

**COUNTY OF TEHAMA,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2017**

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COUNTY OF TEHAMA
Annual Financial Report
For the Year Ended June 30, 2017

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INTRODUCTORY SECTION

- **County Officials**

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COUNTY OF TEHAMA
County Officials
For the Year Ended June 30, 2017

ELECTED OFFICIALS

Supervisor, District 1.....	Steve Chamblin
Supervisor, District 2.....	Candy Carlson
Supervisor, District 3.....	Dennis Garton
Supervisor, District 4.....	Bob Williams
Supervisor, District 5.....	Burt Bundy
Assessor.....	Dale Stroud
Auditor/Controller.....	LeRoy M. Anderson
Clerk & Recorder/Clerk of the Board/Elections.....	Jennifer Vise
District Attorney.....	Gregg Cohen
Sheriff/Coroner.....	Dave Hencratt
Treasurer/Tax Collector.....	Dana Hollmer

DEPARTMENT DIRECTORS/ADMINISTRATORS

Chief Administrator.....	Williams Goodwin
Agriculture Commissioner - Sealer Weights & Measures.....	Rick J. Gurrola
Air Pollution Control Officer (Interim).....	Joseph H. Tona
Building Official.....	John Stover
Chief Probation Officer.....	Richard Muench
Child Support Services Director.....	Tonya Moore
Civil Defense Coordinator.....	Dave Hencratt
County Library Manager.....	Sally Ainsworth
County Counsel.....	Arthur J. Wylene
Court Executive Officer - Jury Commissioner.....	Caryn Downing
Director of Environmental Health.....	Tim Potanovic
Director of Planning.....	Vacant
Director of Public Works - Road Commissioner.....	Gary Antone
Farm Advisor.....	Rick Buchner
Fire Warden - Chief.....	Christine Thompson
Health Officer.....	Richard Wickenheiser, MD
Health Services Agency - Executive Director.....	Valerie Lucero
Personnel Director.....	Sally Hacko
Public Guardian - Public Administrator.....	Melani Rodrigue
Social Services Director.....	Amanda Sharp
Veterans Service Officer.....	Kelly Osborn

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors and Grand Jury
County of Tehama
Red Bluff, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County of Tehama, California (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Supervisors and Grand Jury
County of Tehama
Red Bluff, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1R to the basic financial statements, in 2016-17, the County implemented Governmental Accounting Standards Board (GASB) Statement Nos. 74, 77, 78, 80 and 82. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, County Pension Plan - Schedule of Changes in Net Pension Liability and Related Ratios, County Pension Plan - Schedule of Contributions, Notes to County Pension Plan, County OPEB Plan - Schedule of Funding Progress, Infrastructure Assets reported using the Modified Approach and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

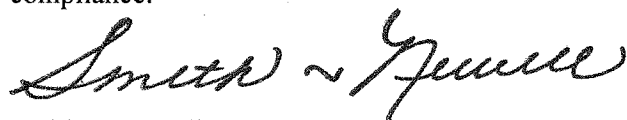
The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the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

To the Board of Supervisors and Grand Jury
County of Tehama
Red Bluff, California

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written in black ink.

Smith & Newell CPAs
Yuba City, California
February 22, 2018

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

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COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017

This section of the County of Tehama (County) annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2017. It should be read in conjunction with the County's basic financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$195,426,171 (net position). Of this amount, \$35,387,407 is restricted by function, \$206,158,895 is net investment in capital assets, and (\$46,120,131) is unrestricted.
- The government's total net position decreased by \$101,863 during the year.
- As of June 30, 2017 the County's governmental funds combined ending fund balances were \$49,539,568. This is a net decrease of \$13,197,876 from the prior year, and is comprised of \$32,959,981 in Non-spendable and/or Restricted fund balance and \$16,579,587 as Committed, Assigned or Unassigned.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

A. Financial Reporting Model

The County of Tehama's financial reporting model is designed to demonstrate government accountability by presenting both a long-term and a near term view of its finances. This model is prescribed by Statement Number 34 of the Government Accounting Standards Board (GASB 34). This model is comprised of three parts: 1) Management Discussion and Analysis which provides the financial highlights; 2) The County's basic financial statements, which consist of the Government-Wide financial statements, the Fund financial statements and Notes to the financial statements; 3) Required Supplementary Information.

B. Government-Wide Financial Statements

The government-wide financial statements provide an overview of the County's finances, in a manner similar to a private sector business that is using the accrual basis of accounting. They demonstrate accountability of Tehama County by showing the extent to which it has met operating objectives efficiently and effectively, using all resources available, and whether it can continue to do so.

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

The *statement of activities* presents information on expenses and revenues to show how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported as soon as earned and expenses are reported as soon as incurred even though the related cash flows may not have taken place until future fiscal periods (e.g., earned but unused vacation leave).

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

Certain component units such as county service areas are essentially part of County operations and their financial data are blended in with operational funds of the County.

C. Fund Financial Statements

The fund financial statements provide evidence of accountability by demonstrating compliance with budgetary decisions made in a public forum. A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes stipulated by laws, regulations or policies. The funds of the County are divided into three categories: governmental, proprietary, and fiduciary.

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

The County maintains 18 individual governmental funds. Governmental funds information is presented separately for the following major funds in the financial statements: the General fund, Public Safety fund, Public Assistance fund, and the Health Services fund. Data from other governmental funds are aggregated into a single column and classified as Other Governmental funds.

Proprietary funds are of two types:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Tehama County Sanitation District #1.

Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses internal services funds to account for Risk Management (Worker's Compensation, Liability and Property Insurance) and Dental Insurance programs. Because these services predominantly benefit governmental, rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's programs. The County maintains both agency funds and investment trust funds in the fiduciary fund category.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

D. Required Supplementary Information

In addition to the basic financial statements, this report presents Required Supplementary Information that includes the County's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees; infrastructure assets reported using the modified approach and budgetary comparisons for the General fund and other major governmental funds.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position June 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 85,378,118	\$ 75,352,303	\$ 148,542	\$ 249,079	\$ 85,526,660	\$ 75,601,382
Capital assets	208,177,661	218,211,991	859,085	819,525	209,036,746	219,031,516
Total Assets	<u>293,555,779</u>	<u>293,564,294</u>	<u>1,007,627</u>	<u>1,068,604</u>	<u>294,563,406</u>	<u>294,632,898</u>
Deferred Outflows of Resources						
Pension adjustments	6,688,700	18,334,246	-	-	6,688,700	18,334,246
Total Deferred Outflows of Resources	<u>6,688,700</u>	<u>18,334,246</u>	<u>-</u>	<u>-</u>	<u>6,688,700</u>	<u>18,334,246</u>
Current and other liabilities	18,232,865	18,773,413	24,830	26,193	18,257,695	18,799,606
Long term liabilities	80,936,527	95,546,241	394,000	338,200	81,330,527	95,884,441
Total Liabilities	<u>99,169,392</u>	<u>114,319,654</u>	<u>418,830</u>	<u>364,393</u>	<u>99,588,222</u>	<u>114,684,047</u>
Deferred Inflows of Resources						
Pension adjustments	6,168,850	2,856,926	-	-	6,168,850	2,856,926
Total Deferred Inflows of Resources	<u>6,168,850</u>	<u>2,856,926</u>	<u>-</u>	<u>-</u>	<u>6,168,850</u>	<u>2,856,926</u>
Net investment in capital assets	194,219,500	205,695,070	481,085	463,825	194,700,585	206,158,895
Restricted	47,318,415	35,387,407	-	-	47,318,415	35,387,407
Unrestricted	(46,631,678)	(46,360,517)	140,712	240,386	(46,490,966)	(46,120,131)
Total Net Position	<u>\$ 194,906,237</u>	<u>\$ 194,721,960</u>	<u>\$ 621,797</u>	<u>\$ 704,211</u>	<u>\$ 195,528,034</u>	<u>\$ 195,426,171</u>

The net investment in capital assets reflects the County's investment in land, structures and improvements, infrastructure and equipment. The County uses the capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$35,387,407 represents resources that are subject to external restrictions on how they may be used. The decrease of \$11.9 million is due largely to Debt Service and Capital Projects not being included (they were in 2016)

Unrestricted net position of \$(46,120,131) represents the amount that is unrestricted and available. The decrease in unrestricted net position (less negative) from last year to this year is \$370,835. The change is due to the classification of the net position of capital projects and debt service funds as unrestricted in FY 2016/17 and the increase in net pension liability.

The total deferred outflows of resources for governmental activities were \$18,334,246 and deferred inflows of resources were \$2,856,926. Both numbers are a result of recording pension liability and pension adjustments. Deferred outflows of resources increased by 174% and deferred inflows of resources decreased by 54%. These variances are due to the change of assumptions in the prior year and the differences between projected and actual earnings in the current year in the net pension liability calculation.

**Statement of Activities
For the Year Ended June 30, 2017**

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Program revenues						
Charges for services	\$ 26,990,660	\$ 26,448,955	\$ 152,806	\$ 221,678	\$ 27,143,466	\$ 26,670,633
Grants and contributions	78,634,624	80,244,269	-	57,560	78,634,624	80,301,829
General revenues:						
Property taxes	19,762,831	20,627,794	-	-	19,762,831	20,627,794
Other taxes	4,601,028	4,300,608	-	-	4,601,028	4,300,608
Interest and investment earnings	1,011,174	1,088,628	1,155	2,091	1,012,329	1,090,719
Other revenue	1,135,116	962,670	1	-	1,135,117	962,670
Total Revenues	<u>132,135,433</u>	<u>133,672,924</u>	<u>153,962</u>	<u>281,329</u>	<u>132,289,395</u>	<u>133,954,253</u>
Expenses:						
General government	19,126,204	20,905,094	-	-	19,126,204	20,905,094
Public protection	36,798,737	39,254,885	-	-	36,798,737	39,254,885
Public ways and facilities	10,259,722	9,860,023	-	-	10,259,722	9,860,023
Health and Sanitation	20,266,377	21,260,218	-	-	20,266,377	21,260,218
Public assistance	40,112,288	41,014,892	-	-	40,112,288	41,014,892
Education	678,478	708,183	-	-	678,478	708,183
Culture and recreation	340,771	326,118	-	-	340,771	326,118
Interest and fiscal charges	535,542	527,788	-	-	535,542	527,788
Sanitation District	-	-	160,252	198,915	160,252	198,915
Total Expenses	<u>128,118,119</u>	<u>133,857,201</u>	<u>160,252</u>	<u>198,915</u>	<u>128,278,371</u>	<u>134,056,116</u>
Changes in net position	4,017,314	(184,277)	(6,290)	82,414	4,011,024	(101,863)
Net position, beginning	<u>190,888,923</u>	<u>194,906,237</u>	<u>628,087</u>	<u>621,797</u>	<u>191,517,010</u>	<u>195,528,034</u>
Net position, ending	<u>\$ 194,906,237</u>	<u>\$ 194,721,960</u>	<u>\$ 621,797</u>	<u>\$ 704,211</u>	<u>\$ 195,528,034</u>	<u>\$ 195,426,171</u>

The following highlights significant factors that affected the governmental and business-type activities and contributed to the change in net position:

- Governmental activities had a decrease of \$(184,277) and Business-Type activities had an increase of 82,414. The result was an overall decrease in net position of \$(101,863).
- Revenues increased slightly in Property Taxes, increased substantially in Grants and Contributions, and decreased in Other Taxes and Charges for Services.
- There was a significant increase in expenditures for General Government and even more-so, Public Protection. A slight increase was seen in Health and Sanitation and Public Assistance while Public Ways and Facilities expenses decreased slightly.

IV. FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with budgetary and legal requirements.

Governmental funds. The general government functions are included in the General, Special Revenue, Debt Service and Capital Project funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and spendable resources. Such information is useful in assessing the County's financing requirements.

At June 30, 2017, the County's governmental funds reported combined ending fund balances of \$49,539,568. Approximately 33.5% of this total amount, or \$16,579,587, constitutes unrestricted fund balance which may be used to meet the County's ongoing general obligation to citizens and creditors.

The General fund is the main operating fund of the County. At June 30, 2017, combined unrestricted fund balance of the General fund was \$12,315,429, while total combined fund balance reached \$16,109,995. As a measure of the General fund's liquidity, the unrestricted fund balance represents 43% of \$28,859,689 in total fund expenditures, and total fund balance is 56% of that same amount.

The following Special Revenue funds can be viewed a little differently. Here, all restricted fund balance, as defined by GASB 54, is also available for operations. Non-spendable amounts are not available for operations.

The Public Safety fund is used to account for all revenues and expenditures associated with public protection programs. The combined Public Safety fund had a total fund balance of \$8,284,475. Of this amount, \$8,208,429 is available and the balance of \$76,046 is non-spendable. The overall fund balance decreased by \$176,882.

The Public Assistance funds are used to account for all revenues and expenditures associated with the Federal and State mandates of various Health and Welfare Codes. At June 30, 2017, the total combined fund balance of the Public Assistance funds was \$3,754,750. This represents an available fund balance of \$3,693,010 and an overall increase in fund balance of \$974,079.

The Health Services fund is comprised of several sub-funds which are used to account for all revenues and expenditures associated with providing health services to County residents. At June 30, 2017 the combined Health Services funds had a deficit unassigned fund balance of \$4,355,638. This deficit is due to intergovernmental revenues that were not received within the modified accrual period and therefore, recorded as unavailable revenues on the fund financial statements.

A Non-Major fund, the Road fund, is used to account for all revenues and expenditures associated with design, construction and maintenance of county road infrastructure. The Road fund had a combined fund balance of \$3,544,934. Of this amount \$3,067,930 is available and the remaining \$477,004 is non-spendable. The overall fund balance decreased by \$1,964,440.

The following tables for revenue by source and expenditure by function differ from the numbers presented in the Statement of Activities for various reasons explained in the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds (page 19 of the Financial Statements). The Revenues by Source table presents the revenues from various sources as well as increases or decreases from the prior year in the governmental funds. The Expenditures by Function table presents expenditures by function compared to prior year's amounts in the governmental funds.

**Revenues Classified by Source
Governmental Funds**

Revenue Sources	FY 2016		FY 2017		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 23,336,548	17.5%	\$ 23,878,416	18.2%	\$ 541,868	2.3%
Licenses and permits	3,297,904	2.5%	3,649,564	2.8%	351,660	10.7%
Fines and forfeitures	2,114,297	1.6%	1,592,880	1.2%	(521,417)	-24.7%
Use of money and property	995,396	0.7%	1,069,625	0.8%	74,229	7.5%
Intergovernmental	80,039,280	59.9%	77,834,531	59.3%	(2,204,749)	-2.8%
Charges for services	22,605,770	16.9%	22,256,497	16.9%	(349,273)	-1.5%
Other	1,149,290	0.9%	1,065,108	0.8%	(84,182)	-7.3%
Total Revenues	<u>\$133,538,485</u>	<u>100.0%</u>	<u>\$131,346,621</u>	<u>100.0%</u>	<u>\$(2,191,864)</u>	

Significant changes for major revenue sources are explained below:

- **LICENSES & PERMITS** – The increase is largely due to a \$310,718 increase in Carl Moyer (Air Pollution) grant revenues.
- **FINES & FORFEITURES** – The decrease was largely due to a net decrease in the General fund of \$494,632. This is a result of decreases in Vehicle Code Fines (down \$47,786) and Penalty & Cost on Delinquent Taxes (down \$498,179).
- **USE OF MONEY & PROPERTY** – The increase was mostly due to a net increase in the General fund of \$54,986, seen mostly in Rents & Concessions and Interest, a decrease of \$53,284 in Public Safety (Inmate Welfare) and an increase in Other Funds of \$69,843.
- **OTHER** – Significant activities affecting the decrease in Other Revenue include: a loss of annual donations to the General fund (\$200,000), an increase in Public Assistance of \$195,281 and a decrease in Other funds, most notably, Fire (\$122,999).

**Expenditures by Function
Governmental Funds**

Expenditures by Function	FY 2016		FY 2017		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General government	\$ 19,005,813	14.4%	\$ 20,599,453	14.2%	\$ 1,593,640	8.4%
Public protection	35,498,994	26.9%	37,332,956	25.8%	1,833,962	5.2%
Health and sanitation	20,335,274	15.4%	21,055,858	14.6%	720,584	3.5%
Public assistance	40,196,891	30.4%	40,753,383	28.2%	556,492	1.4%
Education	671,621	0.5%	691,193	0.5%	19,572	2.9%
Recreation and cultural services	283,647	0.2%	269,496	0.2%	(14,151)	-5.0%
Public ways and facilities	10,043,043	7.6%	9,526,707	6.6%	(516,336)	-5.1%
Debt Service: Principal	753,800	0.6%	766,862	0.5%	13,062	1.7%
Debt Service: Interest & other	540,129	0.4%	527,998	0.4%	(12,131)	-2.2%
Capital outlay	4,763,296	3.6%	13,045,496	9.0%	8,282,200	173.9%
Total Expenditures	<u>\$132,092,508</u>	<u>100.0%</u>	<u>\$144,569,402</u>	<u>100.0%</u>	<u>\$ 12,476,894</u>	

Significant changes for major functions are explained below:

GENERAL GOVERNMENT – a significant increase due to the rising cost for Health Insurance (\$440,684) and other various cost increases in the General fund.

PUBLIC PROTECTION – the bulk of the increase was due to ongoing and increasing expenses related to the Governor’s release of State felons into the local community and additional staffing for Security at the new State Courthouse. Costs for Sheriff, Court Security, Jail, Jail Health Services and Day Reporting Center continue to rise. Juvenile Hall costs are also up, partly due to the new contracts for housing juveniles from other counties.

CAPITAL OUTLAY – The increase was largely due to a combination of Road (\$2,122,805) and Building Projects (\$6,880,278).

V. GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original 2016/17 budget and the final budget was due largely to an increase in revenue of \$1,484,412. The increase to the final revenue budget is net of an increase in anticipated Intergovernmental Revenue (\$899,721), Taxes (\$443,229) and to a lesser degree Charges for Services and Other Revenues.

The \$672,427 increase in the expenditure budget was net of an increase in every category.

In the General Operating fund (101 only), actual revenues were less than budgetary estimates by \$182,394. Actual expenditures were less than budgetary estimates by \$7,083,395 and transfers were less than budgeted by \$4,044,501. The over-realization of revenue and under-realization of expense, combined with fund balance available, provided carry over funds of \$6,855,084 which nearly funded the 2017/18 General fund budget gap.

VI. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$219,031,516 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, equipment, construction-in-progress, and some infrastructure. This was an increase of \$9,994,770 from prior year.

The County’s infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. The County has elected to use the modified approach for infrastructure to report its infrastructure, which includes its roads, signs and markings, bridges and culverts (\$165,534,149). The infrastructure assets reported under the modified approach are not subject to depreciation per GASB Statement No. 34.

There were no significant changes in the assessed condition of the County’s maintained road subsystem from the prior year. The assessed condition maintained by the County agreed with the County’s policy to maintain at least 75 percent of its road system at fair or better condition. The assessment as of June 30, 2017 lists 75% of road conditions as fair or better, 89% of bridges are listed as fair or better, and 94% of signs pass the sign reflectivity requirements.

More detailed information about the County’s Road Infrastructure assets is presented in Note 4 of the basic financial statements and the Required Supplementary Information on pages 68-70 of this report.

B. Long-Term Debt

At June 30, 2017, the County had a total long-term debt outstanding of \$17,314,159. The debt consists of \$13,095,059 in Certificates of Participation (COP), capital lease obligations of \$66,921 and bonds payable of \$355,700.

Additional long-term liability includes:

- Compensated Absences of \$3,796,479,
- Other Postemployment Employee Benefits of \$155,511, and
- Pension Liability of \$82,667,801 (an increase of \$15,372,941)

More detailed information about the County's Long-Term Liabilities and Pension Liabilities are presented in Notes 7 & 8, pages 46-48, and Notes 11 & 12, pages 52-60, of the basic financial statements respectively.

VII. ECONOMIC FACTOR'S AND NEXT YEAR'S BUDGET

The County adopted its fiscal year 2017-18 final appropriation budget in the total amount of \$154,033,473 (net of operating transfers totaling \$18,338,009). The General fund contingency was \$1,477,476.

Administration made the following assumptions in their Recommended Budget Overview (edited):

The Governor's May revise has, once again, urged fiscal caution and noted revenues remain below the 2016 forecast. The State is in its eighth year of growth and just two years short of the longest recovery since World War II; a recession is inevitable. The budget proposal noted the State's largest source of revenue – personal income and capital gain taxes -- are particularly volatile. The New Administration in Washington is proposing significant changes to federal programs, including health care and tax reform, which may impact state funding levels. Those potential fiscal impacts are unknown at this time and not included in the Governor's May revise.

Tehama County has not shared the growth equally with the State and coastal communities. Property values have continued to increase slowly, resulting in slowly increasing tax revenues for Tehama County, but these gains have been more than offset by increases in the Employer's share of Public Employee Retirement (PERS), share of health care costs, and negotiated salary increases.

Last year, the Adopted budget included a 5% reduction in Service & Supplies. This Recommended Budget extends those reductions for FY 2017-2018. Unfortunately, this may not be sufficient to close the funding gap when the Board considers the FY 2017-2018 Adopted Budget on August 22, 2017.

Recognizing that the required fund balance carryover of \$11,612,564 for FY 2017-2018 exceeds the historical range of \$8.5 million to \$9.5 million, staff is requesting the formation of a Board ad hoc to discuss possible reductions as needed prior to the submittal of the Adopted Budget on August 22, 2017. Discussions with a Board ad hoc would assist staff in setting priorities and developing recommendations for addressing countywide needs.

And, with the Adopted Budget, Administration stated the following:

The fund balance carryover, projected revenues, and funds currently in an Obligated Fund (generally referred to as reserves) are sufficient to meet expenditure appropriations in the General Fund. To assist the Board in its review of the Adopted Budget, this narrative contains a summary of funds available and recommendations related to changes in the budget from the Recommended Budget.

The Recommended Budget included a notification to the Board that the projected fund balance carryover would not be sufficient to balance the budget without reductions to reserves. Recognizing that revisions were required to close the budget gap, staff requested the Board to form an Ad Hoc Board committee to review revenue projections, budgeted expenses, and supplemental department requests.

The ad hoc committee met multiple times with department heads and the fiscal team to discuss short term and long term opportunities for reducing expenses and increasing revenues. As a result of the committee's efforts, revenue projections were judiciously increased and expenses decreased resulting in a proposed balanced budget.

The budget presented today is a continuation of steps taken last year which reduced the ongoing reliance on fund balance carryover. For example, with the concurrence of the affected department head, budgeted revenues and expenses have been adjusted to more closely match actuals over the past three years. This change results in a lean budget with less flexibility for departments to absorb minor anomalies which may occur in any given year. Consolidation of this risk into a few pooled contingencies has resulted in a significant (approximately \$1.7 million) reduction in the recommended general fund expenditure budget. These adjustments will further reduce the need for future fund balance carryover and it is proposed that base budgets be adjusted to reflect the changes that are being recommended today in order to sustain the impact of these reductions.

In addition to specific line item reductions, the ad hoc committee is recommending that funding be eliminated for departmental projects (for example software upgrades) which are being delayed by external issues. Contingency and/or discretionary funding will be provided for Board consideration at the time these projects are ready to move forward. Departing from past practice, the proposed budget does not fund anticipated temporary vacancies and County contributions for employees not electing to take the health insurance benefit.

The Board has stated a desire to develop real, long term solutions to the fund balance gap of the past few years with minimal impact to individual employees. This proposed budget is another step in this process...

The 2017-18 General fund budget requirements were \$2,614,571 less than the prior year in large part due to a \$1,185,488 decrease in contribution to the Public Safety fund and \$500,000 decrease in contributions to Capital Outlay fund. Fund balance carry over from the prior year was not sufficient to fill the budget gap. Therefore, a minimal draw on obligated fund balance of \$37,390 was used for designated purposes.

The Road fund appropriations budget increased significantly by nearly \$10 million due largely to an anticipated major (\$44 million) federally funded Bridge Project beginning.

The Public Safety fund appropriations budget was reduced by \$851,824 with judicious reductions made to targeted expenditure accounts in various departments.

The Social Service budget decreased slightly.

The Health Service budget has also increased just slightly, by \$574,355 overall.

The Capital Outlay budget decreased by nearly \$8 million with the near completion of the Library and decreased requirement for the Health Clinic remodel. Projects budgeted this year include Courthouse Roof, final costs for Library and Health Clinic, Re-Entry/Jail Expansion, Juvenile Justice Center roof and Court Annex building remodel.

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Basic Financial Statements

- **Government-Wide Financial Statements**

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COUNTY OF TEHAMA
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 56,351,265	\$ 249,079	\$ 56,600,344
Cash with fiscal agent	4,174,812	-	4,174,812
Receivables:			
Accounts	3,246,133	-	3,246,133
Intergovernmental	9,464,194	-	9,464,194
Due from agency funds	175,273	-	175,273
Deposits with others	60,900	-	60,900
Inventory	477,004	-	477,004
Prepaid costs	1,270,596	-	1,270,596
Loan receivable	132,126	-	132,126
Capital assets:			
Non-depreciable	177,227,518	38,047	177,265,565
Depreciable, net	40,984,473	781,478	41,765,951
Total capital assets	<u>218,211,991</u>	<u>819,525</u>	<u>219,031,516</u>
Total Assets	<u>293,564,294</u>	<u>1,068,604</u>	<u>294,632,898</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension adjustments	18,334,246	-	18,334,246
Total Deferred Outflows of Resources	<u>18,334,246</u>	<u>-</u>	<u>18,334,246</u>
LIABILITIES			
Accounts payable	2,442,506	2,606	2,445,112
Salaries and benefits payable	2,193,616	672	2,194,288
Due to other governments	28,406	-	28,406
Accrued interest payable	124,975	5,415	130,390
Deposits payable	210,084	-	210,084
Other liabilities	2,583	-	2,583
Unearned revenues	8,613,348	-	8,613,348
Accrued claims liability	922,365	-	922,365
Long-term liabilities:			
Due within one year	4,235,530	17,500	4,253,030
Due in more than one year	12,722,929	338,200	13,061,129
Net pension liability	82,667,801	-	82,667,801
Net OPEB obligation	155,511	-	155,511
Total Liabilities	<u>114,319,654</u>	<u>364,393</u>	<u>114,684,047</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension adjustments	2,856,926	-	2,856,926
Total Deferred Inflows of Resources	<u>2,856,926</u>	<u>-</u>	<u>2,856,926</u>

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

Continued (Page 1 of 2)

COUNTY OF TEHAMA
Statement of Net Position
June 30, 2017

NET POSITION	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets	205,695,070	463,825	206,158,895
Restricted for:			
General government	3,164,639	-	3,164,639
Public protection	16,215,305	-	16,215,305
Health and welfare	3,636,363	-	3,636,363
Public assistance	6,515,325	-	6,515,325
Culture and recreation	1,875	-	1,875
Public ways and facilities	5,853,900	-	5,853,900
Unrestricted	(46,360,517)	240,386	(46,120,131)
Total Net Position	\$ 194,721,960	\$ 704,211	\$ 195,426,171

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

Continued (Page 2 of 2)

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COUNTY OF TEHAMA
Statement of Activities
For the Year Ended June 30, 2017

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 20,905,094	\$ 15,443,909	\$ 830,526	\$ -
Public protection	39,254,885	3,003,248	12,054,594	-
Health and welfare	21,260,218	5,143,879	18,786,738	-
Public assistance	41,014,892	1,006,506	39,392,365	-
Education	708,183	10,524	-	-
Culture and recreation	326,118	21,041	44,704	-
Public ways and facilities	9,860,023	1,819,848	5,041,770	4,093,572
Interest on long-term debt	527,788	-	-	-
Total Governmental Activities	<u>133,857,201</u>	<u>26,448,955</u>	<u>76,150,697</u>	<u>4,093,572</u>
Business-type activities:				
Tehama County Sanitation District #1	198,915	221,678	57,560	-
Total Business-Type Activities	<u>198,915</u>	<u>221,678</u>	<u>57,560</u>	<u>-</u>
Total	<u>\$ 134,056,116</u>	<u>\$ 26,670,633</u>	<u>\$ 76,208,257</u>	<u>\$ 4,093,572</u>

General revenues:

Taxes:

 Property taxes

 Sales and use taxes

 Franchise taxes

 Other taxes

Interest and investment earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

Governmental Activities	Business- Type Activities	Total
\$ (4,630,659)	\$ -	\$ (4,630,659)
(24,197,043)	-	(24,197,043)
2,670,399	-	2,670,399
(616,021)	-	(616,021)
(697,659)	-	(697,659)
(260,373)	-	(260,373)
1,095,167	-	1,095,167
(527,788)	-	(527,788)
<u>(27,163,977)</u>	<u>-</u>	<u>(27,163,977)</u>
<u>-</u>	<u>80,323</u>	<u>80,323</u>
<u>-</u>	<u>80,323</u>	<u>80,323</u>
<u>(27,163,977)</u>	<u>80,323</u>	<u>(27,083,654)</u>
20,627,794	-	20,627,794
2,731,958	-	2,731,958
1,049,986	-	1,049,986
518,664	-	518,664
1,088,628	2,091	1,090,719
962,670	-	962,670
<u>26,979,700</u>	<u>2,091</u>	<u>26,981,791</u>
(184,277)	82,414	(101,863)
<u>194,906,237</u>	<u>621,797</u>	<u>195,528,034</u>
<u>\$ 194,721,960</u>	<u>\$ 704,211</u>	<u>\$ 195,426,171</u>

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Basic Financial Statements

- **Fund Financial Statements**

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COUNTY OF TEHAMA
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Public Safety</u>	<u>Public Assistance</u>	<u>Health Services</u>
ASSETS				
Cash and investments	\$ 10,286,022	\$ 8,436,595	\$ 11,043,804	\$ 3,641,684
Cash with fiscal agent	-	-	-	-
Receivables:				
Accounts	363,553	698,005	1,045,933	356,290
Intergovernmental	924,646	400,709	929,153	6,413,608
Due from other funds	5,405,530	-	-	-
Advances to other funds	1,272,650	-	-	-
Prepaid costs	1,094,668	76,046	61,740	24,515
Inventory	-	-	-	-
Loans receivable	132,126	-	-	-
Total Assets	<u>\$ 19,479,195</u>	<u>\$ 9,611,355</u>	<u>\$ 13,080,630</u>	<u>\$ 10,436,097</u>
LIABILITIES				
Accounts payable	\$ 155,297	\$ 182,126	\$ 39,318	\$ 721,261
Salaries and benefits payable	411,292	679,934	429,798	389,496
Due to other governments	13,711	2,250	-	-
Deposits payable	8,196	58,119	-	-
Other liabilities	2,583	-	-	-
Unearned revenues	673,475	3,742	7,927,611	-
Due to other funds	-	-	-	5,332,907
Advances from other funds	1,180,000	-	-	-
Total Liabilities	<u>2,444,554</u>	<u>926,171</u>	<u>8,396,727</u>	<u>6,443,664</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	924,646	400,709	929,153	6,413,608
Total Deferred Inflows of Resources	<u>924,646</u>	<u>400,709</u>	<u>929,153</u>	<u>6,413,608</u>
FUND BALANCES				
Nonspendable	2,499,444	76,046	61,740	24,515
Restricted	1,295,122	8,208,429	3,504,525	1,909,948
Committed	5,074,512	-	-	-
Assigned	2,501,120	-	188,485	-
Unassigned	4,739,797	-	-	(4,355,638)
Total Fund Balances	<u>16,109,995</u>	<u>8,284,475</u>	<u>3,754,750</u>	<u>(2,421,175)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,479,195</u>	<u>\$ 9,611,355</u>	<u>\$ 13,080,630</u>	<u>\$ 10,436,097</u>

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

Other Governmental Funds	Total
\$20,023,564	\$53,431,669
4,174,812	4,174,812
782,352	3,246,133
796,078	9,464,194
-	5,405,530
10,000	1,282,650
11,861	1,268,830
477,004	477,004
-	132,126
<u>\$26,275,671</u>	<u>\$78,882,948</u>
\$ 1,259,451	\$ 2,357,453
265,420	2,175,940
12,445	28,406
143,769	210,084
-	2,583
8,520	8,613,348
-	5,332,907
-	1,180,000
<u>1,689,605</u>	<u>19,900,721</u>
<u>774,543</u>	<u>9,442,659</u>
<u>774,543</u>	<u>9,442,659</u>
498,865	3,160,610
14,881,347	29,799,371
8,431,311	13,505,823
-	2,689,605
-	384,159
<u>23,811,523</u>	<u>49,539,568</u>
<u>\$26,275,671</u>	<u>\$78,882,948</u>

COUNTY OF TEHAMA
Reconciliation of the Governmental Funds Balance
Sheet to the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2017

Total Fund Balance - Total Governmental Funds	\$ 49,539,568
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	218,211,991
Other long term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.	9,442,659
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.	(124,975)
Deferred outflows of resources related to pensions are not reported in the governmental funds.	18,181,582
Deferred inflows of resources related to pensions are not reported in the governmental funds.	(2,827,018)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Certificates of participation, plus unamortized premium of \$645,059	(13,095,059)
Capital leases payable	(66,921)
Compensated absences	(3,785,046)
Net pension liability	(82,021,843)
Net OPEB obligation	(153,297)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and equipment maintenance and operations, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	1,420,319
Net Position of Governmental Activities	\$ 194,721,960

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

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COUNTY OF TEHAMA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Public Safety	Public Assistance	Health Services
REVENUES				
Taxes and assessments	\$ 19,728,631	\$ -	\$ -	\$ -
Licenses and permits	1,535,093	4,605	-	-
Fines and forfeitures	1,299,358	33,245	(1,597)	23,241
Use of money and property	410,219	303,693	15,048	6,374
Intergovernmental	3,577,298	10,785,660	36,941,240	15,468,314
Charges for services	16,132,243	511,053	168,396	3,359,207
Other revenues	372,395	223,887	313,612	24,578
Total Revenues	43,055,237	11,862,143	37,436,699	18,881,714
EXPENDITURES				
Current:				
General government	20,437,776	-	-	-
Public protection	5,095,363	26,570,425	-	-
Health and welfare	623,460	-	-	19,700,811
Public assistance	1,457,000	-	37,179,725	-
Education	691,193	-	-	-
Culture and recreation	269,496	-	-	-
Public ways and facilities	(88,612)	-	-	-
Debt service:				
Principal	-	-	-	26,862
Interest and other charges	22,813	-	-	4,447
Capital outlay	351,200	752,365	162,758	68,993
Total Expenditures	28,859,689	27,322,790	37,342,483	19,801,113
Excess of Revenues Over (Under) Expenditures	14,195,548	(15,460,647)	94,216	(919,399)
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	15,283,765	879,863	93,757
Transfers out	(18,214,233)	-	-	(766,200)
Total Other Financing Sources (Uses)	(18,124,233)	15,283,765	879,863	(672,443)
Net Change in Fund Balances	(3,928,685)	(176,882)	974,079	(1,591,842)
Fund Balances (Deficits) - Beginning	20,038,680	8,461,357	2,780,671	(829,333)
Change in inventory on purchases method	-	-	-	-
Fund Balances (Deficits) - Ending	\$ 16,109,995	\$ 8,284,475	\$ 3,754,750	\$ (2,421,175)

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

Other Governmental Funds	Total
\$ 4,149,785	\$23,878,416
2,109,866	3,649,564
238,633	1,592,880
334,291	1,069,625
11,062,019	77,834,531
2,085,598	22,256,497
130,636	1,065,108
<u>20,110,828</u>	<u>131,346,621</u>
161,677	20,599,453
5,667,168	37,332,956
731,587	21,055,858
2,116,658	40,753,383
-	691,193
-	269,496
9,615,319	9,526,707
740,000	766,862
500,738	527,998
<u>11,710,180</u>	<u>13,045,496</u>
<u>31,243,327</u>	<u>144,569,402</u>
<u>(11,132,499)</u>	<u>(13,222,781)</u>
8,715,834	25,063,219
<u>(6,082,786)</u>	<u>(25,063,219)</u>
<u>2,633,048</u>	<u>-</u>
(8,499,451)	(13,222,781)
32,286,069	62,737,444
24,905	24,905
<u>\$23,811,523</u>	<u>\$49,539,568</u>

COUNTY OF TEHAMA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (13,222,781)

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

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

Expenditures for capital outlay	13,045,496
Less current year depreciation	(2,791,336)
Various adjustments affecting capital assets (including contributions)	(116,392)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. There were no significant proceeds from the sale of capital assets.

(102,438)

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

Principal retirements	766,862
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Some revenues reported in the statement of activities will not be collected for several months after the County's year end and do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.

Change in unavailable revenues	2,409,738
--------------------------------	-----------

Measurement focus adjustment for inventory reported using the purchases method in the governmental funds and reported using the consumption method in the statement of activities.

24,905

Certain changes in deferred outflows and deferred inflows of resources reported in the statement of activities relate to long-term liabilities and are not reported in the governmental funds.

Change in deferred outflows of resources related to pensions	11,546,721
Change in deferred inflows of resources related to pensions	3,288,485

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

Change in accrued interest on long-term debt	210
Change in compensated absences payable	(38,915)
Amortization of premium	29,320
Change in net pension liability	(15,253,311)
Change in net OPEB obligation	(49,115)

Internal service funds are used by management to charge the cost of certain activities, such as insurance and equipment maintenance and operations, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

278,274

Change in Net Position of Governmental Activities \$ (184,277)

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

COUNTY OF TEHAMA
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Other		Internal
	Enterprise		Service
	Funds	Totals	Funds
ASSETS			
Current Assets:			
Cash and investments	\$ 249,079	\$ 249,079	\$ 2,919,596
Deposits with others	-	-	60,900
Prepaid costs	-	-	1,766
Total Current Assets	249,079	249,079	2,982,262
Noncurrent Assets:			
Capital assets:			
Non-depreciable	38,047	38,047	-
Depreciable, net	781,478	781,478	-
Total capital assets	819,525	819,525	-
Total Noncurrent Assets	819,525	819,525	-
Total Assets	1,068,604	1,068,604	2,982,262
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension adjustments	-	-	152,664
Total Deferred Outflows of Resources	-	-	152,664
LIABILITIES			
Current Liabilities:			
Accounts payable	2,606	2,606	85,053
Salaries and benefits payable	672	672	17,676
Accrued interest payable	5,415	5,415	-
Compensated absences payable	-	-	10,290
Bonds payable	17,500	17,500	-
Estimated claims liability	-	-	922,365
Total Current Liabilities	26,193	26,193	1,035,384
Noncurrent Liabilities:			
Compensated absences payable	-	-	1,143
Bonds payable	338,200	338,200	-
Net pension liability	-	-	645,958
Net OPEB obligation	-	-	2,214
Total Noncurrent Liabilities	338,200	338,200	649,315
Total Liabilities	364,393	364,393	1,684,699

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

Continued (Page 1 of 2)

COUNTY OF TEHAMA
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Other		Internal
	Enterprise		Service
	Funds	Totals	Funds
DEFERRED INFLOWS OF RESOURCES			
Deferred pension adjustments	-	-	29,908
Total Deferred Inflows of Resources	-	-	29,908
NET POSITION			
Net investment in capital assets	463,825	463,825	-
Unrestricted	240,386	240,386	1,420,319
Total Net Position	\$ 704,211	\$ 704,211	\$ 1,420,319

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

Continued (Page 2 of 2)

COUNTY OF TEHAMA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Other		Internal
	Enterprise		Service
	Funds	Totals	Funds
OPERATING REVENUES			
Charges for services	\$ 221,678	\$ 221,678	\$ 4,493,191
Other revenues	-	-	22,103
Total Operating Revenues	<u>221,678</u>	<u>221,678</u>	<u>4,515,294</u>
OPERATING EXPENSES			
Salaries and benefits	16,609	16,609	518,909
Services and supplies	122,901	122,901	-
Administration	-	-	79,744
Insurance	-	-	643,157
Professional services	3,898	3,898	122,124
Claims and judgments	-	-	2,891,089
Depreciation	39,560	39,560	1,000
Total Operating Expenses	<u>182,968</u>	<u>182,968</u>	<u>4,256,023</u>
Operating Income (Loss)	<u>38,710</u>	<u>38,710</u>	<u>259,271</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	57,560	57,560	-
Interest income	2,091	2,091	19,003
Interest expense	(15,947)	(15,947)	-
Total Non-Operating Revenues (Expenses)	<u>43,704</u>	<u>43,704</u>	<u>19,003</u>
Change in Net Position	82,414	82,414	278,274
Total Net Position - Beginning	<u>621,797</u>	<u>621,797</u>	<u>1,142,045</u>
Total Net Position - Ending	<u>\$ 704,211</u>	<u>\$ 704,211</u>	<u>\$ 1,420,319</u>

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

COUNTY OF TEHAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Other		Internal
	Enterprise		Service
	Funds	Totals	Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 221,678	\$ 221,678	\$ 4,515,294
Payments to suppliers	(124,725)	(124,725)	(3,728,187)
Payments to employees	(16,550)	(16,550)	(521,462)
Net Cash Provided (Used) by Operating Activities	<u>80,403</u>	<u>80,403</u>	<u>265,645</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue received	<u>57,560</u>	<u>57,560</u>	<u>-</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>57,560</u>	<u>57,560</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(22,300)	(22,300)	-
Interest paid on capital debt	(16,202)	(16,202)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(38,502)</u>	<u>(38,502)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>2,091</u>	<u>2,091</u>	<u>19,003</u>
Net Cash Provided (Used) by Investing Activities	<u>2,091</u>	<u>2,091</u>	<u>19,003</u>
Net Increase (Decrease) in Cash and Cash Equivalents	101,552	101,552	284,648
Balances - Beginning	<u>147,527</u>	<u>147,527</u>	<u>2,634,948</u>
Balances - Ending	<u>\$ 249,079</u>	<u>\$ 249,079</u>	<u>\$ 2,919,596</u>

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

Continued (Page 1 of 2)

COUNTY OF TEHAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Other		Internal
	Enterprise		Service
	Funds	Totals	Funds
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED) BY OPERATING			
ACTIVITIES			
Operating income (loss)	\$ 38,710	\$ 38,710	\$ 259,271
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	39,560	39,560	1,000
Decrease (increase) in:			
Prepaid costs	1,015	1,015	5,441
Pension adjustments - deferred outflows of resources	-	-	(98,825)
Increase (decrease) in:			
Accounts payable	1,059	1,059	18,346
Salaries and benefits payable	59	59	(969)
Compensated absences payable	-	-	733
Estimated claims liability	-	-	(15,543)
Pension adjustments - deferred inflows of resources	-	-	(23,439)
Net pension liability	-	-	119,630
Net Cash Provided (Used) by Operating Activities	\$ 80,403	\$ 80,403	\$ 265,645

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

Continued (Page 2 of 2)

COUNTY OF TEHAMA
Statement of Net Position
Fiduciary Funds
June 30, 2017

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$77,134,517	\$18,954,374
Receivables:		
Taxes	-	6,736,485
Total Assets	77,134,517	25,690,859
LIABILITIES		
Due to other funds	-	72,623
Advances from other funds	-	102,650
Agency obligations	-	25,515,586
Total Liabilities	-	25,690,859
NET POSITION		
Net position held in trust for investment pool participants	77,134,517	-
Total Net Position	\$77,134,517	\$ -

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

COUNTY OF TEHAMA
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Investment Trust Funds</u>
ADDITIONS	
Contributions to investment pool	<u>\$23,099,143</u>
Total Additions	<u>23,099,143</u>
DEDUCTIONS	
Distributions from investment pool	<u>5,706,718</u>
Total Deductions	<u>5,706,718</u>
Change in Net Position	17,392,425
Net Position - Beginning	<u>59,742,092</u>
Net Position - Ending	<u><u>\$77,134,517</u></u>

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

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Basic Financial Statements

- **Notes to Basic Financial Statements**

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COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the Board of Supervisors. The financial statements of the individual component units may be obtained by writing to the County of Tehama, Auditor-Controller's Office, P.O. Box 669, Red Bluff, CA 96080.

Blended Component Units

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

Special Revenue Funds:

Air Pollution - The Air Pollution District was established to provide better air quality to residents.

Los Molinos Lighting - The Los Molinos Lighting District was established to provide lighting to district residents.

Tehama County Flood Control and Tehama County Flood Zone 3 - The Tehama County Flood Control and Tehama County Flood Zone 3 were established to provide for flood control in the County.

Tehama Power Authority - The Tehama Power Authority was established to provide power services for the County.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Enterprise Funds:

Health Center - The Tehama County Health Center was established to account for operations involved in providing health services to County residents.

Tehama County Sanitation District # 1 - The Tehama County Sanitation District # 1 was established to provide sanitation services to certain County residents in the Mineral area.

Discretely Presented Component Units

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

Joint Agencies

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

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all of the nonfiduciary activities of the County and its blended component units. These statements include the financial activities of the overall government, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

The County reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation services.
- The Public Safety fund is a special revenue fund used to account for revenues and expenditures associated with specific public protection programs. Funding comes primarily from state and federal grant revenues.
- The Public Assistance fund is a special revenue fund used to account for revenues and expenditures associated with the Federal and State mandates of various Health and Welfare Codes. Funding comes primarily from state grant revenues.
- The Health Services fund is a special revenue fund used to account for revenues and expenditures associated with providing health care services to County residents. Funding comes primarily from state and federal grant revenues.

The County reports the following additional fund types:

- Proprietary funds account for the Health Center and the Tehama County Sanitation District.
- Internal Service funds account for the County's risk management and self insurance programs which provide services to other departments on a cost reimbursement basis.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The County reports the following additional fund types: (Continued)

- The Investment Trust funds account for the assets of legally separate entities that deposit cash with the County Treasurer. The assets of these funds are held in trust for other agencies and are part of the County's external pool. The external investment pool is made up of two separate funds: Special Districts governed by Local Boards and School Districts. The County is obligated to disburse monies from these funds on demand.
- Agency funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the County, acting in the capacity of an agent for distribution to other governmental units or other organizations. The agency funds maintained by the County are presented in one component.

County Departmental Agency funds - Accounts for all assets under the control of County departments which are held in a fiduciary capacity.

C. Basis of Accounting and Measurement Focus

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

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Non-Current Governmental Assets/Liabilities

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

E. Cash and Cash Equivalents

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

F. Investments

The County sponsors an investment pool that is managed by the County Treasurer. The County's pool activity is governed by California Government Code Sections 27000.1 and 53607 as well as the County's investment policy.

Investment transactions are recorded on the trade date. The fair value of investments is determined annually. Investments in nonparticipating interest-earning investment contracts are reported at cost; short term investments are reported at amortized cost, investments in Local Agency Investment Fund, an external pool, are reported at amortized cost which approximates fair value, and the fair value of all other investments are obtained by using quotations obtained from independent published sources or by the safekeeping institution. The fair value represents the amount the County could reasonably expect to receive for an investment in a current sale between a willing buyer and seller.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2017, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Investments (Continued)

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

G. Receivables

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

H. Other Assets

Inventory

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

Prepaid Items

Payments made for services that will benefit periods beyond June 30, 2017 are recorded as prepaid costs in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

I. Loan Receivable

The County provided an advance of funds to the 30th District Agricultural Association (Association), in the amount of \$165,162 to pay off an existing financial obligation relating to the PVII project, obtain clear title to photovoltaic equipment, and resolve the PNC Equipment Finance, LLC litigation. The advance was made on April 1, 2015 and accrues interest at 2 percent and will be repaid with interest in equal monthly installments over a period of ten (10) years. The balance at June 30, 2017 was \$132,126.

J. Capital Assets

Capital assets, including public domain (infrastructure such as roads, bridges, sidewalks, sewer and similar items) are defined by the County as assets with a cost of more than \$1,500 and an estimated useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

The County has elected to use the modified approach for reporting its infrastructure capital assets. Under the modified approach depreciation is not reported for these assets and all expenditures, except for betterments and major improvements made to the system, are expensed.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

The County manages its maintained road, bridge and sign subsystems of the road network using the Carte Graph Pavement Management Program and accounts for them using the modified approach. The program establishes scales to determine the conditions of the various subsystems. It is the County’s policy to maintain 75 percent of its road, bridge and sign subsystems at a fair or better condition. Currently, the right of way value provided is a rough valuation based on several estimations and assumptions to establish the valuation parameters. A final detailed valuation will be available in future years.

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

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment, furniture and fixtures	5 years
Structures and improvements	50 years

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

K. Property Tax

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

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

The County levies, bills and collects taxes as follows:

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property Tax (Continued)

The County of Tehama apportions secured property tax revenue in accordance with the alternate method of distribution, the “Teeter Plan”, as described by Sections 4701 through 4717 of the California Revenue and Taxation code. Under the Teeter Plan, the County allocates to certain local taxing agencies 100 percent of the secured property taxes billed. In return, the County retains penalties and interest on delinquent secured taxes in the Tax Loss Reserve Fund (TLRF). The primary purpose of TLRF is to cover losses that may occur as a result of special sales of tax-defaulted property.

The County is legally required to maintain a minimum balance of 1 percent of the annual taxes levied on properties participating in the Teeter Plan. The balance in the TLRF was \$1,442,542 at June 30, 2017. The County’s management believes that any ownership rights to the TLRF the County may have are effective only upon a Board approved transfer or to the extent of losses related to the sale of tax defaulted property. Amounts in the TLRF are considered to be held in a custodial capacity for the participants in the County’s Teeter Plan and accounted for in an agency fund.

L. Interfund Transactions

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

Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

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

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

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

M. Unearned Revenues

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

The County's policy regarding vacation and other leave obligations is to permit employees to accumulate earned but unused vacation and other leave obligations. In the government-wide financial statements the accrued compensated absences is recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature. In the proprietary funds the accrued compensated absences is recorded as an expense and related liability in the year earned. The County includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

O. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's California Public Employees' Retirement system (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. This item relates to the outflows from changes in the net pension liability and is reportable on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items which qualify for reporting in this category. One item, unavailable revenue, is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item relates to the inflows from changes in the net pension liability and is reported on the Statement of Net Position.

Q. Estimates

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

Statement No. 77, Tax Abatement Disclosures. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenue.

Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have certain characteristics.

Statement No. 80, Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments.

Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73. This statement addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement specifically addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Rebatable Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. At June 30, 2017, the County does not expect to incur a liability.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

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

B. Deficit Fund Balance

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

- The Health Services fund had a fund balance deficit of \$2,421,175, which is expected to be eliminated in future years through grant revenues.

NOTE 3: CASH AND INVESTMENTS

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

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

The County sponsored investment pool includes both internal and external participants. The portion of the pool attributable to external pool participants, which are considered involuntary participants, are included in the primary government as an Investment Trust Fund which does not have separate financial reports. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The investments of involuntary participation in the investment pool totaled \$77,134,517 at June 30, 2017.

A. Financial Statement Presentation

As of June 30, 2017, the County’s cash and investments are reported in the financial statements as follows:

Primary government	\$ 60,775,156
Investment trust funds	77,134,517
Agency funds	<u>18,954,374</u>
Total Cash	<u>\$ 156,864,047</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

A. Financial Statement Presentation (Continued)

As of June 30, 2017, the County's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 17,046
Deposits (less outstanding checks)	<u>5,882,044</u>
Total Cash in County Pool	5,899,090
Deposits with fiscal agents	<u>4,174,812</u>
Total Cash	<u>10,073,902</u>
Investments:	
In Treasurer's Pool	<u>146,790,145</u>
Total Investments	<u>146,790,145</u>
Total Cash and Investments	<u>\$ 156,864,047</u>

B. Cash

At year end, the carrying amount of the County's cash deposits (including amount in checking accounts, money market accounts, and deposits with fiscal agents) was \$10,056,856 and the bank balance was \$12,142,931. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition the County had cash on hand of \$17,046.

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments

Pursuant to Section 53646 of the Government Code, the County prepares an investment policy annually and presents it to the Board of Supervisors for review and approval. The investment policy provides the basis for the management of a prudent, conservative investment program. Funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the investment policy is more restrictive than state law. Under the provisions of the County's investment policy the County may invest or deposit in the following:

- Local Agency Investment Fund (LAIF)
- Sweep Accounts
- U.S. Treasury Notes
- Securities Issued by U.S. Government Agencies and Instrumentalities
- Bankers' Acceptances
- Commercial Paper
- Negotiable CD's and Bank Notes
- Medium Term Notes
- Money Market Mutual Funds
- Mortgage Pass-Through Securities
- Guaranteed Investment Contracts
- Repurchase Agreements
- California Asset Management Program (CAMP)
- California State Registered Warrants

Fair Value of Investments - The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The County's position in external investment pools is in its self regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the County's investment in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

At June 30, 2017, the County had the following recurring fair value measurements.

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Treasury Notes	\$ 2,001,787	\$ 2,001,787	\$ -	\$ -
Government Agencies	66,944,276	66,944,276	-	-
Corporate Notes	28,686,082	28,686,082	-	-
Certificates of Deposit	16,158,000	-	-	16,158,000
Total Investments Measured at Fair Value	113,790,145	<u>\$ 97,632,145</u>	<u>\$ -</u>	<u>\$16,158,000</u>
Investments in External Investment Pool				
Local Agency Investment Fund (LAIF)	33,000,000			
Total Investments	<u>\$ 146,790,145</u>			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit the exposure to fair value losses from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations. Any investments that mature more than five years from the date of purchase require prior approval of the Board of Supervisors.

As of June 30, 2017, the County had the following investments, all of which had a maturity of 5 years or less:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 Year	1-5 Years		
U.S. Treasury Notes	1.625-1.75%	\$ -	\$ 2,001,787	\$ 2,001,787	0.09
Government Agencies	0.750-3.75%	12,757,271	54,187,005	66,944,276	2.47
Corporate Notes	1.100-2.90%	4,234,891	24,451,191	28,686,082	1.86
Negotiable CD's	1.000-2.45%	1,724,000	14,434,000	16,158,000	3.10
Local Agency Investment Fund (LAIF)	Variable	33,000,000	-	33,000,000	-
Total Investments		<u>\$ 51,716,162</u>	<u>\$ 95,073,983</u>	<u>\$146,790,145</u>	<u>1.91</u>

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Rating</u>	<u>% of Portfolio</u>
U.S. Treasury Notes	-	-	-	1.36%
Federal Farm Credit Bank	-	-	-	4.79%
Federal Home Loan Mortgage Corp	-	-	-	11.43%
Federal Home Loan Bank	-	-	-	14.42%
Federal National Mortgage Assoc.	-	-	-	14.97%
Corporate Notes	A	AAA	Aaa	1.02%
Corporate Notes	A	AA+	Aa1	0.63%
Corporate Notes	A	AA	A1	0.72%
Corporate Notes	A	AA	Aa2	0.94%
Corporate Notes	A	AA-	A1	1.04%
Corporate Notes	A	AA-	Aa2	0.13%
Corporate Notes	A	AA-	Aa3	0.91%
Corporate Notes	A	A+	A1	2.72%
Corporate Notes	A	A+	A2	1.49%
Corporate Notes	A	A	A1	0.95%
Corporate Notes	A	A	A2	3.95%
Corporate Notes	A	A-	A2	2.25%
Corporate Notes	A	A-	A3	0.59%
Corporate Notes	A	BBB+	A3	0.88%
Corporate Notes	A	BBB+	Baa1	1.33%
Negotiable CD's	N/A	Unrated	Unrated	11.01%
LAIF	N/A	Unrated	Unrated	22.47%
Total				<u>100.00%</u>

Custodial Credit Risk for Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the County requires that all of its managed investments be held in safekeeping by a third party bank trust department.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The County's investment policy contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) at June 30, 2017, that represent 5 percent or more of total County investments are as follows:

<u>Investment Type</u>	<u>Amount Invested</u>	<u>% of Investments</u>
Federal Home Loan Mortgage Corporation	\$ 16,781,453	11.43%
Federal Home Loan Bank	21,166,029	14.42%
Federal National Mortgage Association	21,972,321	14.97%

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

D. Investment in External Investment Pools

The County of Tehama maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2017, the County's investment in LAIF valued at amortized cost was \$33,000,000 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$77.6 billion. Of that amount, 97.11 percent is invested in non-derivative financial products and 2.89 percent in structured notes and asset-backed securities.

E. County Investment Pool Condensed Financial Information

The following are condensed statements of net position and changes in net position for the Treasurer's Pool at June 30, 2017:

	Internal Participants	External Participants	Total Pool
Statement of Net Position			
Cash on hand	\$ 17,046	\$ -	\$ 17,046
Deposits (less outstanding warrants)	5,882,044	-	5,882,044
Investments	69,655,628	77,134,517	146,790,145
Net Position at June 30, 2017	\$ 75,554,718	\$ 77,134,517	\$ 152,689,235
Statement of Changes in Net Position			
Net position at July 1, 2016	\$ 80,517,283	\$ 59,742,092	\$ 140,259,375
Net changes in investments by pool participants	(4,962,565)	17,392,425	12,429,860
Net Position at June 30, 2017	\$ 75,554,718	\$ 77,134,517	\$ 152,689,235

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2017
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,627,386	\$ -	\$ -	\$ -	\$ 1,627,386
Infrastructure	162,800,224	2,850,802	(116,877)	-	165,534,149
Construction in progress	<u>1,693,858</u>	<u>8,372,125</u>	<u>-</u>	<u>-</u>	<u>10,065,983</u>
Total Capital Assets, Not Being Depreciated	<u>166,121,468</u>	<u>11,222,927</u>	<u>(116,877)</u>	<u>-</u>	<u>177,227,518</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	56,339,952	148,323	-	(92,276)	56,395,999
Equipment	28,806,984	1,659,246	(813,130)	(28,869)	29,624,231
Software	<u>1,615,867</u>	<u>15,000</u>	<u>(17,549)</u>	<u>(32,373)</u>	<u>1,580,945</u>
Total Capital Assets, Being Depreciated	<u>86,762,803</u>	<u>1,822,569</u>	<u>(830,679)</u>	<u>(153,518)</u>	<u>87,601,175</u>
Less Accumulated Depreciation For:					
Buildings and improvements	(19,113,018)	(1,060,035)	-	-	(20,173,053)
Equipment	(24,820,839)	(1,507,115)	827,569	23,555	(25,476,830)
Software	<u>(772,753)</u>	<u>(225,186)</u>	<u>17,549</u>	<u>13,571</u>	<u>(966,819)</u>
Total Accumulated Depreciation	<u>(44,706,610)</u>	<u>(2,792,336)</u>	<u>845,118</u>	<u>37,126</u>	<u>(46,616,702)</u>
Total Capital Assets, Being Depreciated, Net	<u>42,056,193</u>	<u>(969,767)</u>	<u>14,439</u>	<u>(116,392)</u>	<u>40,984,473</u>
Governmental Activities Capital Assets, Net	<u>\$ 208,177,661</u>	<u>\$10,253,160</u>	<u>(\$ 102,438)</u>	<u>(\$ 116,392)</u>	<u>\$218,211,991</u>
	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 38,047	\$ -	\$ -	\$ -	\$ 38,047
Total Capital Assets, Not Being Depreciated	<u>38,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,047</u>
Capital Assets, Being Depreciated:					
Structures and improvements	<u>1,690,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,690,182</u>
Total Capital Assets, Being Depreciated	<u>1,690,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,690,182</u>
Less Accumulated Depreciation For:					
Structures and improvements	(869,144)	(39,560)	-	-	(908,704)
Total Accumulated Depreciation	<u>(869,144)</u>	<u>(39,560)</u>	<u>-</u>	<u>-</u>	<u>(908,704)</u>
Total Capital Assets, Being Depreciated, Net	<u>821,038</u>	<u>(39,560)</u>	<u>-</u>	<u>-</u>	<u>781,478</u>
Business-Type Activities Capital Assets, Net	<u>\$ 859,085</u>	<u>(\$ 39,560)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 819,525</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$	378,988
Public protection		1,396,386
Health and welfare		308,874
Public assistance		334,108
Education		21,150
Culture and recreation		58,214
Public ways and facilities		<u>293,616</u>
Subtotal Governmental Funds		2,791,336
Depreciation on capital assets held by the County's internal service funds is charged to various functions based on their usage of the assets		<u>1,000</u>
Total Depreciation Expense - Governmental Functions	\$	<u><u>2,792,336</u></u>

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

Tehama County Sanitation District #1	\$	<u>39,560</u>
Total Depreciation Expense - Business-Type Functions	\$	<u><u>39,560</u></u>

Construction in Progress

Construction in progress for governmental activities at June 30, 2017 relates to work performed on various County projects.

NOTE 5: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2017:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 5,405,530	\$ -
Health Services	-	5,332,907
Agency Funds	<u>-</u>	<u>72,623</u>
Total	<u><u>\$ 5,405,530</u></u>	<u><u>\$ 5,405,530</u></u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)

Advances To/From Other Funds

Advances to/from other funds are non-current interfund loans and are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not in spendable form. The following are advance to/from other funds as of June 30, 2017:

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$ 1,272,650	\$ 1,180,000
Other Governmental Funds	10,000	-
Agency Funds	<u>-</u>	<u>102,650</u>
Total	<u>\$ 1,282,650</u>	<u>\$ 1,282,650</u>

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2017:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 90,000	\$ 18,214,233
Public Safety	15,283,765	-
Public Assistance	879,863	-
Health Services	93,757	766,200
Other Governmental Funds	<u>8,715,834</u>	<u>6,082,786</u>
Total	<u>\$ 25,063,219</u>	<u>\$ 25,063,219</u>

NOTE 6: UNEARNED REVENUES

At June 30, 2017, components of unearned revenues were as follows:

	<u>Unearned</u>
General Fund	
2017/2018 payment in lieu of taxes revenues in advance	\$ 652,004
Other revenues received but not earned	21,471
Public Safety	
Other revenues received but not earned	3,742
Public Assistance	
Social services revenues received but not earned	7,927,611
Nonmajor Governmental Funds	
Building and safety revenues received but not earned	<u>8,520</u>
Total	<u>\$ 8,613,348</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

Type of Indebtedness	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities					
Certificates of Participation	\$ 13,190,000	\$ -	(\$ 740,000)	\$ 12,450,000	\$ 760,000
Unamortized Premium	<u>674,380</u>	-	(29,321)	<u>645,059</u>	<u>29,321</u>
Certificates of Participation, Net	13,864,380	-	(769,321)	13,095,059	789,321
Capital Leases	93,781	-	(26,860)	66,921	29,407
Compensated Absences	<u>3,756,832</u>	<u>3,215,754</u>	(3,176,107)	<u>3,796,479</u>	<u>3,416,802</u>
Total Governmental Activities	<u>\$ 17,714,993</u>	<u>\$ 3,215,754</u>	<u>(\$ 3,972,288)</u>	<u>\$ 16,958,459</u>	<u>\$ 4,235,530</u>
Business-Type Activities					
Bonds	<u>\$ 378,000</u>	\$ -	(\$ 22,300)	<u>\$ 355,700</u>	<u>\$ 17,500</u>
Total Business-Type Activities	<u>\$ 378,000</u>	<u>\$ -</u>	<u>(\$ 22,300)</u>	<u>\$ 355,700</u>	<u>\$ 17,500</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. The capital lease liability is liquidated by lease payments made by the departments leasing the equipment. Compensated absences for the governmental activities are generally liquidated by the fund where the accrued, liability occurred, which is primarily the General fund.

For business-type activities, all debt is accounted for in the proprietary fund where the liability occurred.

Individual issues of debt payable outstanding at June 30, 2017, are as follows:

Governmental Activities

Certificates of Participation:

2014 Certificates of Participation, issued May 13, 2014, in the amount of \$14,660,000, payable in annual installments of \$300,000 to \$965,000, with an interest rate of 2.0% to 5.0% and maturity on September 15, 2038. The certificates were used to refund the 1998 and 2002 certificates of participation which were used to finance capital projects and to finance additional capital improvements.

Total Certificates of Participation

\$ 12,450,000

12,450,000

Total Governmental Activities

\$ 12,450,000

Business-Type Activities

Bonds:

1997 Sanitation District #1 Bonds, issued March, 1997, in the amount of \$824,465, payable in annual installments of \$8,000 to \$35,000 with an interest rate of 4.50% and maturity on September 2036. The bonds were used to finance construction and upgrade of the sanitation system.

Total Bonds

\$ 355,700

355,700

Total Business-Type Activities

\$ 355,700

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

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

Governmental Activities

Year Ended June 30	Certificates of Participation		
	Principal	Interest	Total
2018	\$ 760,000	\$ 478,238	\$ 1,238,238
2019	780,000	451,238	1,231,238
2020	820,000	419,238	1,239,238
2021	855,000	381,463	1,236,463
2022	895,000	337,713	1,232,713
2023-2027	3,875,000	1,191,975	5,066,975
2028-2032	1,665,000	736,244	2,401,244
2033-2037	1,915,000	392,181	2,307,181
2038-2039	885,000	37,931	922,931
Total	<u>\$ 12,450,000</u>	<u>\$ 4,426,221</u>	<u>\$ 16,876,221</u>

Business-Type Activities

Year Ended June 30	Bonds		
	Principal	Interest	Total
2018	\$ 17,500	\$ 15,851	\$ 33,351
2019	18,500	15,041	33,541
2020	19,500	14,186	33,686
2021	20,000	13,298	33,298
2022	20,500	12,386	32,886
2023-2027	119,000	46,755	165,755
2028-2032	140,700	17,355	158,055
Total	<u>\$ 355,700</u>	<u>\$ 134,872</u>	<u>\$ 490,572</u>

NOTE 8: LEASES

Operating Leases

The County has signed several operating leases primarily for office buildings. Terms of the leases are month to month or contain early termination clauses. Because of this, the County does not have a definite noncancellable commitment from these various leases.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 8: LEASES (CONTINUED)

Capital Leases

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

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments at June 30, 2017</u>
Governmental activities	5.25-5.45%	\$ 66,921
Total		<u>\$ 66,921</u>

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

	<u>Governmental Activities</u>
Equipment	\$ 121,419
Less: accumulated depreciation	<u>(47,540)</u>
Net Value	<u>\$ 73,879</u>

As of June 30, 2017, capital lease annual amortization was as follows:

	<u>Governmental Activities</u>
Year Ending June 30:	
2018	\$ 32,306
2019	32,306
2020	<u>6,534</u>
Total Requirements	71,146
Less Interest	<u>(4,225)</u>
Present Value of Remaining Payments	<u>\$ 66,921</u>

NOTE 9: NET POSITION

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

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements, and other special revenue fund purposes.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 9: NET POSITION (CONTINUED)

- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

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

Net Position Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$35,387,407 of restricted net position, of which \$1,258,015 is restricted by enabling legislation.

NOTE 10: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2017, fund balance for governmental funds is made up of the following:

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 10: FUND BALANCES (CONTINUED)

The fund balances for all major and nonmajor governmental funds as of June 30, 2017, were distributed as follows:

	General Fund	Public Safety	Public Assistance	Health Services	Other Govern- mental Funds	Total
Nonspendable:						
Advances to other funds	\$ 1,272,650	\$ -	\$ -	\$ -	\$ 10,000	\$ 1,282,650
Prepaid costs	1,094,668	76,046	61,740	24,515	11,861	1,268,830
Inventory	-	-	-	-	477,004	477,004
Loans receivable	132,126	-	-	-	-	132,126
Subtotal	<u>2,499,444</u>	<u>76,046</u>	<u>61,740</u>	<u>24,515</u>	<u>498,865</u>	<u>3,160,610</u>
Restricted:						
Wrap Around	58,025	-	-	-	-	58,025
AVA County of Tehama	143,734	-	-	-	-	143,734
TEMBO	131	-	-	-	-	131
APSA Act AB 1130 Grant	1,233	-	-	-	-	1,233
Vital & Health Stats	88,224	-	-	-	-	88,224
Recorder Micrographics	38,332	-	-	-	-	38,332
Recorder Truncation	76,690	-	-	-	-	76,690
PC1463.9 Litter Control	8,774	-	-	-	-	8,774
Fair Booth Trust	979	-	-	-	-	979
Recorder Electronic Filing Fee	51,180	-	-	-	-	51,180
Recorder Automation	280,861	-	-	-	-	280,861
Small Claim Fees Cp 116.910	17,617	-	-	-	-	17,617
Revolving Loan (24 CFR 570)	102,876	-	-	-	-	102,876
VC27360 Child Restraints	11,521	-	-	-	-	11,521
Safe Drinking Water	268,029	-	-	-	-	268,029
UST & HS Code 25287	393	-	-	-	-	393
Domestic Violence Program	17,445	-	-	-	-	17,445
HS 25299 Underground Tank	107,332	-	-	-	-	107,332
Housing Ass't Payment	21,746	-	-	-	-	21,746
Public Safety	-	8,208,429	-	-	-	8,208,429
Public Assistance	-	-	3,504,525	-	-	3,504,525
Health Services	-	-	-	1,909,948	-	1,909,948
Road Services	-	-	-	-	3,067,930	3,067,930
Fish and Game	-	-	-	-	153,967	153,967
Fire	-	-	-	-	6,412,659	6,412,659
Child Support	-	-	-	-	165,195	165,195
Building and Safety	-	-	-	-	505,081	505,081
Senior Nutrition	-	-	-	-	74,547	74,547
Transportation Operations	-	-	-	-	1,674,461	1,674,461
Air Pollution Services	-	-	-	-	1,684,251	1,684,251
Los Molinos Lighting	-	-	-	-	79,783	79,783
Flood Control and Water Conserv	-	-	-	-	608,227	608,227
Tehama Power Authority	-	-	-	-	5,432	5,432
AB 923	-	-	-	-	283,108	283,108
Impact Fees	-	-	-	-	166,706	166,706
Subtotal	<u>1,295,122</u>	<u>8,208,429</u>	<u>3,504,525</u>	<u>1,909,948</u>	<u>14,881,347</u>	<u>29,799,371</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 10: FUND BALANCES (CONTINUED)

The fund balances for all major and nonmajor governmental funds as of June 30, 2017, were distributed as follows: (Continued)

	General Fund	Public Safety	Public Assistance	Health Services	Other Govern- mental Funds	Total
Committed:						
Sun City Development	52,935	-	-	-	-	52,935
Uniform Allowance	72,500	-	-	-	-	72,500
Dept of Health Services	127,500	-	-	-	-	127,500
Economic Uncertainty	4,821,577	-	-	-	-	4,821,577
Capital Projects	-	-	-	-	6,335,077	6,335,077
Debt Service	-	-	-	-	2,096,234	2,096,234
Subtotal	<u>5,074,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,431,311</u>	<u>13,505,823</u>
Assigned:						
Camp Tehama OPS	61,351	-	-	-	-	61,351
Departments	348,420	-	-	-	-	348,420
Veterans Halls	184,779	-	-	-	-	184,779
Capital Assets	1,263,998	-	-	-	-	1,263,998
Nuisance Abate	165,111	-	-	-	-	165,111
Antelope Sewer	23,200	-	-	-	-	23,200
Sick Leave & Vacation Buyout	2,585	-	-	-	-	2,585
Parks	55,698	-	-	-	-	55,698
Encumbrances	106,282	-	-	-	-	106,282
Corning Court	42,768	-	-	-	-	42,768
Animal Donations	20,010	-	-	-	-	20,010
Library Donations	226,918	-	-	-	-	226,918
Public Assistance	-	-	188,485	-	-	188,485
Subtotal	<u>2,501,120</u>	<u>-</u>	<u>188,485</u>	<u>-</u>	<u>-</u>	<u>2,689,605</u>
Unassigned	<u>4,739,797</u>	<u>-</u>	<u>-</u>	<u>(4,355,638)</u>	<u>-</u>	<u>384,159</u>
Total	<u>\$ 16,109,995</u>	<u>\$ 8,284,475</u>	<u>\$ 3,754,750</u>	<u>(\$ 2,421,175)</u>	<u>\$ 23,811,523</u>	<u>\$49,539,568</u>

Fund Balance Flow Assumption

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 10: FUND BALANCES (CONTINUED)

Fund Balance Policy

The Board of Supervisors has adopted a fund balance policy for financial statement reporting. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures. The policy also provides for the County to establish and maintain a minimum committed fund balance in the General fund equal to 8.33 percent of adopted (final) budgeted General fund appropriations for economic uncertainty.

NOTE 11: PENSION PLAN

A. General Information about the Pension Plan

Plan Descriptions

All qualified permanent and probationary employees of Tehama County, Tehama Court, Tehama County Landfill, Tehama County Public Authority, Tehama County Law Library, Tehama County Transportation Commission, and Tehama First Five are eligible to participate in the County's Safety and Miscellaneous agent multiple- employer defined benefit pension plan (Plan), administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating member employers. Benefit provisions under the Plan are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

Summary of Rate Tiers and Eligible Participants

Open for New Enrollment	
Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Safety PEPRA	Safety employees hired on or after January 1, 2013
Closed to New Enrollment	
Miscellaneous	Miscellaneous employees hired before January 1, 2013
Safety	Safety employees hired before January 1, 2013

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

Each Rate Tier's specific provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.0% @ 55	50-55	2.00%
Miscellaneous PEPRA	2.0% @ 62	52-62	2.00%
Safety	3.0% @ 50	50	3.00%
Safety PEPRA	2.7% @ 57	52-57	2.70%

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for the Plan including independent entities (Courts and First Five):

	<u>Inactive Employees or Beneficiaries Currently Receiving Benefits</u>	<u>Inactive Employees Entitled to But Not Yet Receiving Benefits</u>	<u>Active Employees</u>
Miscellaneous	746	662	669
Safety	138	85	138

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Contributions (Continued)

	Employer Contribution Rates	Employee Contribution Rates	Employer Paid Member Contribution Rates
Miscellaneous	8.263%	7.000%	0.000%*
Miscellaneous PEPRA	8.263%	6.250%	0.000%
Safety	15.626%	9.000%	0.000%*
Safety PEPRA	15.626%	11.250%	0.000%

*The County pays 100 percent of the employee's contribution for elected officials and 3 percent of the employee's contribution for police officers and probation.

B. Net Pension Liability

The County's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increase	Varies by entry-age and service
Mortality	Derived using CalPERS membership data for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011 including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions

There were no changes in assumptions during the measurement period ended June 30, 2016. Deferred inflows for changes in assumptions presented represents the unamortized portion of the changes of assumptions related to the prior measurement period.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

B. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	51.0%	5.25%	5.71%
Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	<u>1.0%</u>	-0.55%	-1.05%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

C. Changes in the Net Pension Liability

As of June 30, 2017, the changes in the net pension liability of the agent multiple-employer defined benefit pension plan including independent entities, is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous:			
Balance at June 30, 2015	\$ 213,205,135	\$ 163,817,121	\$ 49,388,014
Changes in the year:			
Service cost	4,599,406	-	4,599,406
Interest on the total pension liability	15,987,281	-	15,987,281
Difference between expected and actual experience	(991,661)	-	(991,661)
Plan to plan resource movement	-	(10,813)	10,813
Contribution - employer	-	4,982,192	(4,982,192)
Contribution - employee	-	2,211,464	(2,211,464)
Net investment income	-	870,103	(870,103)
Benefit payments, including refunds of employee contributions	(11,058,235)	(11,058,235)	-
Administrative expense	-	(99,838)	99,838
Net changes	8,536,791	(3,105,127)	11,641,918
Balance at June 30, 2016	\$ 221,741,926	\$ 160,711,994	61,029,932
Less: amount allocated to independent entities			(5,109,338)
Balance at June 30, 2016			\$ 55,920,594
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Safety:			
Balance at June 30, 2015	\$ 73,319,053	\$ 51,236,601	\$ 22,082,452
Changes in the year:			
Service cost	1,852,609	-	1,852,609
Interest on the total pension liability	5,567,657	-	5,567,657
Differences between expected and actual experience	275,562	-	275,562
Contribution - employer	-	2,091,533	(2,091,533)
Contribution - employee	-	697,072	(697,072)
Net investment income	-	273,694	(273,694)
Benefit payments, including refunds of employee contributions	(3,482,186)	(3,482,186)	-
Administrative expense	-	(31,226)	31,226
Net changes	4,213,642	(451,113)	4,664,755
Balance at June 30, 2016	\$ 77,532,695	\$ 50,785,488	\$ 26,747,207

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

C. Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability for each rate tier as of the measurement date, calculated using the discount rate for the Plan, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>6.65%</u>	Discount Rate <u>7.65%</u>	1% Increase <u>8.65%</u>
Miscellaneous	\$ 88,370,716	\$ 61,029,932	\$ 38,183,119
Safety	37,279,505	26,747,207	18,058,708

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the County recognized pension expense of \$394,999. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 7,927,362	\$ -
Changes of assumptions	-	(1,968,300)
Difference between expected and actual experience	-	(1,118,216)
Differences between projected and actual earnings on plan investments	<u>11,561,149</u>	<u>-</u>
Total	19,488,511	(3,086,516)
Less: amount allocated to independent entities	(<u>1,154,265</u>)	<u>229,590</u>
Total	<u>\$ 18,334,246</u>	<u>(\$ 2,856,926)</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$7,927,362 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended <u>June 30</u>	
2017	(\$ 714,995)
2018	911,712
2019	5,229,513
2020	3,048,403
Thereafter	<u>-</u>
Total	<u><u>\$ 8,474,633</u></u>

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The Government Accounting Standards Board (GASB) issued Statement No. 45 (June 2004) which establishes guidelines for accounting and financial reporting by State and local governments for other postemployment benefits (OPEB) other than pensions. Like pensions, OPEB arises from an exchange of salaries and benefits for employee services rendered, and constitutes part of the compensation for those services. From an accrual accounting perspective, the cost of OPEB, like the cost of pension benefits, should generally be associated with periods in which the exchange occurs, rather than with the periods when benefits are paid or provided.

The County offers medical, dental, vision, and life benefits to its employees, retirees, and their dependents. The medical plans consist of an Anthem Blue Cross PPO and an Anthem Blue Cross EPO (low option).

Employees of all bargaining units who have a minimum of five (5) years of County service and who go directly from active employment to retirement under the Public Employees' Retirement System, may continue to participate in the County's health insurance programs at the employee's option and expense.

While the County does not directly contribute towards the cost of premiums for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an "implicit subsidy" under GASB 45. The inclusion of the retirees increases the County's overall health insurance rates; it is, in part, the purpose of this valuation to determine the amount of the subsidy. Dental and vision benefits are not subsidized and have not been included in the valuation.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

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

A. Plan Description (Continued)

The following monthly premiums charged to a retiree for the County's medical plans went into effect as of January 1, 2016:

Plan	Composite Rate
Anthem Blue Cross PPO	\$ 1,776.00
Anthem Blue Cross EPO Low Option	1,435.00

B. Funding Policy and Annual OPEB Cost

The County has not adopted prefunding and utilized the pay-as-you-go basis where contributions are made at about the same time and amount as benefit payments are coming due. The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded accrued actuarial liability (or funding excess) over thirty years.

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

Annual required contribution	\$ 145,653
Interest on prior year net OPEB obligation	4,243
Amortization of prior year net OPEB obligation	(4,216)
Annual OPEB Cost	145,680
Contributions made:	
Implicit subsidy (estimated per actuarial)	(96,248)
Increase in net OPEB obligation	49,432
Net OPEB Obligation - Beginning of Year	<u>106,079</u>
Net OPEB Obligation - End of Year	<u><u>\$ 155,511</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	\$ 154,865	80.86%	\$ 37,943
6/30/16	165,133	58.74%	106,079
6/30/17	145,680	66.07%	155,511

The quantifications of costs set forth above should not be interpreted in any way as vesting such benefits; rather the disclosures are made solely to comply with the County's reporting obligations under GASB 45, as the County understands these obligations.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

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

C. Funded Status and Funding Progress

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30 year open period. The table below indicates the funded status of the plan as of July 1, 2016, the most recent actuarial valuation date:

Actuarial accrued liability (AAL)	\$ 1,158,225
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,158,225</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	<u>\$ *</u>
UAAL as a percentage of covered payroll	*

* Information not available

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

D. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2016, actuarial valuation, the entry-age, level percent of pay actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate, and a medical trend assumption of 6.0 percent for 2015-16, declining by 1.0 percent per year to an ultimate of 5.0 percent per year beginning in 2017.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 13: RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has Risk Management Funds (Internal Service Funds) to finance its insured and uninsured risks of loss. The County's uninsured risk of loss is as follows: General liability \$100,000; Dental \$1,500. The County is a member of the County Supervisors Association of California Excess Insurance Authority (CSAC-EIA), a public entity risk pool currently operating as a common risk management and insurance program for counties. Should actual loss among participants be greater than anticipated, the County will be assessed its pro rata share of the deficiency. Conversely, if the actual losses are less than anticipated, the County will be refunded its pro rata share of the excess. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. Actual claims unpaid as of June 30, 2017, including any estimates for incurred but not reported (IBNR) amounts, constitute claims payable. The claims liability at June 30, 2017, was as follows:

General Liability	\$ 823,000
Dental Insurance	<u>99,365</u>
Total	<u>\$ 922,365</u>

All funds of the County participate in the program and make payments to the Risk Management funds based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$922,365 reported in the funds at June 30, 2017, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably determined.

Changes in the County's claims liability amount for the fiscal years June 30, 2015, 2016, and 2017 were as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
June 30, 2015	\$ 809,950	\$ 2,822,255	\$ 2,822,655	\$ 809,550
June 30, 2016	809,550	3,026,469	2,897,794	938,225
June 30, 2017	938,225	2,875,229	2,891,089	922,365

The ultimate settlement of specific claims against the County cannot presently be determined and no provision for any other liability that may result has been made in the financial statements.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 14: OTHER INFORMATION

A. Commitments and Contingencies

The County had active construction projects as of June 30, 2017. The estimated costs to be incurred for these projects is \$1,529,861.

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

The County is involved in several lawsuits. Due to the nature of the cases, County Counsel is unable to estimate at this time the probability of favorable or unfavorable outcomes. Therefore, no provision has been made in the financial statements for a loss contingency.

The County had the following encumbrances at June 30, 2017, General fund \$106,282, Public Safety \$55,920, Health Services \$34,049, and non-major governmental funds \$105,956.

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2017 through February 22, 2018, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**Required Supplementary Information
(Unaudited)**

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COUNTY OF TEHAMA
Required Supplementary Information
County Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2017
Last 10 Years*

Measurement Date	2013/14	2014/15	2015/16
Miscellaneous			
Total Pension Liability			
Service Cost	\$ 4,751,684	\$ 4,685,705	\$ 4,599,406
Interest	14,778,711	15,360,205	15,987,281
Change in assumptions	-	(3,523,041)	-
Difference between expected and actual experience	-	(2,080,052)	(991,661)
Benefit payments, including refunds of employee contributions	(9,743,748)	(10,569,848)	(11,058,235)
Net Change in Total Pension Liability	9,786,647	3,872,969	8,536,791
Total Pension Liability - Beginning	199,545,519	209,332,166	213,205,135
Total Pension Liability - Ending (a)	<u>\$ 209,332,166</u>	<u>\$ 213,205,135</u>	<u>\$ 221,741,926</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 4,300,260	\$ 4,557,693	\$ 4,982,192
Contributions - employee	2,250,188	2,171,594	2,211,464
Net investment income	24,639,923	3,676,095	870,103
Benefit payments, including refunds of employee contributions	(9,743,748)	(10,569,848)	(11,058,235)
Plan to plan resource movement	-	(71,138)	(10,813)
Administrative expense	-	(186,719)	(99,838)
Net Change in Plan Fiduciary Net Position	21,446,623	(422,323)	(3,105,127)
Plan Fiduciary Net Position - Beginning	142,792,821	164,239,444	163,817,121
Plan Fiduciary Net Position - Ending (b)	<u>\$ 164,239,444</u>	<u>\$ 163,817,121</u>	<u>\$ 160,711,994</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 45,092,722</u>	<u>\$ 49,388,014</u>	<u>\$ 61,029,932</u>
Plan fiduciary net position as a percentage of the total pension liability	78.46%	76.84%	72.48%
Covered employee payroll	\$ 30,757,227	\$ 31,825,748	\$ 31,761,661
Net pension liability as a percentage of covered employee payroll	146.61%	155.18%	192.15%

*The County implemented GASB 68 for the fiscal year June 30, 2015, therefore only three years are shown.

Continued (Page 1 of 2)

COUNTY OF TEHAMA
Required Supplementary Information
County Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2017
Last 10 Years*

Measurement Date	2013/14	2014/15	2015/16
Safety			
Total Pension Liability			
Service Cost	\$ 1,722,487	\$ 1,721,662	\$ 1,852,609
Interest	4,994,614	5,270,117	5,567,657
Change in assumptions	-	(1,316,679)	-
Difference between expected and actual experience	-	141,736	275,562
Benefit payments, including refunds of employee contributions	(3,087,719)	(3,404,624)	(3,482,186)
Net Change in Total Pension Liability	3,629,382	2,412,212	4,213,642
Total Pension Liability - Beginning	67,277,459	70,906,841	73,319,053
Total Pension Liability - Ending (a)	<u>\$ 70,906,841</u>	<u>\$ 73,319,053</u>	<u>\$ 77,532,695</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,812,375	\$ 1,974,637	\$ 2,091,533
Contributions - employee	611,172	662,280	697,072
Net investment income	7,625,451	1,108,588	273,694
Benefit payments, including refunds of employee contributions	(3,087,719)	(3,404,624)	(3,482,186)
Administrative expense	-	(57,661)	(31,226)
Net Change in Plan Fiduciary Net Position	6,961,279	283,220	(451,113)
Plan Fiduciary Net Position - Beginning	43,992,102	50,953,381	51,236,601
Plan Fiduciary Net Position - Ending (b)	<u>\$ 50,953,381</u>	<u>\$ 51,236,601</u>	<u>\$ 50,785,488</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 19,953,460</u>	<u>\$ 22,082,452</u>	<u>\$ 26,747,207</u>
Plan fiduciary net position as a percentage of the total pension liability	71.86%	69.88%	65.50%
Covered employee payroll	\$ 6,963,761	\$ 7,167,321	\$ 7,771,989
Net pension liability as a percentage of covered employee payroll	286.53%	308.10%	344.15%

*The County implemented GASB 68 for the fiscal year June 30, 2015, therefore only three years are shown.

Continued (Page 2 of 2)

COUNTY OF TEHAMA
Required Supplementary Information
County Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2017
Last 10 Years*

Fiscal Year	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
Miscellaneous			
Contractually required contributions (actuarially determined)	\$ 4,557,693	\$ 4,982,192	\$ 5,380,964
Contributions in relation to the actuarially determined contributions	<u>(4,557,693)</u>	<u>(4,982,192)</u>	<u>(5,380,964)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 31,825,748	\$ 31,761,661	\$ 33,011,473
Contributions as a percentage of covered employee payroll	14.32%	15.69%	16.30%
Safety			
Contractually required contributions (actuarially determined)	\$ 1,974,637	\$ 2,091,533	\$ 2,544,973
Contributions in relation to the actuarially determined contributions	<u>(1,974,637)</u>	<u>(2,091,533)</u>	<u>(2,544,973)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,167,321	\$ 7,771,989	\$ 8,590,184
Contributions as a percentage of covered employee payroll	27.55%	26.91%	29.63%

*The County implemented GASB 68 for the fiscal year June 30, 2015, therefore only three years are shown.

COUNTY OF TEHAMA
Required Supplementary Information
County Pension Plan
Notes to County Pension Plan
For the Year Ended June 30, 2017

NOTE 1: SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Benefit Changes: The figures do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change of assumptions: There were not changes in assumptions.

NOTE 2: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Change of assumptions: There were no changes in assumptions.

NOTE 3: SCHEDULE OF CONTRIBUTIONS

Methods and assumptions used to determine the contribution rates for the Miscellaneous and Safety Plan were as follows:

Valuation Date	June 30, 2013
Actuarial cost method	Entry-Age Normal
Amortization method	For details, see June 30, 2013 Funding Valuation Report
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	Varies by entry-age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

COUNTY OF TEHAMA
Required Supplementary Information
County OPEB Plan
Schedule of Funding Progress
For the Year Ended June 30, 2017

SCHEDULE OF FUNDING PROGRESS

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

The table below shows a three year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll for the County Other Postemployment Benefit Plan.

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2014	\$ -	\$ 1,250,239	\$1,250,239	0.0%	\$ *	*
July 1, 2016	-	1,158,225	1,158,225	0.0%	*	*

* Information not available

COUNTY OF TEHAMA
Required Supplementary Information
Infrastructure Assets Reported Using the Modified Approach
For the Year Ended June 30, 2017

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

The assessed conditions report for the fiscal year ending June 30, 2017 was completed on July 26, 2017.

A. Roads

The County of Tehama manages its maintained road system, included in the area wide road network, using the Carte Graph Pavement Management Program, and accounts for them using the modified approach as set forth in GASB 34. The program establishes an Overall Condition Index (OCI) on a scale from zero to one hundred (0-100) for each road maintained by the Department of Public Works. A scale was established whereby roads fall into categories ranging from poor to excellent with numerical ratings as follows:

Excellent	85 to 100
Good	55 to 84
Fair	40 to 54
Poor	0 to 39

It is the County’s policy to maintain at least 75 percent of its Arterial and Collector maintained road system at a fair or better rating and 75 percent of the local maintained roads system at a fair or better rating. Condition assessments (ratings) are conducted on a three-year cycle with detailed inspections occurring on an ongoing daily basis. The following is a table of the roads’ condition:

<u>OCI Condition</u>	<u>Number of Miles</u>	<u>Percent</u>
Excellent	54.71	5.03%
Very Good to Good	537.27	49.34%
Fair to Acceptable	227.56	20.90%
Poor	<u>269.26</u>	<u>24.73%</u>
Total	<u><u>1,088.80</u></u>	<u><u>100.00%</u></u>

As of June 30, 2017, the County’s overall maintained road system rating was 75.27 percent fair and above for Arterial, Collector and Local roads, including 263.05 miles of unsurfaced roads maintained at a fair condition rating. The Department of Public Works also maintains records of 0.96 miles of unconstructed/unrated right of way. The total amount of maintained roads recorded by the department is 1,088.80 miles, which changed slightly from the prior year’s report.

The majority of roads falling below the established rating of “Fair” (OCI<40) are in the Local road category, and were generally acquired by the County with inadequate or no structural section. Many of these roads are in rural settings and support minimal traffic, improving these roads to achieve a higher rating requires large fund expenditures and many years to attain.

COUNTY OF TEHAMA
Required Supplementary Information
Infrastructure Assets Reported Using the Modified Approach
For the Year Ended June 30, 2017

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH (CONTINUED)

B. Bridges

The County of Tehama manages its maintained bridge system utilizing the Carte Graph Bridge Management program and accounts for each using the modified approach. Several factors are considered to achieve the established scale of 0 to 100, which provides a rating for each structure in the County’s inventory. The established scale places each bridge structure into categories ranging from poor to excellent as follows:

Excellent	90 to 100
Good	80 to 89
Fair	50 to 79
Poor	0 to 49

The Department of Public Works recommends that 75 percent of its bridges be maintained at a fair or better rating. The following is a table of the bridges’ condition as of June 30, 2017:

<u>Condition</u>	<u>Number of Bridges</u>	<u>Percent</u>
Excellent	103	14.86%
Good	181	26.12%
Fair	335	48.34%
Poor	<u>74</u>	<u>10.68%</u>
Total	<u><u>693</u></u>	<u><u>100.00%</u></u>

Caltrans conducts periodic inspections of all bridge structures that are 20 feet or longer. Changes in the Caltrans periodic inspection requirements have caused a greater number of County bridges to be downgraded to a lower condition rating as reflected in the above percentages. This amounts to approximately 400 County structures. Bridges generally have a useful life of 50 to 75 years with low levels of significant deterioration from year to year. County staff also conducts inspections of approximately 400 bridges and drainage structures less than 20 feet in length.

C. Signs

The County of Tehama manages its maintained sign database system using the Carte Graph Sign Management program. The State and Federal versions of the Manual of Uniform Traffic Control Device (MUTCD) guidelines identify sign reflectivity requirements as a crucial rating factor. Therefore, County sign reflectivity is measured using County owned equipment and assigned a “Pass or Fail” rating in keeping with industry standards.

Signs are generally replaced when they become unserviceable and no mass sign replacement program occurred this year.

Public Works staff continues to develop a comprehensive geo-referenced database in order to accurately count and locate all maintained signage. The cumulative sign data and rating shown below is based on the current number of signs recorded in the database system. The total number of signs will fluctuate as staff improves the quality control functions of the geo-referenced database.

COUNTY OF TEHAMA
Required Supplementary Information
Infrastructure Assets Reported Using the Modified Approach
For the Year Ended June 30, 2017

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH (CONTINUED)

C. Signs (Continued)

<u>Condition</u>	Number of Street <u>Name Signs</u>	Number of <u>Traffic Signs</u>	<u>Total</u>	Percent <u>Pass/Fail</u>
Pass	3,457	4,106	7,563	93.74%
Fail	<u>0</u>	<u>505</u>	<u>505</u>	<u>6.26%</u>
Total	<u><u>3,457</u></u>	<u><u>4,611</u></u>	<u><u>8,068</u></u>	<u><u>100.00%</u></u>

Additionally, the County maintains a significant number of miles of road centerline and edgeline striping, pavement markings, and object marker signs. They are visually inspected during routine operations and refreshed/replaced as needed annually to maintain maximum visibility.

D. Cost of Maintenance

The estimated annual amount to maintain 75 percent of the roads, bridges, and signs in a fair or better, or pass condition rating is \$8.6 million. The average annual expenditures over the last five years was \$10.9 million. The below totals reflect high dollar value bridge replacements and some major collector road projects that tend to skew the expenditure vs. rating analysis. The funds expended have helped to slow the facility degradation, however the overall ratings continue to decline, albeit at a slow place. The funds expended for all of the above noted facilities over the past five fiscal years are as follows:

	<u>Actual</u>
Fiscal Year 2016/2017	\$ 9,359,628
Fiscal Year 2015/2016	8,283,095
Fiscal Year 2014/2015	12,835,149
Fiscal Year 2013/2014	9,089,229
Fiscal Year 2012/2013	14,993,500

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 18,487,261	\$ 18,930,490	\$ 19,728,631	\$ 798,141
Licenses and permits	1,428,558	1,432,162	1,535,093	102,931
Fines and forfeitures	1,555,355	1,555,355	1,299,358	(255,997)
Use of money and property	175,728	175,728	410,219	234,491
Intergovernmental	3,158,743	4,058,464	3,577,298	(481,166)
Charges for services	17,196,269	17,277,381	16,767,530	(509,851)
Other revenues	375,098	431,844	372,395	(59,449)
Total Revenues	42,377,012	43,861,424	43,690,524	(170,900)
EXPENDITURES				
Current:				
General government	21,443,892	21,808,276	20,480,596	1,327,680
Public protection	6,210,186	6,296,373	5,177,724	1,118,649
Health and welfare	1,012,702	1,101,778	945,008	156,770
Public assistance	1,740,986	1,757,097	1,507,135	249,962
Education	730,376	738,888	691,193	47,695
Culture and recreation	282,707	287,563	269,496	18,067
Public ways and facilities	-	-	49,811	(49,811)
Debt service				
Interest and other charges	25,000	25,000	22,813	2,187
Capital outlay	523,659	626,960	351,200	275,760
Total Expenditures	31,969,508	32,641,935	29,494,976	3,146,959
Excess of Revenues Over (Under) Expenditures	10,407,504	11,219,489	14,195,548	2,976,059
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	-	90,000	90,000
Transfers out	(21,367,164)	(22,258,734)	(18,214,233)	4,044,501
Total Other Financing Sources (Uses)	(21,277,164)	(22,258,734)	(18,124,233)	4,134,501
Net Change in Fund Balances	(10,869,660)	(11,039,245)	(3,928,685)	7,110,560
Fund Balances - Beginning	20,038,680	20,038,680	20,038,680	-
Fund Balances - Ending	\$ 9,169,020	\$ 8,999,435	\$ 16,109,995	\$ 7,110,560

Continued (Page 1 of 2)

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

Reconciliation of Net Change in Fund Balance - Budgetary to GAAP Basis:

Net Change in Fund Balance - Budgetary Basis \$ (3,928,685)

The amount reported in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance was different because:

OMB A-87 interfund charges are included as charges for services for budgetary purposes, but are a reduction of expenditures for financial reporting purposes.

Charges for services	(635,287)
General government expenditures	42,820
Public protection expenditures	82,361
Health and welfare expenditures	321,548
Public assistance expenditures	50,135
Public ways and facilities expenditures	<u>138,423</u>

Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance \$ (3,928,685)

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Public Safety - Major Special Revenue Fund
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Licenses and permits	\$ 1,250	\$ 1,250	\$ 4,605	\$ 3,355
Fines and forfeitures	18,500	18,500	33,245	14,745
Use of money and property	-	-	303,693	303,693
Intergovernmental	10,335,385	10,805,751	10,785,660	(20,091)
Charges for services	686,386	686,386	511,053	(175,333)
Other revenues	189,689	213,351	223,887	10,536
Total Revenues	<u>11,231,210</u>	<u>11,725,238</u>	<u>11,862,143</u>	<u>136,905</u>
EXPENDITURES				
Current:				
Public protection	27,879,063	28,484,529	26,570,425	1,914,104
Capital outlay	782,684	1,431,506	752,365	679,141
Total Expenditures	<u>28,661,747</u>	<u>29,916,035</u>	<u>27,322,790</u>	<u>2,593,245</u>
Excess of Revenues Over (Under) Expenditures	<u>(17,430,537)</u>	<u>(18,190,797)</u>	<u>(15,460,647)</u>	<u>2,730,150</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	17,620,226	17,896,250	15,283,765	(2,612,485)
Total Other Financing Sources (Uses)	<u>17,620,226</u>	<u>17,896,250</u>	<u>15,283,765</u>	<u>(2,612,485)</u>
Net Change in Fund Balances	189,689	(294,547)	(176,882)	117,665
Fund Balances - Beginning	8,461,357	8,461,357	8,461,357	-
Fund Balances - Ending	<u>\$ 8,651,046</u>	<u>\$ 8,166,810</u>	<u>\$ 8,284,475</u>	<u>\$ 117,665</u>

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Public Assistance - Major Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ (1,597)	\$ (1,597)
Use of money and property	-	-	15,048	15,048
Intergovernmental	40,343,298	41,040,320	36,752,760	(4,287,560)
Charges for services	130,940	130,940	168,396	37,456
Other revenues	274,474	274,474	502,092	227,618
Total Revenues	40,748,712	41,445,734	37,436,699	(4,009,035)
EXPENDITURES				
Current:				
Public assistance	41,568,340	42,285,162	37,179,725	5,105,437
Capital outlay	412,000	412,000	162,758	249,242
Total Expenditures	41,980,340	42,697,162	37,342,483	5,354,679
Excess of Revenues Over (Under) Expenditures	(1,231,628)	(1,251,428)	94,216	1,345,644
OTHER FINANCING SOURCES (USES)				
Transfers in	1,056,859	1,056,859	879,863	(176,996)
Total Other Financing Sources (Uses)	1,056,859	1,056,859	879,863	(176,996)
Net Change in Fund Balances	(174,769)	(194,569)	974,079	1,168,648
Fund Balances - Beginning	2,780,671	2,780,671	2,780,671	-
Fund Balances - Ending	\$ 2,605,902	\$ 2,586,102	\$ 3,754,750	\$ 1,168,648
Reconciliation of Net Change in Fund Balance - Budgetary to GAAP Basis:				
Net Change in Fund Balance - Budgetary Basis				\$ 974,079
The amount reported in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance was different because:				
Public assistance repayments are included as other revenues for budgetary purposes, but are included as intergovernmental revenues for financial reporting purposes.				
Intergovernmental revenues				188,480
Other revenues				(188,480)
Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance				\$ 974,079

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Health Services - Major Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 23,241	\$ 23,241
Use of money and property	-	-	6,374	6,374
Intergovernmental	15,769,817	16,218,566	15,468,314	(750,252)
Charges for services	6,885,715	6,885,715	3,359,207	(3,526,508)
Other revenues	34,000	34,000	24,578	(9,422)
Total Revenues	<u>22,689,532</u>	<u>23,138,281</u>	<u>18,881,714</u>	<u>(4,256,567)</u>
EXPENDITURES				
Current:				
Health and welfare	22,451,075	22,891,760	19,732,120	3,159,640
Capital outlay	688,097	712,007	68,993	643,014
Total Expenditures	<u>23,139,172</u>	<u>23,603,767</u>	<u>19,801,113</u>	<u>3,802,654</u>
Excess of Revenues Over (Under) Expenditures	<u>(449,640)</u>	<u>(465,486)</u>	<u>(919,399)</u>	<u>(453,913)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	132,746	132,746	93,757	(38,989)
Transfers out	(366,200)	(366,200)	(766,200)	(400,000)
Total Other Financing Sources (Uses)	<u>(233,454)</u>	<u>(233,454)</u>	<u>(672,443)</u>	<u>(438,989)</u>
Net Change in Fund Balances	(683,094)	(698,940)	(1,591,842)	(892,902)
Fund Balances (Deficits) - Beginning	<u>(829,333)</u>	<u>(829,333)</u>	<u>(829,333)</u>	<u>-</u>
Fund Balances (Deficits) - Ending	<u>\$ (1,512,427)</u>	<u>\$ (1,528,273)</u>	<u>\$ (2,421,175)</u>	<u>\$ (892,902)</u>
Reconciliation of Net Change in Fund Balance - Budgetary to GAAP Basis:				
Net Change in Fund Balance - Budgetary Basis				\$ (1,591,842)
The amount reported in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance was different because:				
Debt service expenditures are included as health and welfare expenditures for budgetary purposes, but are included as debt service expenditures for financial reporting purposes.				
Health and welfare expenditures				(31,309)
Debt service - principal expenditures				26,862
Debt service - interest and other charges expenditures				4,447
Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance				<u>\$ (1,591,842)</u>

COUNTY OF TEHAMA
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2017

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

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

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

- (1) The County Administrative Officer submits to the Board of Supervisors a recommended draft budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Supervisors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to August 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein, as recommended expenditures become appropriations to the various County departments. The Board of Supervisors may amend the budget by motion during the fiscal year. The County Administrative Officer may authorize transfers from one object or purpose to another within the same department.
- (5) An operating budget is adopted each fiscal year for all governmental funds. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds are authorized by the County Administrator's office and must be approved by the Board of Supervisors. Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Supervisors. Budgeted amounts in the budgetary schedules are reported as originally adopted and as amended during the fiscal year by resolutions approved by the Board of Supervisors.

COUNTY OF TEHAMA
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2017

NOTE 1: BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

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Combining Nonmajor Fund Statements

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Nonmajor Governmental Funds

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COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
ASSETS				
Cash and investments	\$15,312,081	\$ 4,410,291	\$ 301,192	\$20,023,564
Cash with fiscal agent	-	2,379,770	1,795,042	4,174,812
Receivables:				
Accounts	782,347	5	-	782,352
Intergovernmental	796,078	-	-	796,078
Advances to other funds	10,000	-	-	10,000
Prepaid costs	11,861	-	-	11,861
Inventory	477,004	-	-	477,004
Total Assets	\$17,389,371	\$ 6,790,066	\$ 2,096,234	\$26,275,671
LIABILITIES				
Accounts payable	\$ 808,792	\$ 450,659	\$ -	\$ 1,259,451
Salaries and benefits payable	261,090	4,330	-	265,420
Due to other governments	12,445	-	-	12,445
Deposits payable	143,769	-	-	143,769
Unearned revenues	8,520	-	-	8,520
Total Liabilities	1,234,616	454,989	-	1,689,605
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	774,543	-	-	774,543
Total Deferred Inflows of Resources	774,543	-	-	774,543
FUND BALANCES				
Nonspendable	498,865	-	-	498,865
Restricted	14,881,347	-	-	14,881,347
Committed	-	6,335,077	2,096,234	8,431,311
Total Fund Balances	15,380,212	6,335,077	2,096,234	23,811,523
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$17,389,371	\$ 6,790,066	\$ 2,096,234	\$26,275,671

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
REVENUES				
Taxes and assessments	\$ 4,146,292	\$ 3,493	\$ -	\$ 4,149,785
Licenses and permits	2,109,866	-	-	2,109,866
Fines and forfeitures	16,994	-	221,639	238,633
Use of money and property	196,087	62,221	75,983	334,291
Intergovernmental	11,060,019	2,000	-	11,062,019
Charges for services	2,085,598	-	-	2,085,598
Other revenues	130,636	-	-	130,636
Total Revenues	19,745,492	67,714	297,622	20,110,828
EXPENDITURES				
Current:				
General government	-	159,120	2,557	161,677
Public protection	5,667,168	-	-	5,667,168
Health and welfare	731,587	-	-	731,587
Public assistance	2,116,658	-	-	2,116,658
Public ways and facilities	9,615,319	-	-	9,615,319
Debt service:				
Principal	-	-	740,000	740,000
Interest and other charges	-	-	500,738	500,738
Capital outlay	3,338,054	8,372,126	-	11,710,180
Total Expenditures	21,468,786	8,531,246	1,243,295	31,243,327
Excess of Revenues Over (Under) Expenditures	(1,723,294)	(8,463,532)	(945,673)	(11,132,499)
OTHER FINANCING SOURCES (USES)				
Transfers in	80,279	7,668,799	966,756	8,715,834
Transfers out	-	(90,000)	(5,992,786)	(6,082,786)
Total Other Financing Sources (Uses)	80,279	7,578,799	(5,026,030)	2,633,048
Net Change in Fund Balances	(1,643,015)	(884,733)	(5,971,703)	(8,499,451)
Fund Balances - Beginning	16,998,322	7,219,810	8,067,937	32,286,069
Change in inventory on purchases method	24,905	-	-	24,905
Fund Balances - Ending	\$15,380,212	\$ 6,335,077	\$ 2,096,234	\$23,811,523

Nonmajor Governmental Funds

- **Special Revenue Funds**

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COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	<u>Road</u>	<u>Fish and Game</u>	<u>Fire</u>	<u>Child Support</u>
ASSETS				
Cash and investments	\$ 3,241,582	\$ 153,967	\$ 7,097,840	\$ 217,408
Receivables:				
Accounts	214,853	-	33,245	-
Intergovernmental	692,219	-	23,307	17,191
Advances to other funds	-	-	-	10,000
Prepaid costs	-	-	-	2,500
Inventory	477,004	-	-	-
Total Assets	<u>\$ 4,625,658</u>	<u>\$ 153,967</u>	<u>\$ 7,154,392</u>	<u>\$ 247,099</u>
LIABILITIES				
Accounts payable	\$ 79,196	\$ -	\$ 707,363	\$ 841
Salaries and benefits payable	165,540	-	11,063	51,372
Due to other governments	-	-	-	-
Deposits payable	143,769	-	-	-
Unearned revenues	-	-	-	-
Total Liabilities	<u>388,505</u>	<u>-</u>	<u>718,426</u>	<u>52,213</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	692,219	-	23,307	17,191
Total Deferred Inflows of Resources	<u>692,219</u>	<u>-</u>	<u>23,307</u>	<u>17,191</u>
FUND BALANCES				
Nonspendable	477,004	-	-	12,500
Restricted	3,067,930	153,967	6,412,659	165,195
Total Fund Balances	<u>3,544,934</u>	<u>153,967</u>	<u>6,412,659</u>	<u>177,695</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,625,658</u>	<u>\$ 153,967</u>	<u>\$ 7,154,392</u>	<u>\$ 247,099</u>

Building and Safety	Senior Nutrition	Transportation Operations	Air Pollution	Los Molinos Lighting	Tehama County Flood Control	Tehama County Flood Zone 3	Tehama Power Authority
\$ 545,486	\$ 57,357	\$ 1,676,552	\$ 1,179,736	\$ 79,783	\$ 279,583	\$ 337,885	\$ 5,432
-	17,190	-	506,715	-	-	-	-
-	19,710	22,116	21,535	-	-	-	-
-	-	-	-	-	-	-	-
9,361	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 554,847</u>	<u>\$ 94,257</u>	<u>\$ 1,698,668</u>	<u>\$ 1,707,986</u>	<u>\$ 79,783</u>	<u>\$ 279,583</u>	<u>\$ 337,885</u>	<u>\$ 5,432</u>
\$ 280	\$ -	\$ 2,091	\$ 13,524	\$ -	\$ 2,229	\$ 3,268	\$ -
19,160	-	-	10,211	-	3,744	-	-
12,445	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,520	-	-	-	-	-	-	-
<u>40,405</u>	<u>-</u>	<u>2,091</u>	<u>23,735</u>	<u>-</u>	<u>5,973</u>	<u>3,268</u>	<u>-</u>
-	19,710	22,116	-	-	-	-	-
-	19,710	22,116	-	-	-	-	-
9,361	-	-	-	-	-	-	-
<u>505,081</u>	<u>74,547</u>	<u>1,674,461</u>	<u>1,684,251</u>	<u>79,783</u>	<u>273,610</u>	<u>334,617</u>	<u>5,432</u>
<u>514,442</u>	<u>74,547</u>	<u>1,674,461</u>	<u>1,684,251</u>	<u>79,783</u>	<u>273,610</u>	<u>334,617</u>	<u>5,432</u>
<u>\$ 554,847</u>	<u>\$ 94,257</u>	<u>\$ 1,698,668</u>	<u>\$ 1,707,986</u>	<u>\$ 79,783</u>	<u>\$ 279,583</u>	<u>\$ 337,885</u>	<u>\$ 5,432</u>

COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	<u>AB 923</u>	<u>Impact Fees</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 272,764	\$ 166,706	\$ 15,312,081
Receivables:			
Accounts	10,344	-	782,347
Intergovernmental	-	-	796,078
Advances to other funds	-	-	10,000
Prepaid costs	-	-	11,861
Inventory	-	-	477,004
Total Assets	<u>\$ 283,108</u>	<u>\$ 166,706</u>	<u>\$ 17,389,371</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 808,792
Salaries and benefits payable	-	-	261,090
Due to other governments	-	-	12,445
Deposits payable	-	-	143,769
Unearned revenues	-	-	8,520
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,234,616</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	-	-	774,543
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>774,543</u>
FUND BALANCES			
Nonspendable	-	-	498,865
Restricted	283,108	166,706	14,881,347
Total Fund Balances	<u>283,108</u>	<u>166,706</u>	<u>15,380,212</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 283,108</u>	<u>\$ 166,706</u>	<u>\$ 17,389,371</u>

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COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	<u>Road</u>	<u>Fish and Game</u>	<u>Fire</u>	<u>Child Support</u>
REVENUES				
Taxes and assessments	\$ 656,224	\$ -	\$ 3,081,051	\$ -
License and permits	10,710	-	-	-
Fines and forfeitures	-	1,234	-	-
Use of money and property	41,192	1,631	71,455	2,955
Intergovernmental	7,635,197	-	234,790	1,822,051
Charges for services	826,954	-	905,910	-
Other revenues	19,436	-	2,638	198
Total Revenues	<u>9,189,713</u>	<u>2,865</u>	<u>4,295,844</u>	<u>1,825,204</u>
EXPENDITURES				
Current:				
Public protection	-	5,830	3,630,461	-
Health and welfare	-	-	-	-
Public assistance	-	-	-	1,827,329
Public ways and facilities	8,247,889	-	-	-
Capital outlay	2,931,169	-	178,170	2,416
Total Expenditures	<u>11,179,058</u>	<u>5,830</u>	<u>3,808,631</u>	<u>1,829,745</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,989,345)</u>	<u>(2,965)</u>	<u>487,213</u>	<u>(4,541)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	45,279
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,279</u>
Net Change in Fund Balances	<u>(1,989,345)</u>	<u>(2,965)</u>	<u>487,213</u>	<u>40,738</u>
Fund Balances - Beginning	5,509,374	156,932	5,925,446	136,957
Change in inventory on purchases method	24,905	-	-	-
Fund Balances - Ending	<u>\$ 3,544,934</u>	<u>\$ 153,967</u>	<u>\$ 6,412,659</u>	<u>\$ 177,695</u>

Building and Safety	Senior Nutrition	Transportation Operations	Air Pollution	Los Molinos Lighting	Tehama County Flood Control	Tehama County Flood Zone 3	Tehama Power Authority
\$ -	\$ -	\$ 161,023	\$ -	\$ 12,740	\$ 139,852	\$ 95,402	\$ -
812,093	-	-	1,171,659	-	-	-	-
7,605	-	-	8,155	-	-	-	-
5,114	1,136	50,290	10,402	789	2,819	5,618	57
-	179,878	488,759	47,737	213	2,337	649,057	-
37,110	20,000	128,931	-	-	-	-	-
126	55,663	7,831	920	-	43,824	-	-
<u>862,048</u>	<u>256,677</u>	<u>836,834</u>	<u>1,238,873</u>	<u>13,742</u>	<u>188,832</u>	<u>750,077</u>	<u>57</u>
741,043	-	-	-	8,862	213,794	1,067,178	-
-	-	-	669,672	-	-	-	-
-	289,329	-	-	-	-	-	-
-	-	1,367,430	-	-	-	-	-
-	-	213,236	13,063	-	-	-	-
<u>741,043</u>	<u>289,329</u>	<u>1,580,666</u>	<u>682,735</u>	<u>8,862</u>	<u>213,794</u>	<u>1,067,178</u>	<u>-</u>
<u>121,005</u>	<u>(32,652)</u>	<u>(743,832)</u>	<u>556,138</u>	<u>4,880</u>	<u>(24,962)</u>	<u>(317,101)</u>	<u>57</u>
-	35,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	35,000	-	-	-	-	-	-
<u>121,005</u>	<u>2,348</u>	<u>(743,832)</u>	<u>556,138</u>	<u>4,880</u>	<u>(24,962)</u>	<u>(317,101)</u>	<u>57</u>
393,437	72,199	2,418,293	1,128,113	74,903	298,572	651,718	5,375
-	-	-	-	-	-	-	-
<u>\$ 514,442</u>	<u>\$ 74,547</u>	<u>\$ 1,674,461</u>	<u>\$ 1,684,251</u>	<u>\$ 79,783</u>	<u>\$ 273,610</u>	<u>\$ 334,617</u>	<u>\$ 5,432</u>

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	AB 923	Impact Fees	Total
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ 4,146,292
License and permits	115,404	-	2,109,866
Fines and forfeitures	-	-	16,994
Use of money and property	2,616	13	196,087
Intergovernmental	-	-	11,060,019
Charges for services	-	166,693	2,085,598
Other revenues	-	-	130,636
Total Revenues	118,020	166,706	19,745,492
EXPENDITURES			
Current:			
Public protection	-	-	5,667,168
Health and welfare	61,915	-	731,587
Public assistance	-	-	2,116,658
Public ways and facilities	-	-	9,615,319
Capital outlay	-	-	3,338,054
Total Expenditures	61,915	-	21,468,786
Excess of Revenues Over (Under) Expenditures	56,105	166,706	(1,723,294)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	80,279
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	80,279
Net Change in Fund Balances	56,105	166,706	(1,643,015)
Fund Balances - Beginning	227,003	-	16,998,322
Change in inventory on purchases method	-	-	24,905
Fund Balances - Ending	\$ 283,108	\$ 166,706	\$ 15,380,212

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Nonmajor Governmental Funds

- **Capital Project Fund**

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COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Capital Projects Fund
June 30, 2017

	Capital Projects	Total
ASSETS		
Cash and investments	\$ 4,410,291	\$ 4,410,291
Cash with fiscal agent	2,379,770	2,379,770
Receivables:		
Accounts	5	5
Total Assets	\$ 6,790,066	\$ 6,790,066
LIABILITIES		
Accounts payable	\$ 450,659	\$ 450,659
Salaries and benefits payable	4,330	4,330
Total Liabilities	454,989	454,989
FUND BALANCE		
Committed	6,335,077	6,335,077
Total Fund Balance	6,335,077	6,335,077
Total Liabilities and Fund Balance	\$ 6,790,066	\$ 6,790,066

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Capital Projects Fund
For the Year Ended June 30, 2017

	Capital Projects	Total
REVENUES		
Taxes and assessments	\$ 3,493	\$ 3,493
Use of money and property	62,221	62,221
Intergovernmental	2,000	2,000
Total Revenues	67,714	67,714
EXPENDITURES		
Current:		
General government	159,120	159,120
Capital outlay	8,372,126	8,372,126
Total Expenditures	8,531,246	8,531,246
Excess of Revenues Over (Under) Expenditures	(8,463,532)	(8,463,532)
OTHER FINANCING SOURCES (USES)		
Transfers in	7,668,799	7,668,799
Transfers out	(90,000)	(90,000)
Total Other Financing Sources (Uses)	7,578,799	7,578,799
Net Change in Fund Balance	(884,733)	(884,733)
Fund Balance - Beginning	7,219,810	7,219,810
Fund Balance - Ending	\$ 6,335,077	\$ 6,335,077

Nonmajor Governmental Funds

- **Debt Service Fund**

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COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Debt Service Fund
June 30, 2017

	Debt Service	Total
ASSETS		
Cash and investments	\$ 301,192	\$ 301,192
Cash with fiscal agent	1,795,042	1,795,042
Total Assets	\$ 2,096,234	\$ 2,096,234
LIABILITIES		
Accounts payable	\$ -	\$ -
Total Liabilities	-	-
FUND BALANCE		
Committed	2,096,234	2,096,234
Total Fund Balance	2,096,234	2,096,234
Total Liabilities and Fund Balance	\$ 2,096,234	\$ 2,096,234

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Debt Service Fund
For the Year Ended June 30, 2017

	Debt Service	Total
REVENUES		
Fines and forfeitures	\$ 221,639	\$ 221,639
Use of money and property	75,983	75,983
Total Revenues	297,622	297,622
EXPENDITURES		
Current:		
General government	2,557	2,557
Debt service:		
Principal	740,000	740,000
Interest and other charges	500,738	500,738
Total Expenditures	1,243,295	1,243,295
Excess of Revenues Over (Under) Expenditures	(945,673)	(945,673)
OTHER FINANCING SOURCES (USES)		
Transfers in	966,756	966,756
Transfers out	(5,992,786)	(5,992,786)
Total Other Financing Sources (Uses)	(5,026,030)	(5,026,030)
Net Change in Fund Balance	(5,971,703)	(5,971,703)
Fund Balance - Beginning	8,067,937	8,067,937
Fund Balance - Ending	\$ 2,096,234	\$ 2,096,234

Nonmajor Proprietary Funds

- **Enterprise Funds**

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COUNTY OF TEHAMA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017

	Health Center	Tehama County Sanitation District #1	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ 1,218	\$ 247,861	\$ 249,079
Total Current Assets	<u>1,218</u>	<u>247,861</u>	<u>249,079</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable	-	38,047	38,047
Depreciable, net	-	781,478	781,478
Total capital assets	<u>-</u>	<u>819,525</u>	<u>819,525</u>
Total Noncurrent Assets	<u>-</u>	<u>819,525</u>	<u>819,525</u>
Total Assets	<u>1,218</u>	<u>1,067,386</u>	<u>1,068,604</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	-	2,606	2,606
Salaries and benefits payable	-	672	672
Accrued interest payable	-	5,415	5,415
Bonds payable	-	17,500	17,500
Total Current Liabilities	<u>-</u>	<u>26,193</u>	<u>26,193</u>
Noncurrent Liabilities:			
Bonds payable	-	338,200	338,200
Total Noncurrent Liabilities	<u>-</u>	<u>338,200</u>	<u>338,200</u>
Total Liabilities	<u>-</u>	<u>364,393</u>	<u>364,393</u>
NET POSITION			
Net investment in capital assets	-	463,825	463,825
Unrestricted	1,218	239,168	240,386
Total Net Position	<u>\$ 1,218</u>	<u>\$ 702,993</u>	<u>\$ 704,211</u>

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Health Center	Tehama County Sanitation District #1	Totals
OPERATING REVENUES			
Charges for services	\$ -	\$ 221,678	\$ 221,678
Total Operating Revenues	-	221,678	221,678
OPERATING EXPENSES			
Salaries and benefits	-	16,609	16,609
Services and supplies	-	122,901	122,901
Professional services	-	3,898	3,898
Depreciation	-	39,560	39,560
Total Operating Expenses	-	182,968	182,968
Operating Income (Loss)	-	38,710	38,710
NON-OPERATING REVENUE (EXPENSES)			
Intergovernmental revenue	-	57,560	57,560
Interest income	12	2,079	2,091
Interest expense	-	(15,947)	(15,947)
Total Non-Operating Revenue (Expenses)	12	43,692	43,704
Change in Net Position	12	82,402	82,414
Total Net Position - Beginning	1,206	620,591	621,797
Total Net Position - Ending	\$ 1,218	\$ 702,993	\$ 704,211

COUNTY OF TEHAMA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Health Center	Tehama County Sanitation District #1	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ -	\$ 221,678	\$ 221,678
Payments to suppliers	-	(124,725)	(124,725)
Payments to employees	-	(16,550)	(16,550)
Net Cash Provided (Used) by Operating Activities	-	80,403	80,403
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue received	-	57,560	57,560
Net Cash Provided (Used) by Non-Capital Financing Activities	-	57,560	57,560
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	-	(22,300)	(22,300)
Interest paid on capital debt	-	(16,202)	(16,202)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(38,502)	(38,502)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	12	2,079	2,091
Net Cash Provided (Used) by Investing Activities	12	2,079	2,091
Net Increase (Decrease) in Cash and Cash Equivalents	12	101,540	101,552
Balances - Beginning	1,206	146,321	147,527
Balances - Ending	\$ 1,218	\$ 247,861	\$ 249,079
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ -	\$ 38,710	\$ 38,710
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	39,560	39,560
Decrease (increase) in:			
Prepaid costs	-	1,015	1,015
Increase (decrease) in:			
Accounts payable	-	1,059	1,059
Salaries and benefits payable	-	59	59
Net Cash Provided (Used) by Operating Activities	\$ -	\$ 80,403	\$ 80,403

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Internal Service Funds

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COUNTY OF TEHAMA
Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Risk Management	Dental Insurance	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 2,235,301	\$ 684,295	\$ 2,919,596
Deposits with others	-	60,900	60,900
Prepaid costs	46	1,720	1,766
Total Current Assets	2,235,347	746,915	2,982,262
Total Assets	2,235,347	746,915	2,982,262
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension adjustments	152,664	-	152,664
Total Deferred Outflows of Resources	152,664	-	152,664
LIABILITIES			
Current Liabilities:			
Accounts payable	19,929	65,124	85,053
Salaries and benefits payable	17,676	-	17,676
Compensated absences payable	10,290	-	10,290
Estimated claims liability	823,000	99,365	922,365
Total Current Liabilities	870,895	164,489	1,035,384
Noncurrent Liabilities:			
Compensated absences payable	1,143	-	1,143
Net pension liability	645,958	-	645,958
Net OPEB obligation	2,214	-	2,214
Total Noncurrent Liabilities	649,315	-	649,315
Total Liabilities	1,520,210	164,489	1,684,699
DEFERRED INFLOWS OF RESOURCES			
Deferred pension adjustments	29,908	-	29,908
Total Deferred Inflows of Resources	29,908	-	29,908
NET POSITION			
Unrestricted	837,893	582,426	1,420,319
Total Net Position	\$ 837,893	\$ 582,426	\$ 1,420,319

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2017

	Risk Management	Dental Insurance	Total
OPERATING REVENUES			
Charges for services	\$ 3,696,926	\$ 796,265	\$ 4,493,191
Other revenues	22,103	-	22,103
Total Operating Revenues	3,719,029	796,265	4,515,294
OPERATING EXPENSES			
Salaries and benefits	518,909	-	518,909
Administration	79,744	-	79,744
Insurance	2,076	641,081	643,157
Professional services	51,161	70,963	122,124
Claims and judgments	2,891,089	-	2,891,089
Depreciation	1,000	-	1,000
Total Operating Expenses	3,543,979	712,044	4,256,023
Operating Income (Loss)	175,050	84,221	259,271
NON-OPERATING REVENUE (EXPENSES)			
Interest income	12,274	6,729	19,003
Total Non-Operating Revenue (Expenses)	12,274	6,729	19,003
Change in Net Position	187,324	90,950	278,274
Total Net Position - Beginning	650,569	491,476	1,142,045
Total Net Position - Ending	\$ 837,893	\$ 582,426	\$ 1,420,319

COUNTY OF TEHAMA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	<u>Risk Management</u>	<u>Dental Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,719,029	\$ 796,265	\$ 4,515,294
Payments to suppliers	(3,001,226)	(726,961)	(3,728,187)
Payments to employees	(521,462)	-	(521,462)
Net Cash Provided (Used) by Operating Activities	<u>196,341</u>	<u>69,304</u>	<u>265,645</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>12,274</u>	<u>6,729</u>	<u>19,003</u>
Net Cash Provided (Used) by Investing Activities	<u>12,274</u>	<u>6,729</u>	<u>19,003</u>
Net Increase (Decrease) in Cash and Cash Equivalents	208,615	76,033	284,648
Balances - Beginning	<u>2,026,686</u>	<u>608,262</u>	<u>2,634,948</u>
Balances - Ending	<u>\$ 2,235,301</u>	<u>\$ 684,295</u>	<u>\$ 2,919,596</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 175,050	\$ 84,221	\$ 259,271
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,000	-	1,000
Decrease (increase) in:			
Prepaid costs	5,448	(7)	5,441
Deferred pension adjustments - deferred outflows of resources	(98,825)	-	(98,825)
Increase (decrease) in:			
Accounts payable	17,396	950	18,346
Salaries and benefits payable	(969)	-	(969)
Compensated absences payable	733	-	733
Estimated claims liability	317	(15,860)	(15,543)
Deferred pension adjustments - deferred inflows of resources	(23,439)	-	(23,439)
Net pension liability	<u>119,630</u>	<u>-</u>	<u>119,630</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 196,341</u>	<u>\$ 69,304</u>	<u>\$ 265,645</u>

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Fiduciary Funds

- **Trust and Agency Funds**

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COUNTY OF TEHAMA
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2017

	<u>Special Districts Governed by Local Boards</u>	<u>School Districts</u>	<u>Totals</u>
ASSETS			
Cash and investments	<u>\$ 4,525,075</u>	<u>\$ 72,609,442</u>	<u>\$ 77,134,517</u>
Total Assets	<u>\$ 4,525,075</u>	<u>\$ 72,609,442</u>	<u>\$ 77,134,517</u>
NET POSITION			
Net position held in trust for pool participants	<u>4,525,075</u>	<u>72,609,442</u>	<u>77,134,517</u>
Total Net Position	<u>\$ 4,525,075</u>	<u>\$ 72,609,442</u>	<u>\$ 77,134,517</u>

COUNTY OF TEHAMA
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2017

	Special Districts Governed by Local Boards	School Districts	Totals
ADDITIONS			
Contributions to investment pool	\$ 276,621	\$22,822,522	\$23,099,143
Total Additions	<u>276,621</u>	<u>22,822,522</u>	<u>23,099,143</u>
DEDUCTIONS			
Distributions from investment pool	107,992	5,598,726	5,706,718
Total Deductions	<u>107,992</u>	<u>5,598,726</u>	<u>5,706,718</u>
Change in Net Position	168,629	17,223,796	17,392,425
Net Position - Beginning	<u>4,356,446</u>	<u>55,385,646</u>	<u>59,742,092</u>
Net Position - Ending	<u>\$ 4,525,075</u>	<u>\$72,609,442</u>	<u>\$77,134,517</u>

COUNTY OF TEHAMA
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2017

	County Departmental Agency Funds	Totals
ASSETS		
Cash and investments	\$ 18,954,374	\$ 18,954,374
Taxes receivable	6,736,485	6,736,485
Total Assets	<u>\$25,690,859</u>	<u>\$25,690,859</u>
LIABILITIES		
Due to other funds	\$ 72,623	\$ 72,623
Advances from other funds	102,650	102,650
Agency obligations	25,515,586	25,515,586
Total Liabilities	<u>\$25,690,859</u>	<u>\$25,690,859</u>

COUNTY OF TEHAMA
Combining Statement of Changes in
Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
COUNTY DEPARTMENTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 18,252,491	\$ 3,953,862	\$ 3,251,979	\$ 18,954,374
Taxes receivable	6,231,918	6,736,485	6,231,918	6,736,485
Total Assets	<u>\$ 24,484,409</u>	<u>\$ 10,690,347</u>	<u>\$ 9,483,897</u>	<u>\$ 25,690,859</u>
LIABILITIES				
Due to other funds	\$ -	\$ 72,623	\$ -	\$ 72,623
Advances from other funds	199,660	-	97,010	102,650
Agency obligations	24,284,749	10,617,724	9,386,887	25,515,586
Total Liabilities	<u>\$ 24,484,409</u>	<u>\$ 10,690,347</u>	<u>\$ 9,483,897</u>	<u>\$ 25,690,859</u>