,432	250,461	-	370,238	1,736,131
Miscellaneous	5,927	-	-	-	5,927
Total revenues	19,601,368	361,987	10,551	5,424,929	25,398,835
Expenditures:					
Personnel expense	8,442,823	-	-	-	8,442,823
Office administration	190,387	-	-	-	190,387
Management support	59,409	-	-	-	59,409
Insurance	191,222	-	-	-	191,222
Professional services	343,561	-	-	-	343,561
Other administrative expense	246,094	-	-	245,709	491,803
System operations and maintenance	2,151,897	-	-	-	2,151,897
Operations center expense	172,010	-	-	-	172,010
Storm water quality management expense	670,537	-	-	-	670,537
Capital outlay	114,815	4,432,798	-	3,134,384	7,681,997
Debt service	-	-	1,946,308	66,212	2,012,520
Total expenditures	12,582,755	4,432,798	1,946,308	3,446,305	22,408,166
Excess (deficiency) of revenues over (under) expenditures	7,018,613	(4,070,811)	(1,935,757)	1,978,624	2,990,669
Other financing sources (uses):					
Transfers in	1,778,062	6,097,769	1,995,251	1,249	9,872,331
Transfers out	(8,028,443)	-	-	(1,843,888)	(9,872,331)
Revenue from the sale of assets	99,360	-	-	8,997	108,357
Net other financing sources (uses)	(6,151,021)	6,097,769	1,995,251	(1,833,642)	108,357
Net change in fund balances	867,592	2,026,958	59,494	144,982	3,099,026
Fund balances, June 30, 2013	13,233,919	7,770,685	1,698,915	2,207,288	24,910,807
Prior period adjustment	(967,807)	-	-	967,807	-
Fund balances, June 30, 2014	\$ 13,133,704	\$ 9,797,643	\$ 1,758,409	\$ 3,320,077	\$ 28,009,833

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – CURRENT YEAR VS. PRIOR YEAR – GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	General Fund		
	June 30, 2014	June 30, 2013	Variance
Revenues:			
Taxes and subventions	\$ 9,469,049	\$ 9,561,134	\$ (92,085)
Assessment tax revenue	8,169,007	8,157,270	11,737
Fees and charges for services	627,999	533,910	94,089
Interest and rental revenue	213,954	260,250	(46,296)
Grants revenue	1,115,432	729,112	386,320
Miscellaneous	93,852	17,092	76,760
Construction contributions	-	70,314	(70,314)
Total revenues	19,689,293	19,329,082	360,211
Other financing sources:			
Operating transfers in	1,778,063	1,435,011	343,052
Revenue from sale of assets	11,435	6,056	5,379
Total revenues and other financing sources	21,478,791	20,770,149	708,642
Expenditures:			
Personnel expense	8,442,823	8,116,294	326,529
Office administration	190,387	192,296	(1,909)
Management support	59,409	69,659	(10,250)
Insurance	191,222	243,395	(52,173)
Professional services	343,561	338,746	4,815
Other administrative expense	246,094	231,284	14,810
System operations and maintenance	2,151,897	2,160,461	(8,564)
Operations center expense	172,010	158,767	13,243
Storm water quality management expense	670,537	597,647	72,890
Capital outlay	115,597	179,232	(63,635)
Total expenditures	12,583,537	12,287,781	295,756
Other uses:			
Transfers out	8,028,444	8,479,555	(451,111)
Total expenditures and other uses	20,611,981	20,767,336	(155,355)
Net change in fund balance	866,810	2,813	863,997
Fund balance, beginning of year	13,270,712	13,267,899	2,813
Prior period adjustment	(967,807)	-	(967,807)
Fund balance, end of year	\$ 13,169,715	\$ 13,270,712	\$ (100,997)

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – CURRENT YEAR VS. PRIOR YEAR – GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	General Fund		
	June 30, 2014	June 30, 2013	Variance
Revenues:			
Taxes:			
Property taxes - current	\$ 8,525,974	\$ 8,822,349	\$ (296,375)
Property taxes - prior year levies	37,484	15,983	21,501
General subventions	200,050	178,241	21,809
Other	705,541	544,561	160,980
Assessment tax revenue	8,169,007	8,157,270	11,737
Interest revenue	147,650	189,343	(41,693)
Grant revenue	1,115,432	729,112	386,320
Construction contributions	-	70,314	(70,314)
Fees and charges for services:			
Non-conforming facilities fees	60,855	70,998	(10,143)
Master plan engineering fees	244,458	235,049	9,409
Excavation permit fees	176,424	98,838	77,586
Recharge maintenance	59,005	73,938	(14,933)
PPDA administration fees	16,926	12,323	4,603
Other fees and charges	70,331	42,764	27,567
Rental income	66,304	70,907	(4,603)
Miscellaneous	93,852	17,092	76,760
Other financing sources:			
Transfers in	1,778,063	1,435,011	343,052
Proceeds from sale of assets	11,435	6,056	5,379
Total revenues and other financing sources	<u>21,478,791</u>	<u>20,770,149</u>	<u>708,642</u>
Expenditures:			
Personnel expense:			
Salaries, regular and part-time	5,595,602	5,477,217	118,385
Payroll related taxes	413,362	400,995	12,367
Employee insurance	1,027,801	993,504	34,297
Workers' compensation	85,596	89,419	(3,823)
Retirement	581,937	573,686	8,251
Annual leave	305,095	161,629	143,466
OPEB contribution	400,000	402,839	(2,839)
Unemployment insurance	7,946	9,450	(1,504)
Temporary help	25,484	7,565	17,919
Total personnel expense	<u>8,442,823</u>	<u>8,116,304</u>	<u>326,519</u>
Office administration:			
General office supplies	39,478	43,961	(4,483)
Records and maps	21,134	37,211	(16,077)
Reproduction	14,938	9,225	5,713
Office equipment maintenance	68,158	55,205	12,953
Communications	35,785	37,329	(1,544)
Postage	7,934	5,541	2,393
Printing	2,913	3,767	(854)
Courier service	47	57	(10)
Total office administration	<u>190,387</u>	<u>192,296</u>	<u>(1,909)</u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – CURRENT YEAR VS. PRIOR YEAR – GENERAL FUND (Continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	General Fund		
	June 30, 2014	June 30, 2013	Variance
Expenditures, continued:			
Management support:			
Conferences and meetings	6,324	10,601	(4,277)
General management	38,002	36,532	1,470
Professional education	15,083	22,526	(7,443)
Total management support	59,409	69,659	(10,250)
Insurance:			
Employee bonding	1,738	1,738	-
Notary, trustee, and fiduciary	6,399	6,366	33
Directors' liability	7,780	6,706	1,074
Fire, theft, and office content	21,621	20,895	726
Automobile	21,524	19,130	2,394
General liability	132,260	114,003	18,257
Deductibles, settlements	(100)	-	(100)
Dam failure	-	74,557	(74,557)
Total insurance	191,222	243,395	(52,173)
Professional services:			
Legal services	231,622	166,274	65,348
Accounting services	46,000	43,500	2,500
Consulting engineers	638	28,475	(27,837)
Computer support	27,488	27,278	210
Other professional services	28,172	60,504	(32,332)
Personnel services	3,079	3,196	(117)
Benefit administration	6,562	9,519	(2,957)
Total professional services	343,561	338,746	4,815
Other administrative expense:			
Records storage	660	865	(205)
Revenue collection expense	171,190	173,608	(2,418)
Directors' expense	50,963	36,935	14,028
Public information	18,328	14,214	4,114
Service charges	3,177	4,137	(960)
Assessment refunds	516	1,192	(676)
Special events expense	1,248	-	1,248
San Joaquin Conservancy expense	-	332	(332)
Miscellaneous expense	12	1	11
Total other administrative expense	246,094	231,284	14,810

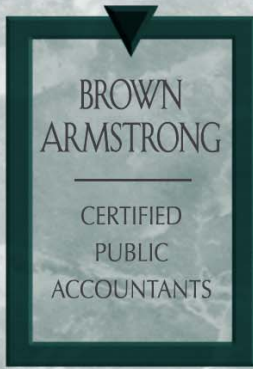
**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – CURRENT YEAR VS. PRIOR YEAR – GENERAL FUND (Continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	General Fund		
	June 30, 2014	June 30, 2013	Variance
Expenditures, continued:			
System operations and maintenance:			
Basin maintenance:			
Developed basin maintenance	579,969	515,225	64,744
Undeveloped basin maintenance	286,568	265,619	20,949
Recharge maintenance	86,698	151,352	(64,654)
Parks and recreation maintenance	43,982	29,170	14,812
Winter operations	2,587	6,691	(4,104)
Fence repair	63,657	72,995	(9,338)
Pump operations/maintenance	210,816	220,335	(9,519)
Drainline operations	69,232	110,604	(41,372)
Flood control maintenance:			
Dam operations/maintenance	207,260	239,632	(32,372)
Channel operations	182,787	187,717	(4,930)
Detention basin operations	81,643	77,852	3,791
Vehicle operations	110,628	112,487	(1,859)
Vehicle repairs	8,229	12,712	(4,483)
Vehicle supplies	2,629	3,387	(758)
Operation expense	16,403	20,608	(4,205)
Field equipment maintenance	62,788	52,860	9,928
Warehouse expense	-	2,469	(2,469)
Other operations expense	2,556	13,404	(10,848)
Uniform expense	5,730	7,004	(1,274)
Telemetry maintenance	5,361	5,550	(189)
Environmental management:			
Environmental analysis	101,531	35,131	66,400
Water resources planning	17,000	17,000	-
Other environmental management	3,843	657	3,186
Total system operations and maintenance	2,151,897	2,160,461	(8,564)
Operations center expense:			
Utilities	90,478	81,199	9,279
Building maintenance	56,347	57,438	(1,091)
Landscape maintenance	23,149	17,703	5,446
Repairs and rehabilitation	1,176	2,153	(977)
Other operations center	860	274	586
Total operations center expense	172,010	158,767	13,243

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – CURRENT YEAR VS. PRIOR YEAR – GENERAL FUND (Continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	General Fund		
	June 30, 2014	June 30, 2013	Variance
Expenditures, continued:			
Storm water quality management expense:			
Consulting services	61,299	10,540	50,759
Municipal NPDES development	60,426	55,523	4,903
Industrial NPDES development	-	463	(463)
SWQM operations/maintenance	208,776	261,181	(52,405)
Municipal NPDES implementation	340,036	262,440	77,596
Industrial NPDES implementation	-	7,500	(7,500)
Total storm water quality management expense	670,537	597,647	72,890
Capital outlay:			
Operations center	-	13,870	(13,870)
Field equipment	115,597	165,352	(49,755)
Total capital outlay	115,597	179,222	(63,625)
Total expenditures	12,583,537	12,287,781	295,756
Other uses:			
Transfers out	8,028,444	8,479,555	(451,111)
Total expenditures and other uses	20,611,981	20,767,336	(155,355)
Net change in fund balance	866,810	2,813	863,997
Fund balance, beginning of year	13,270,712	13,267,899	2,813
Prior period adjustment	(967,807)	-	(967,807)
Fund balance, end of year	<u>\$ 13,169,715</u>	<u>\$ 13,270,712</u>	<u>\$ (100,997)</u>

OTHER REPORT



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Fresno Metropolitan Flood Control District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 30, 2014