

**COUNTY OF TEHAMA,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2015**

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COUNTY OF TEHAMA
Annual Financial Report
For the Year Ended June 30, 2015

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INTRODUCTORY SECTION

- **County Officials**

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COUNTY OF TEHAMA
County Officials
For the Year Ended June 30, 2015

ELECTED OFFICIALS

Supervisor, District 1.....	Steve Chamblin
Supervisor, District 2.....	Sandy Bruce
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.....	Beverly Ross
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.....	Alan Abbs
Building Official.....	John Stover
Chief Probation Officer.....	Richard Muench
Child Support Services Director.....	Tonya Moore
Civil Defense Coordinator.....	Dave Hencratt
County Counsel.....	Arthur J. Wylene
County Librarian.....	Sally Ainsworth
Court Executive Officer - Jury Commissioner.....	Caryn Downing
Director of Environmental Health.....	Tim Potanovic
Director of Planning.....	Sean M. Moore
Director of Public Works - Road Commissioner.....	Gary Antone
Farm Advisor.....	Rick Buchner
Fire Warden - Chief.....	Jeff Schori
Health Officer.....	Richard Wickenheiser, MD
Health Services Agency - Executive Director.....	Valerie Lucero
Personnel Director.....	Williams Goodwin
Public Guardian - Public Administrator.....	Melani Rodrigue
Social Services Director.....	Charlene Reid
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, 2015, 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, 2015, 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 1Q to the basic financial statements, in 2015, the County implemented Governmental Accounting Standards Board (GASB) Statement Nos. 68, 69, and 71. The implementation of GASB 68 and 71 resulted in the restatement of beginning net position for the year ended June 30, 2015. Our opinion is not modified with respect to these matters.

As described in Note 11B, the net pension liability is measured as of June 30, 2014 and the pension expense is for the measurement period of 2013-2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
February 22, 2016

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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, 2015

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, 2015. 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 \$191,517,010 (net position). Of this amount, \$40,493,305 is restricted by function, \$192,686,101 is net investment in capital assets, and (\$41,662,396) is unrestricted.
- The County's total net position decreased by (\$64,968,247) as a result of current year operations of \$4,490,839, prior period adjustments of \$35,617, and the cumulative effect of change in accounting principle of (\$69,494,703). The adjustment for the cumulative effect of change in accounting principle was required by the implementation of GASB 68 which required that the County record the net pension liability.
- As of June 30, 2015 the County's governmental funds combined ending fund balances were \$61,281,660. This is a net decrease of \$1,526,270 from the prior year, and is comprised of \$29,114,186 in non-spendable and restricted fund balance and \$32,167,474 as committed, assigned and unassigned fund balance.

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 No. 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. The business-type activities of the County include the Health Center (debt payment and worker's compensation cost) and the Sanitation District.

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. On the financial statements, for governmental funds, information is presented separately for six major funds: the General fund, Road fund, Public Safety fund, Public Assistance fund, Health Services fund and the Debt Services fund. Data from other governmental funds are aggregated into a single column.

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 and its Health Center operations, which currently includes only worker's compensation costs.

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 to its employees; infrastructure assets reported using the modified approach, and budgetary comparisons for the General fund and other governmental major funds.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position June 30, 2015

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 85,555,578	\$ 85,918,410	\$ 89,905	\$ 130,803	\$ 85,645,483	\$ 86,049,213
Capital assets	201,780,067	206,125,104	934,808	898,644	202,714,875	207,023,748
Total Assets	287,335,645	292,043,514	1,024,713	1,029,447	288,360,358	293,072,961
Deferred Outflows of Resources						
Pension adjustments	-	6,264,429	-	-	-	6,264,429
Total Deferred Outflows of Resources	-	6,264,429	-	-	-	6,264,429
Current and other liabilities	12,390,552	14,048,047	8,657	7,360	12,399,209	14,055,407
Long term liabilities	19,066,392	79,567,142	409,500	394,000	19,475,892	79,961,142
Total Liabilities	31,456,944	93,615,189	418,157	401,360	31,875,101	94,016,549
Deferred Inflows of Resources						
Pension adjustments	-	13,803,831	-	-	-	13,803,831
Total Deferred Inflows of Resources	-	13,803,831	-	-	-	13,803,831
Net Investment in Capital Assets	186,377,784	192,181,457	525,308	504,644	186,903,092	192,686,101
Restricted	46,126,870	40,493,305	-	-	46,126,870	40,493,305
Unrestricted	23,374,047	(41,785,839)	81,248	123,443	23,455,295	(41,662,396)
Total Net Position	\$ 255,878,701	\$ 190,888,923	\$ 606,556	\$ 628,087	\$ 256,485,257	\$ 191,517,010

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 \$40,493,305 represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of (\$41,662,396) represents the amount that is unrestricted and available. The decrease in unrestricted net position from last year to this year is \$65,117,691, which is primarily because of the implementation of GASB 68.

The total deferred outflows of resources for governmental activities were \$6,264,429 and deferred inflows of resources were \$13,803,831. Both numbers were due to pension adjustments.

Statement of Activities
For the Year Ended June 30, 2015

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Program revenues						
Charges for services	\$ 23,724,735	\$ 25,719,707	\$ 181,884	\$ 167,949	\$ 23,906,619	\$ 25,887,656
Grants and Contributions	73,091,649	80,055,088	70,812	-	73,162,461	80,055,088
General revenues:						
Property taxes	18,584,796	18,764,634	-	-	18,584,796	18,764,634
Other taxes	4,630,087	4,413,637	-	-	4,630,087	4,413,637
Interest and Investment Earnings	373,923	466,982	457	630	374,380	467,612
Other revenue	1,283,708	1,368,373	-	30,420	1,283,708	1,398,793
Total Revenues	121,688,898	130,788,421	253,153	198,999	121,942,051	130,987,420
Expenses:						
General government	17,070,487	18,415,249	-	-	17,070,487	18,415,249
Public protection	31,274,022	33,418,417	-	-	31,274,022	33,418,417
Public ways and facilities	9,759,241	13,898,892	-	-	9,759,241	13,898,892
Health and Sanitation	18,399,209	19,780,226	-	-	18,399,209	19,780,226
Public assistance	38,363,347	39,317,347	-	-	38,363,347	39,317,347
Education	647,563	669,706	-	-	647,563	669,706
Culture and recreation	314,924	315,066	-	-	314,924	315,066
Interest and fiscal charges	787,159	504,210	-	-	787,159	504,210
Health Center	-	-	70,812	30,400	70,812	30,400
Sanitation District	-	-	186,068	147,068	186,068	147,068
Total Expenses	116,615,952	126,319,113	256,880	177,468	116,872,832	126,496,581
Changes in net position	5,072,946	4,469,308	(3,727)	21,531	5,069,219	4,490,839
Net position, beginning	253,177,301	255,878,701	610,283	606,556	253,787,584	256,485,257
Prior period adjustments	(2,371,546)	35,617	-	-	(2,371,546)	35,617
Cummulative effect of change in						
Accounting Principle	-	(69,494,703)	-	-	-	(69,494,703)
Net position, ending	\$ 255,878,701	\$ 190,888,923	\$ 606,556	\$ 628,087	\$ 256,485,257	\$ 191,517,010

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

- Governmental activities had an increase of \$4,469,308 and business-type activities had an increase of \$21,531. The result was an overall increase in net position of \$4,490,839.
- Revenues increased slightly in property tax while other taxes decreased. Interest and investment earnings increased, as did charges for services.
- There was a significant increase in expenditures for public ways and facilities, and also significant changes to debt service related expenditures. Capital outlay costs have 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, 2015, the County’s governmental funds reported combined ending fund balances \$61,281,660. Approximately 52.5% of this total amount, or \$32,167,474, 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, 2015, unrestricted fund balance of the General fund was \$18,197,418, while total fund balance reached \$24,044,483. As a measure of the General fund’s liquidity, the unrestricted fund balance represents 69% of \$26,382,626 in total fund expenditures, and total fund balance is 91% 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 Public Safety fund has a total fund balance of \$5,077,544. Of this amount, \$5,005,786 is available and the balance of \$71,758 is non-spendable. The overall fund balance increased by \$334,272.

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 fund balance of \$3,564,289. Of this amount \$3,027,729 is available and the remaining \$536,560 is non-spendable. The overall fund balance decreased by \$1,769,920.

The Public Assistance fund is used to account for all revenues and expenditures associated with the Federal and State mandates of various Health and Welfare Codes. At June 30, 2015, the total fund balance of the Public Assistance fund was \$2,398,902. This represents an available fund balance of \$2,297,055 and an overall increase in fund balance of \$210,956.

The Health Services fund is used to account for all revenues and expenditures associated with providing health services to County residents. At June 30, 2015, the Health Services fund had \$2,168,103 available for operations.

The following table presents the revenues from various sources as well as increases or decreases from the prior year in the governmental funds.

**Revenues Classified by Source
Governmental Funds**

<u>Revenue Sources</u>	FY 2014		FY 2015		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 22,269,885	18%	\$ 22,176,950	17%	\$ (92,935)	-0.42%
Licenses and Permits	2,794,955	2%	2,894,436	2%	99,481	3.56%
Fines & Forfeitures	2,335,756	2%	2,229,201	2%	(106,555)	-4.56%
Use of money & property	359,124	0%	452,201	0%	93,077	25.92%
Intergovernmental	74,763,861	61%	79,159,690	61%	4,395,829	5.88%
Charges for services	19,539,022	15%	21,597,391	17%	2,058,369	10.53%
Other	1,342,978	2%	1,368,373	1%	25,395	1.89%
Total Revenues	\$ 123,405,581	100%	\$ 129,878,242	100%	\$ 6,472,661	

Significant changes for major revenue sources are explained below:

- **USE OF MONEY & PROPERTY** – There was an increase in interest on money in the pooled treasury for most funds, and an increase in rental revenue to the General fund due to Park Reservation money (new revenue) moved in-house from outside bank accounts controlled by park committees.
- **CHARGE FOR SERVICES** – There was a substantial increase in Development Services reimbursement revenue, fees for firefighting services and increased Mental Health Medi-Cal reimbursements, along with higher Inter-fund revenue for Group Insurance costs.

The following table presents expenditures by function compared to the prior year's amounts in the governmental funds.

**Expenditures by Function
Governmental Funds**

<u>Expenditures by Function</u>	FY 2014		FY 2015		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General government	\$ 16,807,985	14%	\$ 18,078,861	14%	\$ 1,270,876	8%
Public protection	29,943,451	24%	32,381,222	25%	2,437,771	8%
Health and sanitation	18,129,996	15%	19,620,372	15%	1,490,376	8%
Public assistance	38,003,745	31%	38,964,846	30%	961,101	3%
Education	615,517	1%	637,994	0%	22,477	4%
Recreation and cultural services	265,701	0%	258,918	0%	(6,783)	-3%
Public ways and facilities	9,551,558	8%	13,301,383	10%	3,749,825	39%
Debt Service: Principal	1,384,094	1%	753,100	1%	(630,994)	-46%
Debt Service: Interest & other	346,822	0%	492,813	0%	145,991	42%
Debt Service: Issuance costs	399,199	0%	-	0%	(399,199)	-100%
Capital outlay	7,643,320	6%	6,761,445	5%	(881,875)	-12%
Total Expenditures	<u>\$ 123,091,388</u>	<u>100%</u>	<u>\$ 131,250,954</u>	<u>100%</u>	<u>\$ 8,159,566</u>	

This chart reflects expenses after a net transfer in/out of \$16,273,274 for all governmental funds.

Significant changes for major functions are explained below:

PUBLIC WAYS & FACILITIES – there was a large (\$4.2 million) increase in Road Department road and bridge project expenditures.

DEBT SERVICE: PRINCIPAL – the refinance and issuance of Certificates of Participation had a major impact on the various related costs.

CAPITAL OUTLAY – there was an increase in the costs related to building projects with the completion of the Ag Center and the purchase of Work Farm property along with Public Safety purchases of computer equipment and vehicles. However, that was countered by the completion of the bus shelter installations, and a reduction in the purchase of computers and vehicles in other areas, resulting in a net reduction in Capital expenditures.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. These funds include one enterprise fund and two internal service funds; the Sanitation District and Risk Management & Dental Insurance, respectively.

V. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final budget showed an increase in revenue of \$1,297,683. The increase to the final revenue budget is largely due to increases in various Property Tax related categories, 2011 Realignment Revenue and higher than expected PILT payment.

The \$824,355 increase in the expenditure budget supported a General fund contribution to ACO projects, an increased emphasis on Code Enforcement in Health & Sanitation and computer and equipment purchases by various departments in Capital Outlay.

During the year, actual revenues were more than budgetary estimates by \$1,618,427. Actual expenditures were less than budgetary estimates by \$4,618,959 and transfers were less than budgeted by \$1,543,277. The net effect of over-realization of revenues and under-utilization of appropriations resulted in a positive variance of \$12,016,169 providing fund balance carry-over to nearly fully fund the budget gap in fiscal year 2015/16.

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, 2015 amounts to \$207,023,748 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, equipment, construction-in-progress, and some infrastructure.

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 \$162,011,493. 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% of its road system at fair or better condition. The assessment as of June 30, 2015 lists 82% of road conditions as fair or better, 91% of bridges are listed as fair or better, and 85% of signs pass the sign reflectivity requirements.

More detailed information about the County's capital assets is presented in Note 4 of the basic financial statements, and the Required Supplementary Information on pages 70-72 of this report.

B. Long-Term Debt

At June 30, 2015, the County had a total long-term debt outstanding of \$19,475,892. The debt consists of \$14,618,700 in certificates of participation (COP), capital lease obligations of \$28,647, and bonds payable of \$394,000. Additional long-term liability includes: compensated absences of \$3,664,704, other postemployment employee benefits of \$37,943, and pension liability of 61,237,148.

More detailed information about the County's capital assets is presented in Note 7 of the basic financial statements.

VII. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The County adopted its fiscal year 2015-16 final appropriation budget in the total amount of \$51,088,474 (net of operating transfers totaling \$20,984,817). The General fund contingency was \$1,681,133.

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

The budget proposed for adoption, known as the Adopted Budget, is based on a variety of assumptions, such as the three-year General Fund forecast ... and the actual fund balance carryover from FY 2014-15. Although the local unemployment rate of 7.6% in July 2015 remains above the state average of 6.3%, other economic measures are showing signs of improvement. For example, growth in Property Taxes in Tehama County is budgeted at 3%, reflective of increasing private property values.

These improvements in ongoing revenues are not sufficient to fully fund recommended appropriations. Tehama County received the following significant one-time revenue; however, reserves will be required to balance the budget.

- *The California Budget Act of 2014 authorized the Department of Finance to pay \$765 million dollars to the affected local agencies for reimbursement of mandated costs incurred prior to 2004 (known as SB-90 claims). Tehama County has received an unanticipated "one-time" revenue source of around \$1.2 million dollars.*
- *The General fund received a one-time General fund reimbursement of \$1,824,710 dollars from BNY Mellon from the requisition of funds from the 2014 COP bond issuance for the completed Ag Center project.*
- *The County has received a \$152,301.32 settlement in a class-action lawsuit from Office Depot, for overcharging office equipment statewide over the past eight (8) years (end Administration overview).*

Overall, these revenues equal about \$3 million dollars in one-time revenue, which is close to 25% of the FY 2014-15 fund balance carryover. Approximately \$2 million dollars was applied to ongoing expenses. These one-time revenues are not expected next year, and it is anticipated that expenditures will continue to rise by approximately 5% per year even without adding new programs. Even with significant fund balance carryover in future years, reliance on reserves may be required in order to balance the budget.

The 2015-16 General fund budget requirements were \$5.26 million higher than the prior year in large part due to a \$1.9 million contribution to the Capital Outlay fund and a \$1.4 million increase in the contribution to the Public Safety fund. Fund balance carryover from the prior year was not sufficient to fill the budget gap. Therefore, \$2,501,265 of obligated fund balance was used for designated purposes.

The Road fund appropriations budget decreased by \$5.65 million. Most of the decrease is in Professional Services (Road and Bridge projects).

The Public Safety fund appropriations budget increased by \$2.04 million. Some of the larger increases were seen in Sheriff, District Attorney, and Probation.

The \$1.19 million Social Service budget increase was split almost equally between Administration and Public Assistance.

The Capital Outlay budget remained nearly the same as old projects are completed and new projects have been approved. The Courthouse Roof budget remains at \$800,000 while the Window Replacement project has ended. Los Molinos Veteran Hall Improvement project added \$150,000. The Ag Center Building was completed while the Health Clinic Expansion is budgeted at \$3 million. The budget for a new library remains at \$4 million.

The Health Service budget increased \$2.39 million overall with the largest increases in Mental Health and Public Health programs.

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Basic Financial Statements

- **Government-Wide Financial Statements**

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COUNTY OF TEHAMA
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 60,186,691	\$ 129,929	\$ 60,316,620
Cash with fiscal agent	11,423,062	-	11,423,062
Receivables:			
Accounts	630,269	874	631,143
Taxes	108,800	-	108,800
Intergovernmental	11,413,789	-	11,413,789
Due from agency funds	208,780	-	208,780
Deposits with others	60,900	-	60,900
Inventory	536,227	-	536,227
Prepaid costs	1,187,221	-	1,187,221
Loan receivable	162,671	-	162,671
Capital assets:			
Non-depreciable	164,567,807	38,047	164,605,854
Depreciable, net	41,557,297	860,597	42,417,894
Total capital assets	<u>206,125,104</u>	<u>898,644</u>	<u>207,023,748</u>
Total Assets	<u>292,043,514</u>	<u>1,029,447</u>	<u>293,072,961</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension adjustments	6,264,429	-	6,264,429
Total Deferred Outflows of Resources	<u>6,264,429</u>	<u>-</u>	<u>6,264,429</u>
LIABILITIES			
Accounts payable	2,507,098	1,450	2,508,548
Salaries and benefits payable	2,016,733	-	2,016,733
Due to other governments	12,456	-	12,456
Accrued interest payable	129,772	5,910	135,682
Deposits payable	352,893	-	352,893
Unearned revenues	8,219,545	-	8,219,545
Accrued claims liability	809,550	-	809,550
Long-term liabilities:			
Due within one year	4,044,221	16,000	4,060,221
Due in more than one year	75,522,921	378,000	75,900,921
Total Liabilities	<u>93,615,189</u>	<u>401,360</u>	<u>94,016,549</u>
DEFERRED INFLOWS OF RESOURCES			
Pension adjustments	13,803,831	-	13,803,831
Total Deferred Inflows of Resources	<u>13,803,831</u>	<u>-</u>	<u>13,803,831</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, 2015

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	192,181,457	504,644	192,686,101
Restricted for:			
General government	829,097	-	829,097
Public protection	11,892,399	-	11,892,399
Health and welfare	2,624,656	-	2,624,656
Public assistance	4,344,916	-	4,344,916
Culture and recreation	979	-	979
Public ways and facilities	5,793,271	-	5,793,271
Debt service	9,348,813	-	9,348,813
Capital projects	5,659,174	-	5,659,174
Unrestricted	(41,785,839)	123,443	(41,662,396)
Total Net Position	\$ 190,888,923	\$ 628,087	\$ 191,517,010

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, 2015

<u>Functions/Programs:</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 18,415,249	\$ 14,747,401	\$ 881,244	\$ 15,959
Public protection	33,418,417	3,084,296	11,822,763	-
Health and welfare	19,780,226	5,882,895	14,693,116	-
Public assistance	39,317,347	770,292	37,635,049	-
Education	669,706	9,161	894	-
Culture and recreation	315,066	21,768	50,224	-
Public ways and facilities	13,898,892	1,203,894	8,668,389	6,287,450
Interest on long-term debt	504,210	-	-	-
Total Governmental Activities	126,319,113	25,719,707	73,751,679	6,303,409
Business-type activities:				
Health Center	30,400	-	-	-
Tehama County Sanitation District #1	147,068	167,949	-	-
Total Business-Type Activities	177,468	167,949	-	-
Total	\$ 126,496,581	\$ 25,887,656	\$ 73,751,679	\$ 6,303,409

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

Prior period adjustment

Cumulative effect of change in accounting principle

Net Position - Beginning, Restated

Net Position - Ending

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

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

Governmental Activities	Business- Type Activities	Total
\$ (2,770,645)	\$ -	\$ (2,770,645)
(18,511,358)	-	(18,511,358)
795,785	-	795,785
(912,006)	-	(912,006)
(659,651)	-	(659,651)
(243,074)	-	(243,074)
2,260,841	-	2,260,841
(504,210)	-	(504,210)
<u>(20,544,318)</u>	<u>-</u>	<u>(20,544,318)</u>
-	(30,400)	(30,400)
<u>-</u>	<u>20,881</u>	<u>20,881</u>
-	(9,519)	(9,519)
<u>(20,544,318)</u>	<u>(9,519)</u>	<u>(20,553,837)</u>
18,764,634	-	18,764,634
2,941,711	-	2,941,711
1,001,321	-	1,001,321
470,605	-	470,605
466,982	630	467,612
1,368,373	30,420	1,398,793
<u>25,013,626</u>	<u>31,050</u>	<u>25,044,676</u>
<u>4,469,308</u>	<u>21,531</u>	<u>4,490,839</u>
255,878,701	606,556	256,485,257
35,617	-	35,617
<u>(69,494,703)</u>	<u>-</u>	<u>(69,494,703)</u>
<u>186,419,615</u>	<u>606,556</u>	<u>187,026,171</u>
<u>\$ 190,888,923</u>	<u>\$ 628,087</u>	<u>\$ 191,517,010</u>

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Basic Financial Statements

- **Fund Financial Statements**

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COUNTY OF TEHAMA
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Road</u>	<u>Public Safety</u>	<u>Public Assistance</u>
ASSETS				
Cash and investments	\$ 21,488,271	\$ 3,783,069	\$ 5,473,992	\$ 8,628,115
Cash with fiscal agent	-	-	-	-
Receivables:				
Accounts	192,205	156	62,226	108,397
Taxes	108,800	-	-	-
Intergovernmental	922,003	3,329,977	760,596	2,622,910
Advances to other funds	3,649,615	-	-	-
Prepaid costs	996,582	333	71,758	101,847
Inventory	-	536,227	-	-
Loans receivable	162,671	-	-	-
Total Assets	<u>\$ 27,520,147</u>	<u>\$ 7,649,762</u>	<u>\$ 6,368,572</u>	<u>\$ 11,461,269</u>
LIABILITIES				
Accounts payable	\$ 237,721	\$ 1,125,423	\$ 198,989	\$ -
Salaries and benefits payable	359,205	166,487	624,771	399,672
Due to other governments	4,931	-	2,250	-
Deposits payable	101,341	167,493	84,059	-
Unearned revenues	670,463	-	53,223	7,491,463
Advances from other funds	1,180,000	-	-	7,282
Total Liabilities	<u>2,553,661</u>	<u>1,459,403</u>	<u>963,292</u>	<u>7,898,417</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	922,003	2,626,070	327,736	1,163,950
Total Deferred Inflows of Resources	<u>922,003</u>	<u>2,626,070</u>	<u>327,736</u>	<u>1,163,950</u>
FUND BALANCES				
Nonspendable	3,628,868	536,560	71,758	101,847
Restricted	2,218,197	3,027,729	5,005,786	2,056,208
Committed	7,709,166	-	-	-
Assigned	2,533,684	-	-	240,847
Unassigned	7,954,568	-	-	-
Total Fund Balances	<u>24,044,483</u>	<u>3,564,289</u>	<u>5,077,544</u>	<u>2,398,902</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 27,520,147</u>	<u>\$ 7,649,762</u>	<u>\$ 6,368,572</u>	<u>\$ 11,461,269</u>

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

Health Services	Debt Service	Other Governmental Funds	Total
\$ 3,737,575	\$ 294,446	\$ 13,690,093	\$ 57,095,561
-	9,054,367	2,368,695	11,423,062
136,470	-	130,815	630,269
-	-	-	108,800
3,510,741	-	267,562	11,413,789
30,862	-	10,000	3,690,477
12,599	-	4,102	1,187,221
-	-	-	536,227
-	-	-	162,671
<u>\$ 7,428,247</u>	<u>\$ 9,348,813</u>	<u>\$ 16,471,267</u>	<u>\$ 86,248,077</u>
\$ 697,854	\$ -	\$ 199,149	\$ 2,459,136
350,721	-	97,516	1,998,372
-	-	5,275	12,456
-	-	-	352,893
-	-	4,396	8,219,545
2,294,415	-	-	3,481,697
<u>3,342,990</u>	<u>-</u>	<u>306,336</u>	<u>16,524,099</u>
<u>3,183,333</u>	<u>-</u>	<u>219,226</u>	<u>8,442,318</u>
<u>3,183,333</u>	<u>-</u>	<u>219,226</u>	<u>8,442,318</u>
12,599	-	14,102	4,365,734
2,168,103	-	10,272,429	24,748,452
-	9,348,813	5,659,174	22,717,153
-	-	-	2,774,531
(1,278,778)	-	-	6,675,790
<u>901,924</u>	<u>9,348,813</u>	<u>15,945,705</u>	<u>61,281,660</u>
<u>\$ 7,428,247</u>	<u>\$ 9,348,813</u>	<u>\$ 16,471,267</u>	<u>\$ 86,248,077</u>

COUNTY OF TEHAMA
Reconciliation of the Governmental Funds Balance
Sheet to the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2015

Total Fund Balance - Total Governmental Funds	\$ 61,281,660
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	206,123,104
Other long term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.	8,442,318
Deferred outflows of resources related to pensions are not reported in the governmental funds.	6,218,132
Deferred inflows of resources related to pensions are not reported in the governmental funds.	(13,684,605)
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.	(129,772)
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 \$703,700	(14,618,700)
Capital leases payable	(28,647)
Compensated absences	(3,635,133)
Net OPEB liability	(36,046)
Net pension liability	(60,760,078)
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.	1,716,690
Net Position of Governmental Activities	\$ 190,888,923

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, 2015

	<u>General Fund</u>	<u>Road</u>	<u>Public Safety</u>	<u>Public Assistance</u>
REVENUES				
Taxes and assessments	\$ 17,714,261	\$ 576,750	\$ -	\$ -
Licenses and permits	1,569,213	12,389	3,965	-
Fines and forfeitures	1,723,858	-	118,469	4,412
Use of money and property	237,523	18,152	8,841	8,758
Intergovernmental	3,917,409	11,685,358	10,472,547	35,041,473
Charges for services	14,830,174	434,839	406,595	176,087
Other revenues	648,604	9,681	445,981	109,452
Total Revenues	<u>40,641,042</u>	<u>12,737,169</u>	<u>11,456,398</u>	<u>35,340,182</u>
EXPENDITURES				
Current:				
General government	18,008,746	-	-	-
Public protection	4,628,337	-	22,668,143	-
Health and welfare	1,051,707	-	-	-
Public assistance	1,255,874	-	-	35,678,705
Education	637,994	-	-	-
Culture and recreation	258,918	-	-	-
Public ways and facilities	10,892	11,953,962	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	18,029	-	-	-
Capital outlay	512,129	2,336,467	671,248	272,502
Total Expenditures	<u>26,382,626</u>	<u>14,290,429</u>	<u>23,339,391</u>	<u>35,951,207</u>
Excess of Revenues Over (Under) Expenditures	<u>14,258,416</u>	<u>(1,553,260)</u>	<u>(11,882,993)</u>	<u>(611,025)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,825,042	-	12,217,265	821,981
Transfers out	(14,081,891)	-	-	-
Debt proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>(12,256,849)</u>	<u>-</u>	<u>12,217,265</u>	<u>821,981</u>
Net Change in Fund Balances	<u>2,001,567</u>	<u>(1,553,260)</u>	<u>334,272</u>	<u>210,956</u>
Fund Balances - Beginning	22,007,299	5,334,209	4,743,272	2,187,946
Prior period adjustment	35,617	-	-	-
Fund Balances - Beginning, Restated	22,042,916	5,334,209	4,743,272	2,187,946
Change in inventory on purchases method	-	(216,660)	-	-
Fund Balances - Ending	<u>\$ 24,044,483</u>	<u>\$ 3,564,289</u>	<u>\$ 5,077,544</u>	<u>\$ 2,398,902</u>

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

Health Services	Debt Service	Other Governmental Funds	Total
\$ -	\$ -	\$ 3,885,939	\$ 22,176,950
-	-	1,308,869	2,894,436
-	235,470	146,992	2,229,201
6,942	51,153	120,832	452,201
14,613,476	-	3,429,427	79,159,690
4,631,109	-	1,118,587	21,597,391
23,188	-	131,467	1,368,373
<u>19,274,715</u>	<u>286,623</u>	<u>10,142,113</u>	<u>129,878,242</u>
-	2,173	67,942	18,078,861
-	-	5,084,742	32,381,222
17,604,759	-	963,906	19,620,372
-	-	2,030,267	38,964,846
-	-	-	637,994
-	-	-	258,918
-	-	1,336,529	13,301,383
8,100	745,000	-	753,100
1,285	473,499	-	492,813
191,071	-	2,778,028	6,761,445
<u>17,805,215</u>	<u>1,220,672</u>	<u>12,261,414</u>	<u>131,250,954</u>
<u>1,469,500</u>	<u>(934,049)</u>	<u>(2,119,301)</u>	<u>(1,372,712)</u>
-	974,380	434,606	16,273,274
(366,341)	(1,824,710)	(332)	(16,273,274)
27,485	-	-	27,485
<u>(338,856)</u>	<u>(850,330)</u>	<u>434,274</u>	<u>27,485</u>
<u>1,130,644</u>	<u>(1,784,379)</u>	<u>(1,685,027)</u>	<u>(1,345,227)</u>
(228,720)	11,133,192	17,630,732	62,807,930
-	-	-	35,617
(228,720)	11,133,192	17,630,732	62,843,547
-	-	-	(216,660)
<u>\$ 901,924</u>	<u>\$ 9,348,813</u>	<u>\$ 15,945,705</u>	<u>\$ 61,281,660</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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (1,345,227)

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	6,761,445
Less current year depreciation	(2,436,191)
Various adjustments affecting capital assets (including contributions)	42,191

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 not significant proceeds from the sale of capital assets.

(21,408)

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	753,100
Proceeds from issuance of debt	(27,485)

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	831,989
--------------------------------	---------

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.

(216,660)

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	514,241
Change in deferred inflows of resources related to pensions	(13,684,605)

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	(11,397)
Change in compensated absences payable	19,462
Amortization of premium	29,321
Change in net OPEB liability	(36,046)
Net pension liability	13,883,583

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.

(587,005)

Change in Net Position of Governmental Activities \$ 4,469,308

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, 2015

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Other		Internal
	Enterprise		Service
	Funds	Totals	Funds
ASSETS			
Current Assets:			
Cash and investments	\$ 129,929	\$ 129,929	\$ 3,091,130
Receivables:			
Accounts	874	874	-
Deposits with others	-	-	60,900
Total Current Assets	130,803	130,803	3,152,030
Noncurrent Assets:			
Capital assets:			
Non-depreciable	38,047	38,047	-
Depreciable, net	860,597	860,597	2,000
Total capital assets	898,644	898,644	2,000
Total Noncurrent Assets	898,644	898,644	2,000
Total Assets	1,029,447	1,029,447	3,154,030
DEFERRED OUTFLOWS OF RESOURCES			
Pension adjustments	-	-	46,297
Total Deferred Outflows of Resources	-	-	46,297
LIABILITIES			
Current Liabilities:			
Accounts payable	1,450	1,450	47,962
Salaries and benefits payable	-	-	18,361
Accrued interest payable	5,910	5,910	-
Compensated absences payable	-	-	8,614
Bonds payable	16,000	16,000	-
Estimated claims liability	-	-	809,550
Total Current Liabilities	23,360	23,360	884,487
Noncurrent Liabilities:			
Compensated absences payable	-	-	957
Bonds payable	378,000	378,000	-
Net OPEB liability	-	-	1,897
Net pension liability	-	-	477,070
Total Noncurrent Liabilities	378,000	378,000	479,924
Total Liabilities	401,360	401,360	1,364,411

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, 2015

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Other		Internal
	Enterprise		Service
	Funds	Totals	Funds
DEFERRED INFLOWS OF RESOURCES			
Pension adjustments	-	-	119,226
Total Deferred Inflows of Resources	-	-	119,226
NET POSITION			
Net investment in capital assets	504,644	504,644	2,000
Unrestricted	123,443	123,443	1,714,690
Total Net Position	<u>\$ 628,087</u>	<u>\$ 628,087</u>	<u>\$ 1,716,690</u>

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, 2015

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Other		Internal
	Enterprise		Service
	Funds	Totals	Funds
OPERATING REVENUES			
Charges for services	\$ 167,949	\$ 167,949	\$ 3,563,201
Other revenues	20	20	17,388
Total Operating Revenues	<u>167,969</u>	<u>167,969</u>	<u>3,580,589</u>
OPERATING EXPENSES			
Salaries and benefits	30,400	30,400	463,933
Services and supplies	88,427	88,427	-
Administration	-	-	84,736
Insurance	-	-	640,325
Professional services	4,644	4,644	169,726
Claims and judgments	-	-	2,822,655
Depreciation	36,163	36,163	1,000
Total Operating Expenses	<u>159,634</u>	<u>159,634</u>	<u>4,182,375</u>
Operating Income (Loss)	<u>8,335</u>	<u>8,335</u>	<u>(601,786)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	630	630	14,781
Interest expense	(17,834)	(17,834)	-
Other non-operating revenues	30,400	30,400	-
Total Non-Operating Revenues (Expenses)	<u>13,196</u>	<u>13,196</u>	<u>14,781</u>
Change in Net Position	<u>21,531</u>	<u>21,531</u>	<u>(587,005)</u>
Total Net Position - Beginning	606,556	606,556	2,858,629
Cumulative effect of change in accounting principle	-	-	(554,934)
Total Net Position - Beginning, Restated	<u>606,556</u>	<u>606,556</u>	<u>2,303,695</u>
Total Net Position - Ending	<u>\$ 628,087</u>	<u>\$ 628,087</u>	<u>\$ 1,716,690</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, 2015

	Business-Type Activities Enterprise Funds		Governmental Activities
	Other Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 167,969	\$ 167,969	\$ 3,597,458
Payments to suppliers	(94,134)	(94,134)	(3,752,810)
Payments to employees	(30,400)	(30,400)	(465,525)
Net Cash Provided (Used) by Operating Activities	<u>43,435</u>	<u>43,435</u>	<u>(620,877)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Non-operating revenues received	30,400	30,400	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>30,400</u>	<u>30,400</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(15,500)	(15,500)	-
Interest paid on capital debt	(18,067)	(18,067)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(33,567)</u>	<u>(33,567)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	630	630	14,781
Net Cash Provided (Used) by Investing Activities	<u>630</u>	<u>630</u>	<u>14,781</u>
Net Increase (Decrease) in Cash and Cash Equivalents	40,898	40,898	(606,096)
Balances - Beginning	<u>89,031</u>	<u>89,031</u>	<u>3,697,226</u>
Balances - Ending	<u>\$ 129,929</u>	<u>\$ 129,929</u>	<u>\$ 3,091,130</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, 2015

	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)	\$ 8,335	\$ 8,335	\$ (601,786)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	36,163	36,163	1,000
Decrease (increase) in:			
Accounts receivable	-	-	16,869
Deposits with others	-	-	(25,000)
Prepaid costs	-	-	5,950
Pension adjustments - deferred outflows of resources	-	-	(801)
Increase (decrease) in:			
Accounts payable	(1,063)	(1,063)	(15,919)
Salaries and benefits payable	-	-	1,390
Compensated absences payable	-	-	57
Estimated claims liability	-	-	(400)
Pension adjustments - deferred inflows of resources	-	-	119,226
Net OPEB liability	-	-	1,897
Net pension liability	-	-	(123,360)
Net Cash Provided (Used) by Operating Activities	\$ 43,435	\$ 43,435	\$ (620,877)

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

Continued (Page 2 of 2)

COUNTY OF TEHAMA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$50,790,259	\$18,631,635
Receivables:		
Taxes	-	5,233,200
Total Assets	50,790,259	23,864,835
LIABILITIES		
Advances from other funds	-	208,780
Agency obligations	-	23,656,055
Total Liabilities	-	23,864,835
NET POSITION		
Net position held in trust for investment pool participants	50,790,259	-
Total Net Position	\$50,790,259	\$ -

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

COUNTY OF TEHAMA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	<u>Investment Trust Funds</u>
ADDITIONS	
Contributions:	
Contributions to investment pool	\$ 12,635,969
Total Additions	<u>12,635,969</u>
DEDUCTIONS	
Distributions from investment pool	3,734,151
Total Deductions	<u>3,734,151</u>
Change in Net Position	8,901,818
Net Position - Beginning	<u>41,888,441</u>
Net Position - Ending	<u><u>\$50,790,259</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, 2015

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, 2015

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 Ventures

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 for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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 Road fund is a special revenue fund used to account for revenues and expenditures for streets and road expansion. Funding comes primarily from state highway users taxes and state and federal highway improvement grants.
- 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 Debt Service fund is a debt service fund used to account for repayment of the Certificates of Participation.

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, 2015

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:

- 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, 2015

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

D. Non-Current Governmental Assets/Liabilities

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

E. Cash, Cash Equivalents, and Investments

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

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

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements, as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2015, 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents, and 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. The interest income is recorded in the fund that earned the interest.

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

F. Receivables

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

G. 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. Unconsumed inventories in governmental funds are equally offset by nonspendable fund balance to indicate that portion of fund balance is not in spendable form. Proprietary fund inventories are recorded as expenses at the time the inventory is consumed.

Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and 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.

H. 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% and will be repaid with interest in equal monthly installments over a period of ten (10) years.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets

Capital assets, including public domain (infrastructure such as roads, bridges, sidewalks, sewer and similar items) are defined by the County as assets with 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 estimated fair market 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.

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 assets estimated useful life in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment, 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.

J. Property Tax

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

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.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Tax (Continued)

The County levies, bills and collects taxes as follows:

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

The County of Tehama apportions secured property tax revenue in accordance with the alternate methods 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% of the annual taxes levied on properties participating in the Teeter Plan. The balance in the TLRF was \$1,335,986 at June 30, 2015. The County’s management believes that any ownership rights to the TLRF the County may have are effective only upon a Board approved transfer or to the extent of losses related to the sale of tax defaulted property. Amounts in the TLRF are considered to be held in a custodial capacity for the participants in the County’s Teeter Plan and accounted for in an agency fund.

K. Interfund Transactions

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

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

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

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.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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.

M. 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.

N. 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) plans (Plans) and additions to/deductions from the Plans' 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.

O. 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 pension adjustments 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 pension adjustments and is reported on the Statement of Net Position.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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.

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

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

Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Statement No. 69, Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68. This statement addresses an issue regarding application of the transition provisions of Statement No. 68.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Restatement of Fund Balance/Net Position

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the County reports these changes as restatements of beginning net position/fund balance. During the current year the County analyzed several funds and determined that one agency fund would be more correctly classified as special revenue fund. In addition, a prior period adjustment was made to reflect the prior period costs related to implementing the net pension liability as required by GASB 68.

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

	Governmental Activities
Net Position, June 30, 2014, as previously reported	\$ 255,878,701
Adjustment associated with:	
Reclassification of funds	35,617
Net pension liability adjustment	(69,494,703)
Total Adjustments	(69,494,703)
Net Position, July 1, 2014, as restated	\$ 186,419,615

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

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

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

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

	General Fund	Internal Service Funds
Fund Balance, June 30, 2014, as previously reported	\$ 22,007,299	\$ 2,858,629
Adjustment associated with: Reclassification of funds	35,617	(554,934)
Total Adjustments	35,617	(554,934)
Fund Balance, July 1, 2014, as restated	\$ 22,042,916	\$ 2,303,695

B. Rebtable 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, 2015, the County does not expect to incur a liability.

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.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

The County sponsored investment pool includes both internal and external participants. The portion of the pool attributable to external pool participants, which are considered involuntary participants, are included in the primary government as an Investment Trust Fund which does not have separate financial reports. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The net position value of involuntary participation in the investment pool totaled \$50,790,259 at June 30, 2015.

A. Financial Statement Presentation

As of June 30, 2015, the County's cash and investments are reported in the financial statements as follows:

Primary government	\$ 71,739,682
Investment trust funds	50,790,259
Agency funds	<u>18,631,635</u>
Total Cash	<u>\$ 141,161,576</u>

As of June 30, 2015, the County's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 45,413
Deposits (less outstanding checks)	<u>3,391,498</u>
Total Cash in County Pool	3,436,911
Deposits with fiscal agents	<u>11,423,062</u>
Total Cash	<u>14,859,973</u>
Investments:	
In Treasurer's Pool	<u>126,301,603</u>
Total Investments	<u>126,301,603</u>
Total Cash and Investments	<u>\$ 141,161,576</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 \$14,814,560 and the bank balance was \$16,331,123. 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 \$45,413.

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

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 Account
- 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

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, 2015, 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		
Government Agencies	0.50-5.25%	\$ 9,041,905	\$62,413,675	\$ 71,455,580	2.65
Corporate Notes	0.70-5.55%	1,517,181	16,425,317	17,942,498	2.02
Negotiable CD's	0.40-2.00%	1,476,000	6,427,525	7,903,525	2.62
Local Agency Investment Fund (LAIF)	Variable	29,000,000	-	29,000,000	-
Total Investments		<u>\$ 41,035,086</u>	<u>\$85,266,517</u>	<u>\$126,301,603</u>	<u>1.95</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Federal Farm Credit Bank	N/A	AA+	AAA	7.95%
Federal Home Loan Mortgage Corp	N/A	AA+	AAA	14.23%
Federal Home Loan Bank	N/A	AA+	AAA	15.35%
Federal National Mortgage Assoc.	N/A	AA+	AAA	19.03%
Corporate Notes	A	A+	A1	1.33%
Corporate Notes	A	AA-	A1	0.68%
Corporate Notes	A	AA+	A1	0.79%
Corporate Notes	A	A	A2	1.35%
Corporate Notes	A	A-	A2	0.20%
Corporate Notes	A	A+	A2	0.40%
Corporate Notes	A	AA	A2	0.75%
Corporate Notes	A	AA+	A2	0.80%
Corporate Notes	A	A	A3	0.80%
Corporate Notes	A	AA	AA1	0.89%
Corporate Notes	A	AA+	AA1	0.40%
Corporate Notes	A	AA	AA2	0.80%
Corporate Notes	A	AA+	AA2	0.80%
Corporate Notes	A	AA-	AA3	1.77%
Corporate Notes	A	AAA	AAA	2.46%
Negotiable CD's	N/A	Unrated	Unrated	6.26%
LAIF	N/A	Unrated	Unrated	22.96%
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.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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, 2015, that represent 5 percent or more of total County investments are as follows:

<u>Investment Type</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Federal Farm Credit Bank	\$ 10,046,760	7.95%
Federal Home Loan Mortgage Corporation	17,977,722	14.23%
Federal Home Loan Bank	19,390,605	15.35%
Federal National Mortgage Association	24,040,494	19.03%

D. Investment in External Investment Pools

Investment in Local Agency Investment Fund - The County of Tehama is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code and is managed by the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designated by State statute.

Investments in LAIF are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the County's position in the pool is the same as the value of the pooled shares. At June 30, 2015 the County's investment position in LAIF was \$29,000,000. The total amount invested by all public agencies in LAIF on that day was \$69,606,487,716. Of that amount, 97.92% is invested in non-derivative financial products and 2.08% 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, 2015:

	<u>Internal Participants</u>	<u>External Participants</u>	<u>Total Pool</u>
Statement of Net Position			
Cash on hand	\$ 45,413	\$ -	\$ 45,413
Deposits (less outstanding warrants)	3,391,498	-	3,391,498
Investments	<u>75,511,344</u>	<u>50,790,259</u>	<u>126,301,603</u>
Net Position at June 30, 2015	<u>\$ 78,948,255</u>	<u>\$ 50,790,259</u>	<u>\$ 129,738,514</u>
Statement of Changes in Net Position			
Net position at July 1, 2014	\$ 78,613,119	\$ 41,888,441	\$ 120,501,560
Net changes in investments by pool participants	<u>335,136</u>	<u>8,901,818</u>	<u>9,236,954</u>
Net Position at June 30, 2015	<u>\$ 78,948,255</u>	<u>\$ 50,790,259</u>	<u>\$ 129,738,514</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Adjustments</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,627,386	\$ -	\$ -	\$ -	\$ 1,627,386
Infrastructure	159,728,920	2,294,273	(11,700)	-	162,011,493
Construction in progress	<u>1,090,132</u>	<u>1,827,926</u>	<u>-</u>	<u>(1,989,130)</u>	<u>928,928</u>
Total Capital Assets, Not Being Depreciated	<u>162,446,438</u>	<u>4,122,199</u>	<u>(11,700)</u>	<u>(1,989,130)</u>	<u>164,567,807</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	52,433,070	559,266	-	1,989,130	54,981,466
Equipment	27,261,553	1,995,415	(361,023)	45,421	28,941,366
Software	<u>876,456</u>	<u>147,974</u>	<u>-</u>	<u>-</u>	<u>1,024,430</u>
Total Capital Assets, Being Depreciated	<u>80,571,079</u>	<u>2,702,655</u>	<u>(361,023)</u>	<u>2,034,551</u>	<u>84,947,262</u>
Less Accumulated Depreciation For:					
Buildings and improvements	(17,031,213)	(984,119)	-	(47,175)	(18,062,507)
Equipment	(23,699,246)	(1,345,967)	351,315	(19,464)	(24,713,362)
Software	<u>(506,991)</u>	<u>(107,105)</u>	<u>-</u>	<u>-</u>	<u>(614,096)</u>
Total Accumulated Depreciation	<u>(41,237,450)</u>	<u>(2,437,191)</u>	<u>351,315</u>	<u>(66,639)</u>	<u>(43,389,965)</u>
Total Capital Assets, Being Depreciated, Net	<u>39,333,629</u>	<u>265,464</u>	<u>(9,708)</u>	<u>(1,967,912)</u>	<u>41,557,297</u>
Governmental Activities Capital Assets, Net	<u>\$201,780,067</u>	<u>\$ 4,387,663</u>	<u>(\$ 21,408)</u>	<u>(\$ 21,218)</u>	<u>\$206,125,104</u>
		<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
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>38,047</u>
Capital Assets, Being Depreciated:					
Structures and improvements		<u>1,690,182</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>1,690,182</u>
Less Accumulated Depreciation For:					
Structures and improvements		(793,421)	(39,560)	3,396	(829,585)
Total Accumulated Depreciation		<u>(793,421)</u>	<u>(39,560)</u>	<u>3,396</u>	<u>(829,585)</u>
Total Capital Assets, Being Depreciated, Net		<u>896,761</u>	<u>(39,560)</u>	<u>3,396</u>	<u>860,597</u>
Business-Type Activities Capital Assets, Net		<u>\$ 934,808</u>	<u>(\$ 39,560)</u>	<u>\$ 3,396</u>	<u>\$ 898,644</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 312,942
Public protection	1,082,713
Health and welfare	253,805
Public assistance	337,190
Education	26,660
Culture and recreation	51,345
Public ways and facilities	<u>371,536</u>
Subtotal Governmental Funds	2,436,191
Depreciation on capital assets held by the County's internal service funds are charged to various functions based on their usage of the assets	<u>1,000</u>
Total Depreciation Expense - Governmental Functions	<u><u>\$ 2,437,191</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, 2015 relates to work performed on various County projects.

NOTE 5: INTERFUND TRANSACTIONS

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, 2015:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 3,649,615	\$ 1,180,000
Public Assistance	-	7,282
Health Services	30,862	2,294,415
Other Governmental Funds	10,000	-
Agency Funds	<u>-</u>	<u>208,780</u>
Total	<u><u>\$ 3,690,477</u></u>	<u><u>\$ 3,690,477</u></u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, reimbursement of various County operations and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2015:

	Transfer <u>In</u>	Transfer <u>Out</u>
General Fund	\$ 1,825,042	\$ 14,081,891
Public Safety	12,217,265	-
Public Assistance	821,981	-
Health Services	-	366,341
Debt Service	974,380	1,824,710
Nonmajor Governmental Funds	<u>434,606</u>	<u>332</u>
Total	<u>\$ 16,273,274</u>	<u>\$ 16,273,274</u>

NOTE 6: UNEARNED REVENUES

At June 30, 2015, components of unearned revenues were as follows:

	<u>Unearned</u>
General Fund	
2015/2016 payment in lieu of taxes revenues in advance	\$ 546,109
Title III forest reserve revenues not recognized as earned	77,872
Other revenues received but not earned	46,482
Public Safety	
2015/2016 DEA revenues received in advanced	50,000
Other revenues received but not earned	3,223
Public Assistance	
Social services revenues received but not earned	7,491,463
Non Major Governmental Funds	
Building and safety revenues received but not earned	<u>4,396</u>
Total	<u>\$ 8,219,545</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

Type of Indebtedness	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities					
Certificates of participation	\$ 14,660,000	\$ -	(\$ 745,000)	\$ 13,915,000	\$ 725,000
Unamortized Premium	733,021	-	(29,321)	703,700	29,321
Certificates of Participation, net	15,393,021	-	(774,321)	14,618,700	754,321
Capital Leases Payable	9,262	27,485	(8,100)	28,647	9,667
Compensated Absences	3,664,109	3,177,397	(3,196,802)	3,644,704	3,280,233
OPEB	-	154,865	(116,922)	37,943	-
Net pension liability	-	75,244,090*	(14,006,942)	61,237,148	-
Total Governmental Activities	<u>\$ 19,066,392</u>	<u>\$18,603,837</u>	<u>(\$ 18,103,087)</u>	<u>\$ 79,567,142</u>	<u>\$ 4,044,221</u>
Business-Type Activities					
Bonds	\$ 409,500	\$ -	(\$ 15,500)	\$ 394,000	\$ 16,000
Total Business-Type Activities	<u>\$ 409,500</u>	<u>\$ -</u>	<u>(\$ 15,500)</u>	<u>\$ 394,000</u>	<u>\$ 16,000</u>

*In accordance with GASB 68, the net pension liability is recorded as a prior period adjustment of net position. The adjustment to long-term liabilities is the total adjustment less the adjustments to deferred outflows and deferred inflows of resources.

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. The net pension liability is generally liquidated by the fund where the accrued liability occurred, which is usually the General fund. The net OPEB obligation for the governmental activities is 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, 2015, 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.	<u>\$ 13,915,000</u>
	<u>13,915,000</u>
Total Certificates of Participation	<u>\$ 13,915,000</u>
Total Governmental Activities	

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

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.	<u>\$ 394,000</u>
	<u>394,000</u>
Total Bonds	<u>\$ 394,000</u>
Total Business-Type Activities	

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, capital leases which are reported in Note 8, net pension liability which is reported in Note 11, net OPEB obligation which is reported in Note 12.

Governmental Activities

Year Ended June 30	Certificates of Participation		
	Principal	Interest	Total
2016	\$ 725,000	\$ 519,088	\$ 1,244,088
2017	740,000	500,738	1,240,738
2018	760,000	478,238	1,238,238
2019	780,000	451,238	1,231,238
2020	820,000	419,238	1,239,238
2021-2025	4,285,000	513,163	5,798,163
2026-2030	2,340,000	875,831	3,215,831
2031-2035	1,765,000	540,650	2,305,650
2036-2039	1,700,000	147,863	1,847,863
Total	<u>\$ 13,915,000</u>	<u>\$ 5,446,047</u>	<u>\$ 19,361,047</u>

Business-Type Activities

Year Ended June 30	Bonds		
	Principal	Interest	Total
2016	\$ 16,000	\$ 17,370	\$ 33,370
2017	17,000	16,628	33,628
2018	17,500	15,851	33,351
2019	18,500	15,041	33,541
2020	19,500	14,186	33,686
2021-2025	108,500	56,981	165,481
2026-2030	135,000	29,588	164,588
2031-2034	62,000	3,262	65,262
Total	<u>\$ 394,000</u>	<u>\$ 168,907</u>	<u>\$ 562,907</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

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.

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, 2015</u>
Governmental activities	5.25-5.35%	\$ 28,647
Total		<u>\$ 28,647</u>

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

	<u>Governmental Activities</u>
Equipment	\$ 48,196
Less: accumulated depreciation	(20,346)
Net Value	<u>\$ 27,850</u>

As of June 30, 2015, capital lease annual amortization was as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>
2016	\$ 10,944
2017	6,626
2018	6,235
2019	6,235
2020	<u>1,559</u>
Total Requirements	31,599
Less Interest	(2,952)
Present Value of Remaining Payments	<u>\$ 28,647</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

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.
- **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 \$40,493,305 of restricted net position, of which \$895,766 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, 2015, 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.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 10: FUND BALANCES (CONTINUED)

- **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, 2015

NOTE 10: FUND BALANCES (CONTINUED)

The fund balances for all major and nonmajor governmental funds as of June 30, 2015, were distributed as follows:

	<u>General Fund</u>	<u>Road</u>	<u>Public Safety</u>	<u>Public Assistance</u>	<u>Health Services</u>
Nonspendable:					
Advances to other funds - net	\$ 2,469,615	\$ -	\$ -	\$ -	\$ -
Prepaid costs	996,582	333	71,758	101,847	12,599
Inventory	-	536,227	-	-	-
Loans receivable	<u>162,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>3,628,868</u>	<u>536,560</u>	<u>71,758</u>	<u>101,847</u>	<u>12,599</u>
Restricted:					
General	4,950	-	-	-	-
Cash Difference	150	-	-	-	-
Realignment	860,908	-	-	-	-
Wrap Around	229,626	-	-	-	-
AVA County of Tehama	134,328	-	-	-	-
TEMBO	1,137	-	-	-	-
APSA Act AB 1130 Grant	1,210	-	-	-	-
Vital & Health Stats	72,067	-	-	-	-
Recorder Micrographics	36,311	-	-	-	-
Recorder Truncation	45,795	-	-	-	-
PC1463.9 Litter Control	8,355	-	-	-	-
Fair Booth Trust	979	-	-	-	-
Recorder Automation	275,108	-	-	-	-
Small Claim Fees Cp 116.910	20,636	-	-	-	-
Revolving Loan (24 CFR 570)	101,211	-	-	-	-
VC27360 Child Restraints	11,248	-	-	-	-
Safe Drinking Water	271,505	-	-	-	-
UST & HS Code 25287	227	-	-	-	-
Domestic Violence Program	14,478	-	-	-	-
HS 25299 Underground Tank	103,001	-	-	-	-
Housing Ass't Payment	24,967	-	-	-	-
Road Services	-	3,027,729	-	-	-
Public Safety	-	-	5,005,786	-	-
Public Assistance	-	-	-	2,056,208	-
Health Services	-	-	-	-	2,168,103
Fish and Game	-	-	-	-	-
Fire	-	-	-	-	-
Child Support	-	-	-	-	-
Building and Safety	-	-	-	-	-
Senior Nutrition	-	-	-	-	-
Transportation Operations	-	-	-	-	-
Air Pollution Services	-	-	-	-	-
Los Molinos Lighting	-	-	-	-	-
Flood Control and Water Conserv	-	-	-	-	-
Tehama Power Authority	-	-	-	-	-
AB 923	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,218,197</u>	<u>3,027,729</u>	<u>5,005,786</u>	<u>2,056,208</u>	<u>2,168,103</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 10: FUND BALANCES (CONTINUED)

The fund balances for all major and nonmajor governmental funds as of June 30, 2015, were distributed as follows:

	Debt Service	Other Govern- mental Funds	Total
Nonspendable:			
Advances to other funds - net	\$ -	\$ 10,000	\$ 2,479,615
Prepaid Costs	-	4,102	1,187,221
Inventory	-	-	536,227
Loans receivable	-	-	162,671
Subtotal	-	14,102	4,365,734
Restricted:			
General	-	-	4,950
Cash Difference	-	-	150
Realignment	-	-	860,908
Wrap Around	-	-	229,626
AVA County of Tehama	-	-	134,328
TEMBO	-	-	1,137
APSA Act AB 1130 Grant	-	-	1,210
Vital & Health Stats	-	-	72,067
Recorder Micrographics	-	-	36,311
Recorder Truncation	-	-	45,795
PC1463.9 Litter Control	-	-	8,355
Fair Booth Trust	-	-	979
Recorder Automation	-	-	275,108
Small Claim Fees Cp 116.910	-	-	20,636
Revolving Loan (24 CFR 570)	-	-	101,211
VC27360 Child Restraints	-	-	11,248
Safe Drinking Water	-	-	271,505
UST & HS Code 25287	-	-	227
Domestic Violence Program	-	-	14,478
HS 25299 Underground Tank	-	-	103,001
Housing Ass't Payment	-	-	24,967
Road Services	-	-	3,027,729
Public Safety	-	-	5,005,786
Public Assistance	-	-	2,056,208
Health Services	-	-	2,168,103
Fish and Game	-	156,640	156,640
Fire	-	5,222,835	5,222,835
Child Support	-	135,513	135,513
Building and Safety	-	276,899	276,899
Senior Nutrition	-	36,768	36,768
Transportation Operations	-	2,094,655	2,094,655
Air Pollution Services	-	1,042,729	1,042,729
Los Molinos Lighting	-	73,157	73,157
Flood Control and Water Conserv	-	1,079,892	1,079,892
Tehama Power Authority	-	5,330	5,330
AB 923	-	148,011	148,011
Subtotal	-	10,272,429	24,748,452

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 10: FUND BALANCES (CONTINUED)

The fund balances for all major and nonmajor governmental funds as of June 30, 2015, were distributed as follows: (Continued)

	<u>General Fund</u>	<u>Road</u>	<u>Public Safety</u>	<u>Public Assistance</u>	<u>Health Services</u>
Committed:					
Sun City Development	51,950	-	-	-	-
Uniform Allowance	72,500	-	-	-	-
Dept of Health Services	127,500	-	-	-	-
State Loan Repay 2,190,604	-	-	-	-	-
Medical Insurance	430,035	-	-	-	-
Economic Uncertainty	4,836,577	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	-	-
Subtotal	<u>7,709,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned:					
Camp Tehama OPS	78,067	-	-	-	-
Departments	186,660	-	-	-	-
Veterans Halls	236,102	-	-	-	-
Capital Assets	1,310,405	-	-	-	-
Nuisance Abate	165,112	-	-	-	-
Antelope Sewer	23,200	-	-	-	-
Sick Leave & Vacation Buyout	2,585	-	-	-	-
CSS	45,279	-	-	-	-
Parks	38,798	-	-	-	-
Encumbrances	447,476	-	-	-	-
Public Assistance	-	-	-	240,847	-
Subtotal	<u>2,533,684</u>	<u>-</u>	<u>-</u>	<u>240,847</u>	<u>-</u>
Unassigned	<u>7,954,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,278,778)</u>
Total	<u>\$ 24,044,483</u>	<u>\$ 3,564,288</u>	<u>\$5,077,544</u>	<u>\$ 2,398,903</u>	<u>\$ 901,924</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 10: FUND BALANCES (CONTINUED)

The fund balances for all major and nonmajor governmental funds as of June 30, 2015, were distributed as follows: (Continued)

	<u>Debt Service</u>	<u>Other Govern- mental Funds</u>	<u>Total</u>
Committed:			
Sun City Development	-	-	51,950
Uniform Allowance	-	-	72,500
Dept of Health Services	-	-	127,500
State loan repay	-	-	2,190,604
Compensation Study	-	-	430,035
Economic Uncertainty	-	-	4,836,577
Capital Projects	-	5,659,174	5,659,174
Debt Service	<u>9,348,813</u>	-	<u>9,348,813</u>
Subtotal	<u>9,348,813</u>	<u>5,659,174</u>	<u>22,717,153</u>
Assigned:			
Camp Tehama OPS	-	-	78,067
Departments	-	-	186,660
Veterans Halls	-	-	236,102
Capital Assets	-	-	1,310,405
Nuisance Abate	-	-	165,112
Antelope Sewer	-	-	23,200
Sick Leave & Vacation Buyout	-	-	2,585
CSS	-	-	45,279
Parks	-	-	38,798
Encumbrances	-	-	447,476
Public Assistance	<u>-</u>	<u>-</u>	<u>240,847</u>
Subtotal	<u>-</u>	<u>-</u>	<u>2,774,531</u>
Unassigned	<u>-</u>	<u>-</u>	<u>6,675,789</u>
Total	<u>\$ 9,348,813</u>	<u>\$15,945,705</u>	<u>\$ 61,281,659</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.

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 % of adopted (final) budgeted General fund appropriations for economic uncertainty.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11: PENSION PLANS

A. General Information about the Pension Plans

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 separate Safety agent multiple-employer defined benefit pension plan and Miscellaneous agent multiple-employer defined benefit pension plan, Employee Pension Plans, 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 Plans are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plans 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 the Miscellaneous Plan and Safety Plan 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. As of the valuation date there were no Miscellaneous or Safety PEPRA employees.

Summary of Plans and Eligible Participants

Open for New Enrollment

Miscellaneous PEPRA
Safety PEPRA

Miscellaneous members hired on or after January 1, 2013
Safety employees hired on or after January 1, 2013

Closed to New Enrollment

Miscellaneous
Safety

Miscellaneous employees hired before January 1, 2013
Safety employees hired before January 1, 2013

Benefits Providedp

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. 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 each plan are applied as specified by the Public Employees' Retirement Law.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11: PENSION PLANS (CONTINUED)

A. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

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

Effective January 1, 2013, the County added retirement tiers for both Miscellaneous and Safety Plans for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 are 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.

Each Plan's specific provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.7% @ 55	50-55	1.426% to 2.418%
Miscellaneous PEPRA	2.0% @ 62	52-62	1.000% to 2.500%
Safety	3.0% @ 50	50	3.000%
Safety PEPRA	2.7% @ 57	52-57	2.000% to 2.700%

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms for the Miscellaneous 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	682	618	645
Safety	135	85	130

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, 2015

NOTE 11: PENSION PLANS (CONTINUED)

A. General Information about the Pension Plans (Continued)

Contributions (Continued)

	Employer Contribution Rates	Employee Contribution Rates	Employer Paid Member Contribution Rates
Miscellaneous	14.765%	7.000%	0.000%*
Miscellaneous PEPRA	14.765%	6.250%	0.000%
Safety	26.640%	9.000%	0.000%*
Safety PEPRA	26.640%	10.000%	0.000%

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

B. Net Pension Liability

The County's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 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, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30% to 14.20% (1)
Investment Rate of Return	7.50% (2)
Mortality	Derived using CalPERS membership data for all funds

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11: PENSION PLANS (CONTINUED)

B. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11: PENSION PLANS (CONTINUED)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

C. Changes in the Net Pension Liability

As of June 30, 2015, the changes in the net pension liability of the agent multiple-employer defined benefit pension plan including independent entities (courts and First Five), is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous:			
Balance at June 30, 2013	\$ <u>199,545,519</u>	\$ <u>142,792,821</u>	\$ <u>56,752,698</u>
Changes in the year:			
Service cost	4,751,684	-	4,751,684
Interest on the total pension liability	14,778,711	-	14,778,711
Contribution - employer	-	4,300,260	(4,300,260)
Contribution - employee (paid by employer)	-	50,291	(50,291)
Contribution - employee	-	2,199,897	(2,199,897)
Net investment income	-	24,639,923	(24,639,923)
Benefit payments, including refunds of employee contributions	(9,743,748)	(9,743,718)	-
Net changes	<u>9,786,647</u>	<u>21,446,623</u>	(11,659,976)
Balance at June 30, 2014	\$ <u>209,332,166</u>	\$ <u>164,239,444</u>	45,092,722
Less: amount allocated to independent entities			(3,809,034)
Balance at June 30, 2014			<u>\$ 41,283,688</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11: PENSION PLANS (CONTINUED)

C. Changes in the Net Pension Liability (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Safety:			
Balance at June 30, 2013	\$ 67,277,459	\$ 43,992,102	\$ 23,285,357
Changes in the year:			
Service cost	1,722,487	-	1,722,487
Interest on the total pension liability	4,994,614	-	4,994,614
Contribution - employer	-	1,812,375	(1,812,375)
Contribution - employee (paid by employer)	-	263,898	(263,898)
Contribution - employee	-	347,274	(347,274)
Net investment income	-	7,625,451	(7,625,451)
Benefit payments, including refunds of employee contributions	(3,087,719)	(3,087,719)	-
Net changes	<u>3,629,382</u>	<u>6,961,279</u>	<u>(3,331,897)</u>
Balance at June 30, 2014	<u>\$ 70,906,841</u>	<u>\$ 50,953,381</u>	<u>\$ 19,953,460</u>

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

The following presents the net pension liability for each Plan as of the measurement date, calculated using the discount rate for each 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 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Miscellaneous	\$ 70,560,436	\$ 45,092,722	\$ 23,738,700
Safety	29,345,373	19,953,460	12,172,723

Pension Plan Fiduciary Net Position

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11: PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2015, the County recognized pension expense of \$5,876,515. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 6,680,373	\$ -
Net differences between projected and actual earnings on plan investments	-	(14,755,753)
Total	6,680,373	(14,755,753)
Less: amount allocated to independent entities	(415,944)	951,922
Total	\$ 6,264,429	(\$ 13,803,831)

\$6,680,373 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, 2016. 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	
June 30	
2015	(\$ 3,688,938)
2016	(3,688,938)
2017	(3,688,938)
2018	(3,688,939)
Thereafter	-
Total	(\$ 14,755,753)

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.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

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

A. Plan Description (Continued)

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 benefits 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.

The following monthly premiums charged to a retiree for the County's medical plans went into effect as of January 1, 2014:

<u>Plan</u>	<u>Composite Rate</u>	<u>Composite Spouse over 65</u>
Anthem Blue Cross PPO	\$ 1,569.00	\$ 1,618.00
Anthem Blue Cross EPO Low Option	1,268.00	1,204.00

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	<u>\$ 154,865</u>
Annual OPEB Cost	154,865
Contributions made:	
Implicit subsidy (estimated per actuarial)	(<u>116,922</u>)
Increase in net OPEB obligation	37,943
Net OPEB Obligation - Beginning of Year	<u>-</u>
Net OPEB Obligation - End of Year	<u>\$ 37,943</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

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

B. Funding Policy and Annual OPEB Cost (Continued)

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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/15	\$ 165,858	75.50%	\$ 40,636

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.

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, 2014, the most recent actuarial valuation date:

Actuarial accrued liability (AAL)	\$ 1,250,239
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,250,239</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, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 discount rate, and a medical trend assumption of 8% for 2014-15, declining by 1% per year to an ultimate of 5% per year beginning in 2017.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

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, 2015, including any estimates for incurred but not reported (IBNR) amounts, constitute claims payable. The claims liability at June 30, 2015, was as follows:

General Liability	\$ 703,000
Dental Insurance	<u>106,550</u>
Total	<u>\$ 809,550</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 \$809,550 reported in the funds at June 30, 2015, 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 2013, 2014, and 2015 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>
2013	\$ 922,187	\$ 1,669,183	\$ 1,781,788	\$ 809,582
2014	809,582	2,286,431	2,286,063	809,950
2015	809,950	2,822,255	2,822,655	809,550

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, 2015

NOTE 14: OTHER INFORMATION

A. Commitments and Contingencies

The County had active construction projects as of June 30, 2015. The estimated costs to be incurred for these projects is \$355,488.

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, 2015, General fund \$447,476, Road \$120,952, Public Safety \$77,380, Public Assistance \$71,105, Health Services \$52,229, and non-major governmental funds \$373,038.

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2015 through February 22, 2016, 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 Plans
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015
Last 10 Years*

	2015
Miscellaneous	
Total Pension Liability	
Service Cost	\$ 4,751,684
Interest	14,778,711
Benefit payments, including refunds of employee contributions	(9,743,748)
Net Change in Total Pension Liability	9,786,647
Total Pension Liability - Beginning	199,545,519
Total Pension Liability - Ending (a)	\$ 209,332,166
Plan Fiduciary Net Position	
Contributions - employer	\$ 4,300,260
Contributions - employee	2,250,188
Net investment income	24,639,923
Benefit payments, including refunds of employee contributions	(9,743,748)
Net Change in Plan Fiduciary Net Position	21,446,623
Plan Fiduciary Net Position - Beginning	142,792,821
Plan Fiduciary Net Position - Ending (b)	\$ 164,239,444
Net Pension Liability - Ending (a)-(b)	\$ 45,092,722
Plan fiduciary net position as a percentage of the total pension liability	78.46%
Covered employee payroll	\$ 30,757,227
Net pension liability as a percentage of covered employee payroll	146.61%

*The County implemented GASB 68 for the fiscal year June 30, 2015, therefore only one year is shown.

Continued (Page 1 of 2)

COUNTY OF TEHAMA
Required Supplementary Information
County Pension Plans
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015
Last 10 Years*

	2015
Safety	
Total Pension Liability	
Service Cost	\$ 1,722,487
Interest	4,994,614
Benefit payments, including refunds of employee contributions	(3,087,719)
Net Change in Total Pension Liability	3,629,382
Total Pension Liability - Beginning	67,277,459
Total Pension Liability - Ending (a)	\$ 70,906,841
Plan Fiduciary Net Position	
Contributions - employer	\$ 1,812,375
Contributions - employee	611,172
Net investment income	7,625,451
Benefit payments, including refunds of employee contributions	(3,087,719)
Net Change in Plan Fiduciary Net Position	6,961,279
Plan Fiduciary Net Position - Beginning	43,992,102
Plan Fiduciary Net Position - Ending (b)	\$ 50,953,381
Net Pension Liability - Ending (a)-(b)	\$ 19,953,460
Plan fiduciary net position as a percentage of the total pension liability	71.86%
Covered employee payroll	\$ 6,963,761
Net pension liability as a percentage of covered employee payroll	286.53%

*The County implemented GASB 68 for the fiscal year June 30, 2015, therefore only one year is shown.

Continued (Page 2 of 2)

COUNTY OF TEHAMA
Required Supplementary Information
County Pension Plans
Schedule of Contributions
For the Year Ended June 30, 2015
Last 10 Years*

	2015
Miscellaneous	
Contractually required contributions (actuarially determined)	\$ 4,300,260
Contributions in relation to the actuarially determined contributions	(4,300,260)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 30,757,227
Contributions as a percentage of covered employee payroll	13.98%
 Safety	
Contractually required contributions (actuarially determined)	\$ 1,812,375
Contributions in relation to the actuarially determined contributions	(1,812,375)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 6,963,761
Contributions as a percentage of covered employee payroll	26.03%

*The County implemented GASB 68 for the fiscal year June 30, 2015, therefore only one year is shown.

COUNTY OF TEHAMA
Required Supplementary Information
Notes to County Pension Plans
For the Year Ended June 30, 2015

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

There were no changes in assumptions or benefits in calculating the net pension liability.

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

There were no changes in assumptions or benefits in calculating the net pension liability.

NOTE 3: SCHEDULE OF CONTRIBUTIONS

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

Valuation Date	6/30/2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years as of the valuation date
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 14.2% depending on age, service, and type of employment
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

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

Valuation Date	6/30/2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	32 years as of the valuation date
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 14.2% depending on age, service, and type of employment
Investment rate of return	7.5%, net of pension plan investment and administrative expense, 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, 2015

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% 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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Value of Assets</u>	<u>Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage Of Covered Payroll</u>
July 1, 2014	\$ -	\$ 1,250,239	\$1,250,239	0.0%	\$ *	*

* Information not available

COUNTY OF TEHAMA
Required Supplementary Information
Infrastructure Assets Reported Using the Modified Approach
For the Year Ended June 30, 2015

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

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

The Department of Public Works recommends that seventy five (75) percent of the County maintained road system be maintained to 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	72.56	6.66%
Good	578.47	53.11%
Fair	243.02	22.31%
Poor	<u>195.20</u>	<u>17.92%</u>
Total	<u>1,089.25</u>	<u>100.00%</u>

As of June 30, 2015, the County's overall maintained road system rating was 86.92% 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 1,089.25 miles, which is unchanged from the prior year's report.

The majority of roads falling below the established rating of fair 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 with minimal traffic, requiring large fund expenditures and many years to attain one of the adopted ratings.

COUNTY OF TEHAMA
Required Supplementary Information
Infrastructure Assets Reported Using the Modified Approach
For the Year Ended June 30, 2015

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 as set forth in GASB 34. 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 shown below:

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, 2015:

<u>Condition</u>	<u>Number of Bridges</u>	<u>Percent</u>
Excellent	114	16.38%
Good	180	25.86%
Fair	341	49.00%
Poor	61	8.76%
Total	<u>696</u>	<u>100.00%</u>

Caltrans conducts periodic inspections of all bridge structures that are 20 feet or longer. 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 and 137 cattle guards that the County maintains. The cattle guard structures are not rated.

C. Signs

The County of Tehama manages its maintained sign database system using the Carte Graph Sign Management program and accounts for them using the modified approach as set forth in GASB 34. 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.

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, 2015

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH (CONTINUED)

C. Signs (Continued)

<u>Condition</u>	Number of Street Name Signs	Number of Traffic Signs	<u>Total</u>	Percent Pass/Fail
Pass	3,457	4,646	8,103	84.69%
Fail	<u>0</u>	<u>1,465</u>	<u>1,465</u>	<u>15.31%</u>
Total	<u>3,457</u>	<u>6,111</u>	<u>9,568</u>	<u>100.00%</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. Right of Way

Currently the right of way value provided is a rough valuation based on several estimations and assumptions to establish the valuation parameters. The widths of right of way corridors were established by researching records and the established right of way corridors were then converted into acreage. While many of the right of way corridors do not have a uniform width, using uniform widths yielded an area that is fairly accurate. With assistance from the County Assessor's Office values were established for various land types (i.e. residential, rural residential, agricultural, ranch land, and range land). The value was then applied to the acreage to develop a rough estimation of the right of way value.

E. Cost of Maintenance

The estimated annual amount to maintain 75% of the roads, bridges, and signs in a fair or better, or pass condition rating is \$8,000,000. The average annual expenditures over the last five years was \$9,839,736. 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 slower 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 2013/2014	\$ 9,089,229
Fiscal Year 2012/2013	14,993,500
Fiscal Year 2011/2012	6,504,661
Fiscal Year 2010/2011	9,660,492
Fiscal Year 2009/2010	8,950,796

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 16,879,509	\$ 17,222,695	\$ 17,714,261	\$ 491,566
Licenses and permits	1,298,058	1,313,140	1,569,213	256,073
Fines and forfeitures	1,386,137	1,523,812	1,723,858	200,046
Use of money and property	172,551	172,551	237,523	64,972
Intergovernmental	2,583,268	3,234,277	3,917,409	683,132
Charges for services	15,625,380	15,813,978	15,454,419	(359,559)
Other revenues	199,806	161,939	648,604	486,665
Total Revenues	38,144,709	39,442,392	41,265,287	1,822,895
EXPENDITURES				
Current:				
General government	21,862,479	22,189,532	18,632,991	3,556,541
Public protection	5,027,479	5,106,835	4,628,337	478,498
Health and welfare	985,903	1,100,951	1,051,707	49,244
Public assistance	1,312,435	1,421,576	1,255,874	165,702
Education	655,918	660,103	637,994	22,109
Culture and recreation	294,066	295,766	258,918	36,848
Public ways and facilities	-	-	10,892	(10,892)
Debt service				
Interest and other charges	25,000	25,000	18,029	6,971
Capital outlay	499,119	686,991	512,129	174,862
Total Expenditures	30,662,399	31,486,754	27,006,871	4,479,883
Excess of Revenues Over (Under) Expenditures	7,482,310	7,955,638	14,258,416	6,302,778
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,825,042	1,825,042
Transfers out	(17,642,815)	(18,159,296)	(14,081,891)	4,077,405
Total Other Financing Sources (Uses)	(17,642,815)	(18,159,296)	(12,256,849)	5,902,447
Net Change in Fund Balances	(10,160,505)	(10,203,658)	2,001,567	12,205,225
Fund Balances - Beginning	22,007,299	22,007,299	22,007,299	-
Prior period adjustment	-	-	35,617	35,617
Fund Balances - Beginning, Restated	22,007,299	22,007,299	22,042,916	35,617
Fund Balances - Ending	\$ 11,846,794	\$ 11,803,641	\$ 24,044,483	\$ 12,240,842

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

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

Net Change in Fund Balance - Budgetary Basis	\$ 2,001,567
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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	(624,245)
General government expenditures	<u>624,245</u>

Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u><u>\$ 2,001,567</u></u>
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COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Road - Major Special Revenue Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 575,030	\$ 575,030	\$ 576,750	\$ 1,720
Licenses and permits	7,000	7,000	12,389	5,389
Use of money and property	15,704	15,704	18,152	2,448
Intergovernmental	17,467,026	17,579,547	11,685,358	(5,894,189)
Charges for services	347,400	347,400	434,839	87,439
Other revenues	15,120	15,120	9,681	(5,439)
Total Revenues	18,427,280	18,539,801	12,737,169	(5,802,632)
EXPENDITURES				
Current:				
Public ways and facilities	21,965,967	21,916,707	14,248,236	7,668,471
Capital outlay	211,750	241,750	42,193	199,557
Total Expenditures	22,177,717	22,158,457	14,290,429	7,868,028
Net Change in Fund Balances	(3,750,437)	(3,618,656)	(1,553,260)	2,065,396
Fund Balance - Beginning	5,334,209	5,334,209	5,334,209	-
Change in inventory on purchases method	-	-	(216,660)	(216,660)
Fund Balance - Ending	\$ 1,583,772	\$ 1,715,553	\$ 3,564,289	\$ 1,848,736
Reconciliation of Net Change in Fund Balance - Budgetary to GAAP Basis:				
Net Change in Fund Balance - Budgetary Basis				\$ (1,553,260)
The amount reported in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance was different because:				
Expenditures for infrastructure accounted for under the modified approach are included as public ways and facilities for budgetary purposes, but are capital outlay expenditures for financial reporting purposes.				
Public ways and facilities expenditures				(2,294,274)
Capital outlay expenditures				2,294,274
Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance				\$ (1,553,260)

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Public Safety - Major Special Revenue Fund
For the Year Ended June 30, 2015

	<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	\$ 3,965	\$ 2,715
Fines and forfeitures	18,500	18,500	118,469	99,969
Use of money and property	-	-	8,841	8,841
Intergovernmental	8,670,634	9,214,636	10,472,547	1,257,911
Charges for services	617,133	462,133	406,595	(55,538)
Other revenues	311,097	330,561	445,981	115,420
Total Revenues	<u>9,618,614</u>	<u>10,027,080</u>	<u>11,456,398</u>	<u>1,429,318</u>
EXPENDITURES				
Current:				
Public protection	25,131,562	25,337,920	22,668,143	2,669,777
Capital outlay	295,678	835,485	671,248	164,237
Total Expenditures	<u>25,427,240</u>	<u>26,173,405</u>	<u>23,339,391</u>	<u>2,834,014</u>
Excess of Revenues Over (Under) Expenditures	<u>(15,808,626)</u>	<u>(16,146,325)</u>	<u>(11,882,993)</u>	<u>4,263,332</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,808,626	15,925,501	12,217,265	(3,708,236)
Total Other Financing Sources (Uses)	<u>15,808,626</u>	<u>15,925,501</u>	<u>12,217,265</u>	<u>(3,708,236)</u>
Net Change in Fund Balances	-	(220,824)	334,272	555,096
Fund Balances - Beginning	<u>4,743,272</u>	<u>4,743,272</u>	<u>4,743,272</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 4,743,272</u>	<u>\$ 4,522,448</u>	<u>\$ 5,077,544</u>	<u>\$ 555,096</u>

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Public Assistance - Major Special Revenue Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 4,412	\$ 4,412
Use of money and property	8,290	8,290	8,758	468
Intergovernmental	38,910,528	39,528,739	35,041,473	(4,487,266)
Charges for services	116,673	132,989	176,087	43,098
Other revenues	289,474	280,284	109,452	(170,832)
Total Revenues	39,324,965	39,950,302	35,340,182	(4,610,120)
EXPENDITURES				
Current:				
Public assistance	40,081,284	40,705,932	35,678,705	5,027,227
Capital outlay	318,000	281,541	272,502	9,039
Total Expenditures	40,399,284	40,987,473	35,951,207	5,036,266
Excess of Revenues Over (Under) Expenditures	(1,074,319)	(1,037,171)	(611,025)	426,146
OTHER FINANCING SOURCES (USES)				
Transfers in	1,074,319	1,074,319	821,981	(252,338)
Total Other Financing Sources (Uses)	1,074,319	1,074,319	821,981	(252,338)
Net Change in Fund Balances	-	37,148	210,956	173,808
Fund Balances - Beginning	2,187,946	2,187,946	2,187,946	-
Fund Balances - Ending	\$ 2,187,946	\$ 2,225,094	\$ 2,398,902	\$ 173,808
Reconciliation of Net Change in Fund Balance - Budgetary to GAAP Basis:				
Net Change in Fund Balance - Budgetary Basis				\$ 210,956
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				224,136
Other revenues				(224,136)
Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance				\$ 210,956

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Health Services - Major Special Revenue Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Use of money and property	\$ -	\$ -	\$ 6,942	\$ 6,942
Intergovernmental	13,691,859	13,691,859	14,613,476	921,617
Charges for services	4,004,591	4,004,591	4,631,109	626,518
Other revenues	2,772,755	3,172,755	23,188	(3,149,567)
Total Revenues	20,469,205	20,869,205	19,274,715	(1,594,490)
EXPENDITURES				
Current:				
Health and welfare	20,021,692	20,369,463	17,614,144	2,755,319
Capital outlay	574,570	574,570	191,071	383,499
Total Expenditures	20,596,262	20,944,033	17,805,215	3,138,818
Excess of Revenues Over (Under) Expenditures	(127,057)	(74,828)	1,469,500	1,544,328
OTHER FINANCING SOURCES (USES)				
Transfers in	128,700	128,700	-	(128,700)
Transfers out	-	-	(366,341)	(366,341)
Debt proceeds	-	-	27,485	27,485
Total Other Financing Sources (Uses)	128,700	128,700	(338,856)	(467,556)
Net Change in Fund Balances	1,643	53,872	1,130,644	1,076,772
Fund Balances - Beginning	(228,720)	(228,720)	(228,720)	-
Fund Balances (Deficits) - Ending	\$ (227,077)	\$ (174,848)	\$ 901,924	\$ 1,076,772
Reconciliation of Net Change in Fund Balance - Budgetary to GAAP Basis:				
Net Change in Fund Balance - Budgetary Basis				\$ 1,130,644
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				(9,385)
Debt service - principal expenditures				8,100
Debt service - interest and other charges expenditures				1,285
Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance				\$ 1,130,644

COUNTY OF TEHAMA
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2015

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, 2015

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.

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, 2015

	Special Revenue Funds	Capital Projects Funds	Total
ASSETS			
Cash and investments	\$ 10,368,908	\$ 3,321,185	\$ 13,690,093
Cash with fiscal agent	-	2,368,695	2,368,695
Receivables:			
Accounts	130,803	12	130,815
Intergovernmental	267,562	-	267,562
Advances to other funds	10,000	-	10,000
Prepaid costs	4,102	-	4,102
Total Assets	\$ 10,781,375	\$ 5,689,892	\$ 16,471,267
LIABILITIES			
Accounts payable	\$ 172,600	\$ 26,549	\$ 199,149
Salaries and benefits payable	93,347	4,169	97,516
Due to other governments	5,275	-	5,275
Unearned revenues	4,396	-	4,396
Total Liabilities	275,618	30,718	306,336
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	219,226	-	219,226
Total Deferred Inflows of Resources	219,226	-	219,226
FUND BALANCES			
Nonspendable	14,102	-	14,102
Restricted	10,272,429	-	10,272,429
Committed	-	5,659,174	5,659,174
Total Fund Balances	10,286,531	5,659,174	15,945,705
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,781,375	\$ 5,689,892	\$ 16,471,267

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total
REVENUES			
Taxes and assessments	\$ 3,881,779	\$ 4,160	\$ 3,885,939
Licenses and permits	1,308,869	-	1,308,869
Fines and forfeitures	32,209	114,783	146,992
Use of money and property	89,607	31,225	120,832
Intergovernmental	3,429,427	-	3,429,427
Charges for services	1,118,587	-	1,118,587
Other revenues	131,398	69	131,467
Total Revenues	9,991,876	150,237	10,142,113
EXPENDITURES			
Current:			
General government	-	67,942	67,942
Public protection	5,084,742	-	5,084,742
Health and welfare	963,906	-	963,906
Public assistance	2,030,267	-	2,030,267
Public ways and facilities	1,336,529	-	1,336,529
Capital outlay	568,523	2,209,505	2,778,028
Total Expenditures	9,983,967	2,277,447	12,261,414
Excess of Revenues Over (Under) Expenditures	7,909	(2,127,210)	(2,119,301)
OTHER FINANCING SOURCES (USES)			
Transfers in	35,000	399,606	434,606
Transfers out	(332)	-	(332)
Total Other Financing Sources (Uses)	34,668	399,606	434,274
Net Change in Fund Balances	42,577	(1,727,604)	(1,685,027)
Fund Balances - Beginning	10,243,954	7,386,778	17,630,732
Fund Balances - Ending	\$ 10,286,531	\$ 5,659,174	\$ 15,945,705

Nonmajor Governmental Funds

- **Special Revenue Funds**

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COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	<u>Fish and Game</u>	<u>Fire</u>	<u>Child Support</u>	<u>Building and Safety</u>	<u>Senior Nutrition</u>
ASSETS					
Cash and investments	\$ 156,640	\$ 5,199,031	\$ 161,570	\$ 308,213	\$ 36,768
Receivables:					
Accounts	-	92,147	-	-	-
Intergovernmental	-	153,578	26,801	-	65,648
Advances to other funds	-	-	10,000	-	-
Prepaid costs	-	-	4,000	102	-
Total Assets	<u>\$ 156,640</u>	<u>\$ 5,444,756</u>	<u>\$ 202,371</u>	<u>\$ 308,315</u>	<u>\$ 102,416</u>
LIABILITIES					
Accounts payable	\$ -	\$ 56,529	\$ 2,138	\$ 1,944	\$ -
Salaries and benefits payable	-	11,814	50,720	19,699	-
Due to other governments	-	-	-	5,275	-
Unearned revenues	-	-	-	4,396	-
Total Liabilities	<u>-</u>	<u>68,343</u>	<u>52,858</u>	<u>31,314</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	153,578	-	-	65,648
Total Deferred Inflows of Resources	<u>-</u>	<u>153,578</u>	<u>-</u>	<u>-</u>	<u>65,648</u>
FUND BALANCES					
Nonspendable	-	-	14,000	102	-
Restricted	156,640	5,222,835	135,513	276,899	36,768
Total Fund Balances	<u>156,640</u>	<u>5,222,835</u>	<u>149,513</u>	<u>277,001</u>	<u>36,768</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 156,640</u>	<u>\$ 5,444,756</u>	<u>\$ 202,371</u>	<u>\$ 308,315</u>	<u>\$ 102,416</u>

Transportation Operations	Air Pollution	Los Molinos Lighting	Tehama County Flood Control	Tehama County Flood Zone 3	Tehama Power Authority	AB 923	Total
\$ 2,192,883	\$ 1,010,994	\$ 73,157	\$ 295,900	\$ 789,881	\$ 5,330	\$ 138,541	\$10,368,908
10,246	18,940	-	-	-	-	9,470	130,803
-	21,535	-	-	-	-	-	267,562
-	-	-	-	-	-	-	10,000
-	-	-	-	-	-	-	4,102
<u>\$ 2,203,129</u>	<u>\$ 1,051,469</u>	<u>\$ 73,157</u>	<u>\$ 295,900</u>	<u>\$ 789,881</u>	<u>\$ 5,330</u>	<u>\$ 148,011</u>	<u>\$10,781,375</u>
\$ 108,474	\$ 830	\$ -	\$ -	\$ 2,685	\$ -	\$ -	\$ 172,600
-	7,910	-	3,204	-	-	-	93,347
-	-	-	-	-	-	-	5,275
-	-	-	-	-	-	-	4,396
<u>108,474</u>	<u>8,740</u>	<u>-</u>	<u>3,204</u>	<u>2,685</u>	<u>-</u>	<u>-</u>	<u>275,618</u>
-	-	-	-	-	-	-	219,226
-	-	-	-	-	-	-	219,226
-	-	-	-	-	-	-	14,102
<u>2,094,655</u>	<u>1,042,729</u>	<u>73,157</u>	<u>292,696</u>	<u>787,196</u>	<u>5,330</u>	<u>148,011</u>	<u>10,272,429</u>
<u>2,094,655</u>	<u>1,042,729</u>	<u>73,157</u>	<u>292,696</u>	<u>787,196</u>	<u>5,330</u>	<u>148,011</u>	<u>10,286,531</u>
<u>\$ 2,203,129</u>	<u>\$ 1,051,469</u>	<u>\$ 73,157</u>	<u>\$ 295,900</u>	<u>\$ 789,881</u>	<u>\$ 5,330</u>	<u>\$ 148,011</u>	<u>\$10,781,375</u>

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2015

	<u>Fish and Game</u>	<u>Fire</u>	<u>Child Support</u>	<u>Building and Safety</u>	<u>Senior Nutrition</u>
REVENUES					
Taxes and assessments	\$ -	\$ 2,780,416	\$ -	\$ -	\$ -
License and permits	-	-	-	683,652	-
Fines and forfeitures	1,825	-	-	25,422	-
Use of money and property	895	33,525	1,600	1,491	695
Intergovernmental	-	498,258	1,789,655	-	126,933
Charges for services	-	831,171	-	73,014	22,874
Other revenues	-	62,449	1,266	152	62,448
Total Revenues	<u>2,720</u>	<u>4,205,819</u>	<u>1,792,521</u>	<u>783,731</u>	<u>212,950</u>
EXPENDITURES					
Current:					
Public protection	1,934	3,983,349	-	742,123	-
Health and welfare	-	-	-	-	-
Public assistance	-	-	1,775,092	-	255,175
Public ways and facilities	-	-	-	-	-
Capital outlay	-	382,487	21,080	28,363	-
Total Expenditures	<u>1,934</u>	<u>4,365,836</u>	<u>1,796,172</u>	<u>770,486</u>	<u>255,175</u>
Excess of Revenues Over (Under) Expenditures	<u>786</u>	<u>(160,017)</u>	<u>(3,651)</u>	<u>13,245</u>	<u>(42,225)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	35,000
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Net Change in Fund Balances	786	(160,017)	(3,651)	13,245	(7,225)
Fund Balances - Beginning	<u>155,854</u>	<u>5,382,852</u>	<u>153,164</u>	<u>263,756</u>	<u>43,993</u>
Fund Balances - Ending	<u>\$ 156,640</u>	<u>\$ 5,222,835</u>	<u>\$ 149,513</u>	<u>\$ 277,001</u>	<u>\$ 36,768</u>

Transportation Operations	Air Pollution	Los Molinos Lighting	Tehama County Flood Control	Tehama County Flood Zone 3	Tehama Power Authority	AB 923	Total
\$ 879,729	\$ -	\$ 11,662	\$ 124,736	\$ 85,236	\$ -	\$ -	\$ 3,881,779
-	513,343	-	-	-	-	111,874	1,308,869
-	4,962	-	-	-	-	-	32,209
36,571	6,686	411	1,779	5,152	30	772	89,607
777,554	232,711	228	2,434	1,654	-	-	3,429,427
155,818	35,710	-	-	-	-	-	1,118,587
-	5,053	-	30	-	-	-	131,398
<u>1,849,672</u>	<u>798,465</u>	<u>12,301</u>	<u>128,979</u>	<u>92,042</u>	<u>30</u>	<u>112,646</u>	<u>9,991,876</u>
-	-	10,710	177,924	168,702	-	-	5,084,742
-	886,696	-	-	-	-	77,210	963,906
-	-	-	-	-	-	-	2,030,267
1,336,529	-	-	-	-	-	-	1,336,529
45,093	31,049	-	-	60,451	-	-	568,523
<u>1,381,622</u>	<u>917,745</u>	<u>10,710</u>	<u>177,924</u>	<u>229,153</u>	<u>-</u>	<u>77,210</u>	<u>9,983,967</u>
<u>468,050</u>	<u>(119,280)</u>	<u>1,591</u>	<u>(48,945)</u>	<u>(137,111)</u>	<u>30</u>	<u>35,436</u>	<u>7,909</u>
-	-	-	-	-	-	-	35,000
-	(332)	-	-	-	-	-	(332)
-	(332)	-	-	-	-	-	34,668
468,050	(119,612)	1,591	(48,945)	(137,111)	30	35,436	42,577
1,626,605	1,162,341	71,566	341,641	924,307	5,300	112,575	10,243,954
<u>\$ 2,094,655</u>	<u>\$ 1,042,729</u>	<u>\$ 73,157</u>	<u>\$ 292,696</u>	<u>\$ 787,196</u>	<u>\$ 5,330</u>	<u>\$ 148,011</u>	<u>\$10,286,531</u>

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Nonmajor Governmental Funds

- **Capital Project Funds**

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COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2015

	Capital Projects	Total
ASSETS		
Cash and investments	\$ 3,321,185	\$ 3,321,185
Cash with fiscal agent	2,368,695	2,368,695
Receivables:		
Accounts	12	12
Total Assets	\$ 5,689,892	\$ 5,689,892
LIABILITIES		
Accounts payable	\$ 26,549	\$ 26,549
Salaries and benefits payable	4,169	4,169
Total Liabilities	30,718	30,718
FUND BALANCES		
Committed	5,659,174	5,659,174
Total Fund Balances	5,659,174	5,659,174
Total Liabilities and Fund Balances	\$ 5,689,892	\$ 5,689,892

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2015

	Capital Projects	Total
REVENUES		
Taxes and assessments	\$ 4,160	\$ 4,160
Fines and forfeitures	114,783	114,783
Use of money and property	31,225	31,225
Other revenue	69	69
	<hr/>	<hr/>
Total Revenues	150,237	150,237
	<hr/>	<hr/>
EXPENDITURES		
Current:		
General government	67,942	67,942
Capital outlay	2,209,505	2,209,505
	<hr/>	<hr/>
Total Expenditures	2,277,447	2,277,447
	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	(2,127,210)	(2,127,210)
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Transfers in	399,606	399,606
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	399,606	399,606
	<hr/>	<hr/>
Net Change in Fund Balances	(1,727,604)	(1,727,604)
	<hr/>	<hr/>
Fund Balances - Beginning	7,386,778	7,386,778
	<hr/>	<hr/>
Fund Balances - Ending	\$ 5,659,174	\$ 5,659,174
	<hr/>	<hr/>

Nonmajor Proprietary Funds

- **Enterprise Funds**

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COUNTY OF TEHAMA
Combining Statement of Net Position
Nonmajor Enterprise Fund
June 30, 2015

	Health Center	Tehama County Sanitation District #1	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ 1,196	\$ 128,733	\$ 129,929
Receivables:			
Accounts	-	874	874
	<u>1,196</u>	<u>129,607</u>	<u>130,803</u>
Total Current Assets			
Noncurrent Assets:			
Capital assets:			
Non-depreciable	-	38,047	38,047
Depreciable, net	-	860,597	860,597
Total capital assets	<u>-</u>	<u>898,644</u>	<u>898,644</u>
	<u>-</u>	<u>898,644</u>	<u>898,644</u>
Total Noncurrent Assets			
	<u>1,196</u>	<u>1,028,251</u>	<u>1,029,447</u>
Total Assets			
LIABILITIES			
Current Liabilities:			
Accounts payable	-	1,450	1,450
Accrued interest payable	-	5,910	5,910
Bonds payable	<u>-</u>	<u>16,000</u>	<u>16,000</u>
	<u>-</u>	<u>23,360</u>	<u>23,360</u>
Total Current Liabilities			
Noncurrent Liabilities:			
Bonds payable	<u>-</u>	<u>378,000</u>	<u>378,000</u>
	<u>-</u>	<u>378,000</u>	<u>378,000</u>
Total Noncurrent Liabilities			
	<u>-</u>	<u>401,360</u>	<u>401,360</u>
Total Liabilities			
NET POSITION			
Net investment in capital assets	-	504,644	504,644
Unrestricted	<u>1,196</u>	<u>122,247</u>	<u>123,443</u>
	<u>1,196</u>	<u>626,891</u>	<u>628,087</u>
Total Net Position			
	<u>\$ 1,196</u>	<u>\$ 626,891</u>	<u>\$ 628,087</u>

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Fund
For the Year Ended June 30, 2015

	Health Center	Tehama County Sanitation District #1	Totals
OPERATING REVENUES			
Charges for services	\$ -	\$ 167,949	\$ 167,949
Other revenues	-	20	20
Total Operating Revenues	-	167,969	167,969
OPERATING EXPENSES			
Salaries and benefits	30,400	-	30,400
Services and supplies	-	88,427	88,427
Professional services	-	4,644	4,644
Depreciation	-	36,163	36,163
Total Operating Expenses	30,400	129,234	159,634
Operating Income (Loss)	(30,400)	38,735	8,335
NON-OPERATING REVENUE (EXPENSES)			
Interest income	7	623	630
Interest expense	-	(17,834)	(17,834)
Other non-operating revenues	30,400	-	30,400
Total Non-Operating Revenue (Expenses)	30,407	(17,211)	13,196
Change in Net Position	7	21,524	21,531
Total Net Position - Beginning	1,189	605,367	606,556
Total Net Position - Ending	\$ 1,196	\$ 626,891	\$ 628,087

COUNTY OF TEHAMA
Combining Statement of Cash Flows
Nonmajor Enterprise Fund
For the Year Ended June 30, 2015

	Health Center	Tehama County Sanitation District #1	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ -	\$ 167,969	\$ 167,969
Payments to suppliers	-	(94,134)	(94,134)
Payments to employees	(30,400)	-	(30,400)
Net Cash Provided (Used) by Operating Activities	<u>(30,400)</u>	<u>73,835</u>	<u>43,435</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Non-operating revenues received	30,400	-	30,400
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>30,400</u>	<u>-</u>	<u>30,400</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	-	(15,500)	(15,500)
Interest paid on capital debt	-	(18,067)	(18,067)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(33,567)</u>	<u>(33,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	7	623	630
Net Cash Provided (Used) by Investing Activities	<u>7</u>	<u>623</u>	<u>630</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7	40,891	40,898
Balances - Beginning	<u>1,189</u>	<u>87,842</u>	<u>89,031</u>
Balances - Ending	<u>\$ 1,196</u>	<u>\$ 128,733</u>	<u>\$ 129,929</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (30,400)	\$ 38,735	\$ 8,335
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	36,163	36,163
Increase (decrease) in:			
Accounts payable	-	(1,063)	(1,063)
Net Cash Provided (Used) by Operating Activities	<u>\$ (30,400)</u>	<u>\$ 73,835</u>	<u>\$ 43,435</u>

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Internal Service Funds

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COUNTY OF TEHAMA
Combining Statement of Net Position
Internal Service Funds
June 30, 2015

	Risk Management	Dental Insurance	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 2,513,333	\$ 577,797	\$ 3,091,130
Deposits with others	-	60,900	60,900
Total Current Assets	2,513,333	638,697	3,152,030
Noncurrent Assets:			
Capital assets:			
Depreciable, net	2,000	-	2,000
Total capital assets	2,000	-	2,000
Total Noncurrent Assets	2,000	-	2,000
Total Assets	2,515,333	638,697	3,154,030
DEFERRED OUTFLOWS OF RESOURCES			
Pension adjustments	46,297	-	46,297
Total Deferred Outflows of Resources	46,297	-	46,297
LIABILITIES			
Current Liabilities:			
Accounts payable	47,962	-	47,962
Salaries and benefits payable	18,361	-	18,361
Compensated absences payable	8,614	-	8,614
Estimated claims liability	703,000	106,550	809,550
Total Current Liabilities	777,937	106,550	884,487
Noncurrent Liabilities:			
Compensated absences payable	957	-	957
Net OPEB liability	1,897	-	1,897
Net pension liability	477,070	-	477,070
Total Noncurrent Liabilities	479,924	-	479,924
Total Liabilities	1,257,861	106,550	1,364,411
DEFERRED INFLOWS OF RESOURCES			
Pension adjustments	119,226	-	119,226
Total Deferred Inflows of Resources	119,226	-	119,226
NET POSITION			
Investment in capital assets	2,000	-	2,000
Unrestricted	1,182,543	532,147	1,714,690
Total Net Position	\$ 1,184,543	\$ 532,147	\$ 1,716,690

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2015

	<u>Risk Management</u>	<u>Dental Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 2,775,070	\$ 788,131	\$ 3,563,201
Other revenues	17,388	-	17,388
Total Operating Revenues	<u>2,792,458</u>	<u>788,131</u>	<u>3,580,589</u>
OPERATING EXPENSES			
Salaries and benefits	463,933	-	463,933
Administration	84,736	-	84,736
Insurance	1,425	638,900	640,325
Professional services	98,722	71,004	169,726
Claims and judgments	2,822,655	-	2,822,655
Depreciation	1,000	-	1,000
Total Operating Expenses	<u>3,472,471</u>	<u>709,904</u>	<u>4,182,375</u>
Operating Income (Loss)	<u>(680,013)</u>	<u>78,227</u>	<u>(601,786)</u>
NON-OPERATING REVENUE (EXPENSES)			
Interest income	11,338	3,443	14,781
Total Non-Operating Revenue (Expenses)	<u>11,338</u>	<u>3,443</u>	<u>14,781</u>
Change in Net Position	<u>(668,675)</u>	<u>81,670</u>	<u>(587,005)</u>
Total Net Position - Beginning	2,408,152	450,477	2,858,629
Cumulative effect of change in accounting principle	(554,934)	-	(554,934)
Total Net Position - Beginning, Restated	<u>1,853,218</u>	<u>450,477</u>	<u>2,303,695</u>
Total Net Position - Ending	<u>\$ 1,184,543</u>	<u>\$ 532,147</u>	<u>\$ 1,716,690</u>

COUNTY OF TEHAMA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

	<u>Risk Management</u>	<u>Dental Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,809,327	\$ 788,131	\$ 3,597,458
Payments to suppliers	(2,961,941)	(790,869)	(3,752,810)
Payments to employees	(465,525)	-	(465,525)
Net Cash Provided (Used) by Operating Activities	<u>(618,139)</u>	<u>(2,738)</u>	<u>(620,877)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	11,338	3,443	14,781
Net Cash Provided (Used) by Investing Activities	<u>11,338</u>	<u>3,443</u>	<u>14,781</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(606,801)	705	(606,096)
Balances - Beginning	<u>3,120,134</u>	<u>577,092</u>	<u>3,697,226</u>
Balances - Ending	<u>\$ 2,513,333</u>	<u>\$ 577,797</u>	<u>\$ 3,091,130</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (680,013)	\$ 78,227	\$ (601,786)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,000	-	1,000
Decrease (increase) in:			
Accounts receivable	16,869	-	16,869
Deposits with others	-	(25,000)	(25,000)
Prepaid costs	4,291	1,659	5,950
Pension adjustments - deferred outflows of resources	(801)	-	(801)
Increase (decrease) in:			
Accounts payable	41,305	(57,224)	(15,919)
Salaries and benefits payable	1,390	-	1,390
Compensated absences payable	57	-	57
Estimated claims liability	-	(400)	(400)
Pension adjustments - deferred inflows of resources	119,226	-	119,226
Net OPEB liability	1,897	-	1,897
Net pension liability	(123,360)	-	(123,360)
Net Cash Provided (Used) by Operating Activities	<u>\$ (618,139)</u>	<u>\$ (2,738)</u>	<u>\$ (620,877)</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, 2015

	Special Districts Governed by Local Boards	School Districts	Totals
	<u>Local Boards</u>	<u>School Districts</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 4,060,614	\$46,729,645	\$ 50,790,259
Total Assets	<u>\$ 4,060,614</u>	<u>\$46,729,645</u>	<u>\$ 50,790,259</u>
NET POSITION			
Net position held in trust for pool participants	<u>4,060,614</u>	<u>46,729,645</u>	<u>50,790,259</u>
Total Net Position	<u>\$ 4,060,614</u>	<u>\$46,729,645</u>	<u>\$ 50,790,259</u>

COUNTY OF TEHAMA
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2015

	Special Districts Governed by Local Boards	School Districts	Totals
ADDITIONS			
Contributions:			
Contributions to investment pool	\$ 635,642	\$ 12,000,327	\$ 12,635,969
Total Additions	635,642	12,000,327	12,635,969
DEDUCTIONS			
Distributions from investment pool	523,169	3,210,982	3,734,151
Total Deductions	523,169	3,210,982	3,734,151
Change in Net Position	112,473	8,789,345	8,901,818
Net Position - Beginning	3,948,141	37,940,300	41,888,441
Net Position - Ending	\$ 4,060,614	\$ 46,729,645	\$ 50,790,259

COUNTY OF TEHAMA
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2015

	County Departmental Agency Funds	Totals
ASSETS		
Cash and investments	\$ 18,631,635	\$ 18,631,635
Taxes receivable	5,233,200	5,233,200
Total Assets	\$23,864,835	\$23,864,835
LIABILITIES		
Advances from other funds	\$ 208,780	\$ 208,780
Agency obligations	23,656,055	23,656,055
Total Liabilities	\$23,864,835	\$23,864,835

COUNTY OF TEHAMA
Combining Statement of Changes in
Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
COUNTY DEPARTMENTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 20,251,246	\$ 3,349,361	\$ 4,968,972	\$ 18,631,635
Taxes receivable	5,518,826	5,233,200	5,518,826	5,233,200
Total Assets	<u>\$ 25,770,072</u>	<u>\$ 8,582,561</u>	<u>\$ 10,487,798</u>	<u>\$ 23,864,835</u>
LIABILITIES				
Due to other funds	\$ 46,651	\$ -	\$ 46,651	\$ -
Advances from other funds	112,104	96,676	-	208,780
Agency obligations	25,611,317	8,485,885	10,441,147	23,656,055
Total Liabilities	<u>\$ 25,770,072</u>	<u>\$ 8,582,561</u>	<u>\$ 10,487,798</u>	<u>\$ 23,864,835</u>