

**COUNTY OF EL DORADO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2017**

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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COUNTY OF EL DORADO

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors
The County of Eldorado,
Placerville, 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 El Dorado (County), California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 did not audit the component units' financial statements of the El Dorado County Transit Authority (EDCTA), Children and Families Commission (First 5) and El Dorado County Transportation Commission (EDCTC) which collectively represent 4.0%, 6.7% and 5.8% respectively, of total assets, net position and revenues of the primary government. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County, is based solely on the report of the other auditors. 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 County'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 County'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.

Opinions

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

Emphasis of Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 77 – *Tax Abatement Disclosures*, which became effective during the year ended June 30, 2017 and changed disclosures in Note 14 to the financial statements.

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*, which became effective during the year ended June 30, 2017 and changed the Pension Required Supplementary Information.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary 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 Supplementary Information listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March, 28, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
March 28, 2018

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County of El Dorado

OFFICE OF AUDITOR-CONTROLLER

360 FAIR LANE
PLACERVILLE, CALIFORNIA 95667
(530) 621-5487

JOE HARN
Auditor-Controller

BOB TOSCANO
Assistant Auditor-Controller

March 28, 2018

Members of the Board of Supervisors and
Citizens of the County of El Dorado:

This **Management's Discussion and Analysis** and letter of transmittal of the County of El Dorado's (County) financial statements presents a narrative overview and analysis of the County's financial activities during the fiscal year ended June 30, 2017. Please read it in conjunction with the County's financial statements following this section.

FINANCIAL HIGHLIGHTS

- The combined assets and deferred outflows of resources of the County exceeded its combined liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$255.1 million (net position). Of this, \$123.3 million was restricted for specific purposes (restricted net position), and \$357.1 million was net investment in capital assets. Unrestricted net position was a negative \$225.3 million, primarily due to the reporting of long-term net pension liability as prescribed by Governmental Accounting Standards Board (GASB) Statements Nos. 68 and 71.
- The total fund balances for the County's governmental funds amounted to \$239.6 million, an increase of \$8.6 million from the prior year. Approximately \$139.8 million of this total, or 58.3 percent, was either nonspendable or restricted for specific uses; and \$99.8 million, or 41.7 percent, was unrestricted as either committed, assigned, or unassigned and would be available to meet the County's current and future spending needs.
- At the end of the fiscal year the County's primary operating fund, the General Fund, had a fund balance of \$53.8 million. Approximately \$1.5 million was nonspendable. The remaining \$52.3 million, which approximated to 25.3 percent of the General Fund's total expenditures for the year, was unrestricted.
- The County's net investment in capital assets as of June 30, 2017 was \$357.1 million. This balance consisted of \$353.6 million for governmental activities and \$3.5 million for business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the financial statements. Required Supplementary Information is included in addition to the financial statements.

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

The statement of net position presents information on all County assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator in determining if the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but uncollected revenues and 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 their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services. The business-type activities of the County include Airports.

Component units are included in our financial statements and consist of legally separate organizations for which the County is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Component units of the County include the El Dorado Transit Authority, Children and Families Commission, and the El Dorado County Transportation Commission.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on current *inflows and outflows of spendable resources* as well as the *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's short-term financial position and the financial resources available in the near future to support the County's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

In addition to the *General Fund*, the County maintains several individual governmental funds organized according to their type (special revenue, capital projects, debt service, and permanent funds). Major funds are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Major governmental funds include the *General Fund*, the *Road Fund*, and the *CSA #7 Fund*. All other non-major governmental funds are presented in aggregate as *Other Governmental Funds*.

Proprietary Funds are comprised of *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses the enterprise fund to account for County Airports. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds for its health insurance and self-insurance programs (Risk Management Authority), which includes employee health benefits, retiree health benefits, general liability, and workers' compensation, and for its fleet operations and maintenance (Fleet Management). Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund financial statements provide similar information as the government-wide financial statements, only in more detail. These statements present the County's *business type activities-enterprise funds* and *governmental activities- internal service funds*. The *proprietary fund statements* present the County's *enterprise fund* (County Airports) along with the aggregate of the *internal service funds* activity. Additional *internal service funds* financial statements have been provided for Fleet Management and the Risk Management Authority, which provide the detail for each of these funds.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's programs. The County retains and reports Investment Trust and Agency type fiduciary funds.

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

Required Supplementary Information consists of the County's *pension plan contributions schedule*, *changes in net pension liability schedule*, as well as the *funding progress schedule* for the County's other post-employment benefits. It also includes the County's *General Fund and major fund budgetary comparison schedules* to demonstrate compliance with the County's adopted budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position can serve over time as a useful indicator of whether the County's financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring the County's overall financial position. The County's combined assets and deferred outflows of resources exceeded its combined liabilities and deferred inflows of resources by \$255.1 million at June 30, 2017. A comparative analysis of government-wide data is presented below.

**Net Position
June 30,
(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 311,361	\$ 297,830	\$ 209	\$ 480	\$ 311,570	\$ 298,310
Capital assets	353,626	348,364	3,458	3,662	357,084	352,026
Total assets	664,987	646,194	3,667	4,142	668,654	650,336
Deferred outflows of resources:						
Deferred pension outflows	69,950	25,796	--	--	69,950	25,796
Total deferred outflows of resources	69,950	25,796	--	--	69,950	25,796
Liabilities:						
Current and other liabilities	30,576	36,428	45	329	30,621	36,757
Long-term liabilities	446,212	376,260	17	38	446,229	376,298
Total liabilities	476,788	412,688	62	367	476,850	413,055
Deferred inflows of resources:						
Deferred pension inflows	6,704	17,110	--	--	6,704	17,110
Total deferred inflows of resources	6,704	17,110	--	--	6,704	17,110
Net Position:						
Net investment in capital assets	353,626	348,365	3,458	3,661	357,084	352,026
Restricted net position	123,333	117,187	--	--	123,333	117,187
Unrestricted net position	(225,514)	(223,360)	147	114	(225,367)	(223,246)
Total net position	\$ 251,445	\$ 242,192	\$ 3,605	\$ 3,775	\$ 255,050	\$ 245,967

Analysis of Net Position

By far the largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, structures and improvements, and equipment), less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, this portion of net position is not available for future spending.

An additional portion of the County's net position, \$123.3 million or 48.4 percent, represents resources that are subject to external restrictions on how they may be used.

The County's unrestricted net position balance of negative \$225.4 million is the result of reporting the net pension liability on the statements to comply with accounting standards (GASB Statements Nos. 68 and 71).

At the end of the most current fiscal year, the County is able to report positive balance in total net position for the government as a whole. The following table indicates the changes in net position for governmental and business-type activities:

Change in Net Position
June 30,
(in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 59,581	\$ 52,288	\$ 566	\$ 537	\$ 60,147	\$ 52,825
Operating grants and contributions	158,204	158,850	--	--	158,204	158,850
Capital grants and contributions	1,696	509	199	344	1,895	853
General Revenues:						
Taxes	121,070	114,990	--	--	121,070	114,990
Use of money and property	1,753	1,294	1	--	1,754	1,294
Other revenues	5,863	6,134	9	70	5,872	6,204
Total revenues	<u>348,167</u>	<u>334,065</u>	<u>775</u>	<u>951</u>	<u>348,942</u>	<u>335,016</u>
Expenses						
General government	39,151	40,814	--	--	39,151	40,814
Public protection	123,654	110,470	--	--	123,654	110,470
Public ways and facilities	48,263	50,961	--	--	48,263	50,961
Health and sanitation	59,055	56,925	--	--	59,055	56,925
Public assistance	64,079	57,475	--	--	64,079	57,475
Education	3,577	3,256	--	--	3,577	3,256
Recreation and culture	987	1,085	--	--	987	1,085
Interest on long-term debt	112	90	--	--	112	90
Airports	--	--	981	1,115	981	1,115
Total expenses	<u>338,878</u>	<u>321,076</u>	<u>981</u>	<u>1,115</u>	<u>339,859</u>	<u>322,191</u>
Excess (deficiency) before special items and transfers	9,289	12,989	(206)	(164)	9,083	12,825
Transfers	<u>(36)</u>	<u>(101)</u>	<u>36</u>	<u>101</u>	<u>--</u>	<u>--</u>
Change in net position	<u>9,253</u>	<u>12,888</u>	<u>(170)</u>	<u>(63)</u>	<u>9,083</u>	<u>12,825</u>
Net position at beginning of year	<u>242,192</u>	<u>229,304</u>	<u>3,775</u>	<u>3,838</u>	<u>245,967</u>	<u>233,142</u>
Net position at end of year	<u>\$ 251,445</u>	<u>\$ 242,192</u>	<u>\$ 3,605</u>	<u>\$ 3,775</u>	<u>\$ 255,050</u>	<u>\$ 245,967</u>

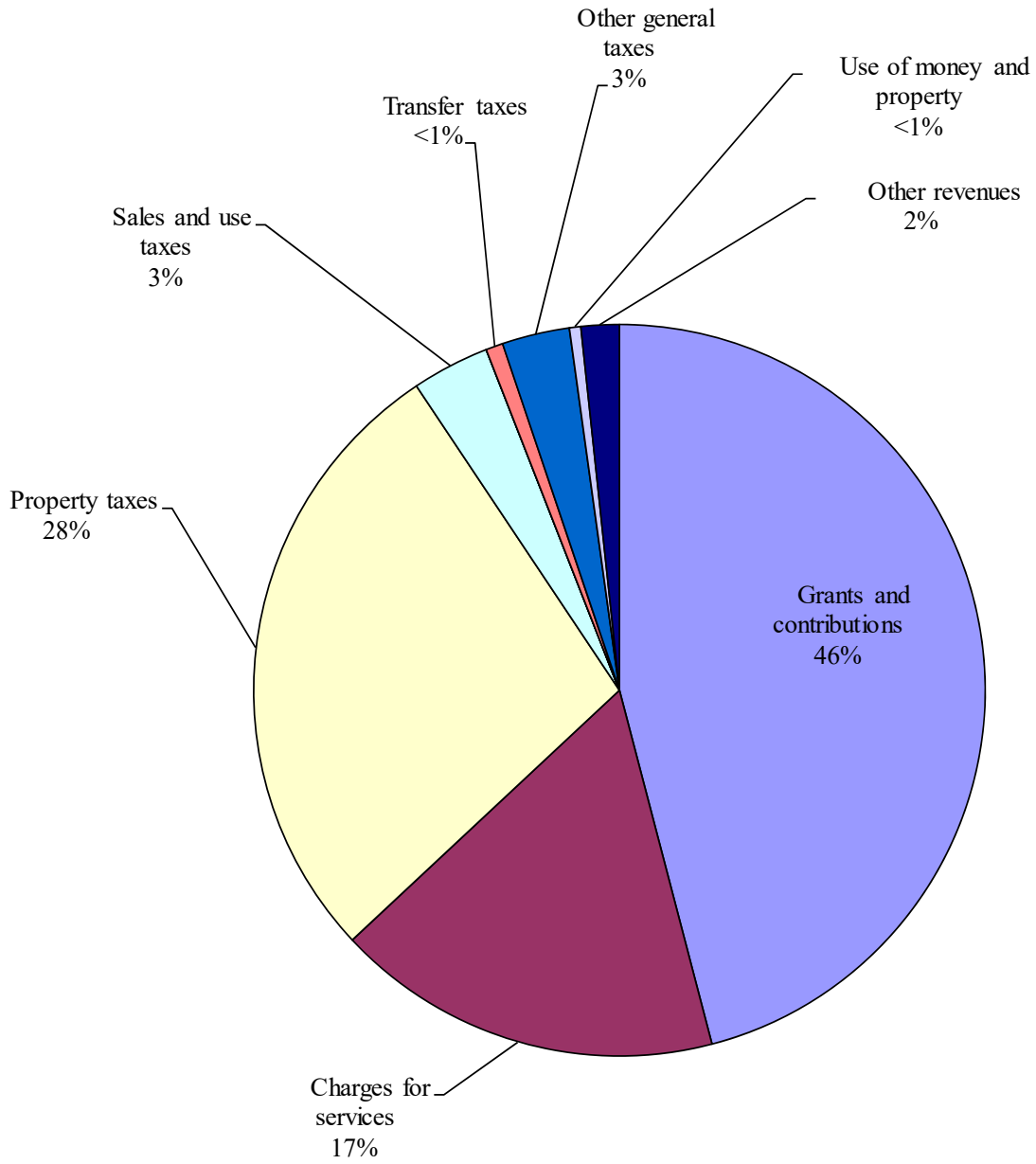
Governmental activities. The County experienced an overall increase in net position of \$9.1 million in 2017, compared to a \$12.9 million increase in 2016. This increase in net position was attributable entirely to **governmental activities**. Specifically, the \$9.1 million increase in net position attributable to governmental activities, resulted from a \$14.1 million or 4.2 percent increase in revenues accompanied by a \$17.8 million or 5.5 percent increase in expenses. The largest revenue increase, \$7.3 million, occurred in the charges for services category, followed by a \$6.1 million increase in taxes, a \$1.2 million increase in capital grants and contributions, and a \$460 thousand increase in use of money and property. These revenue increases were offset by a \$646 thousand decrease in operating grants and contributions and a \$271 thousand decrease in other revenues. The \$7.3 million increase in charges for services primarily resulted from \$1.5 million increase in construction permit charges, \$1.6 million increase in Traffic Impact Mitigation Fee revenues, and \$4.2 million increase in ambulance service revenues. The \$6.1 million increase in taxes was mainly the result of \$5.0 million increase in property taxes revenue and \$2.4 million increase in sales and use tax, offset by \$2.0 million decrease in payments in lieu of sales and use taxes.

As mentioned, while total revenues increased by 4.2 percent, total expenses also decreased by 5.5 percent in 2017 when compared to 2016. Further, and while expenses increased moderately in some of the functional areas, public protection and public assistance expenses increased significantly, by \$13.2 million or 11.9 percent, and \$6.6 million or 11.5 percent, respectively, in 2017 when compared to 2016. The majority of the increase in public protection expenses is attributable to the \$6.8 million increase of pension related expenses, and \$4.2 million decrease of capitalized expenditures. The increase in public assistance expenses is the result of \$2.1 million increase in pension related expenses, \$2.6 million increase in Social Services Administration expenses, \$1.0 million in Categorical Aids expenses, and \$823 thousand in Social Services Program expenses. These and other increases in expenses by governmental activities have been offset by decreases in public ways and facilities, general government, and recreation and cultural services expenses, down by \$2.7 million or 5.3 percent, \$1.7 million or 4.1 percent, and \$98 thousand or 9.0 percent, respectively, in 2017 when compared to 2016. The decrease in public ways and facilities expenses primarily resulted from the increase of capitalized expenditures.

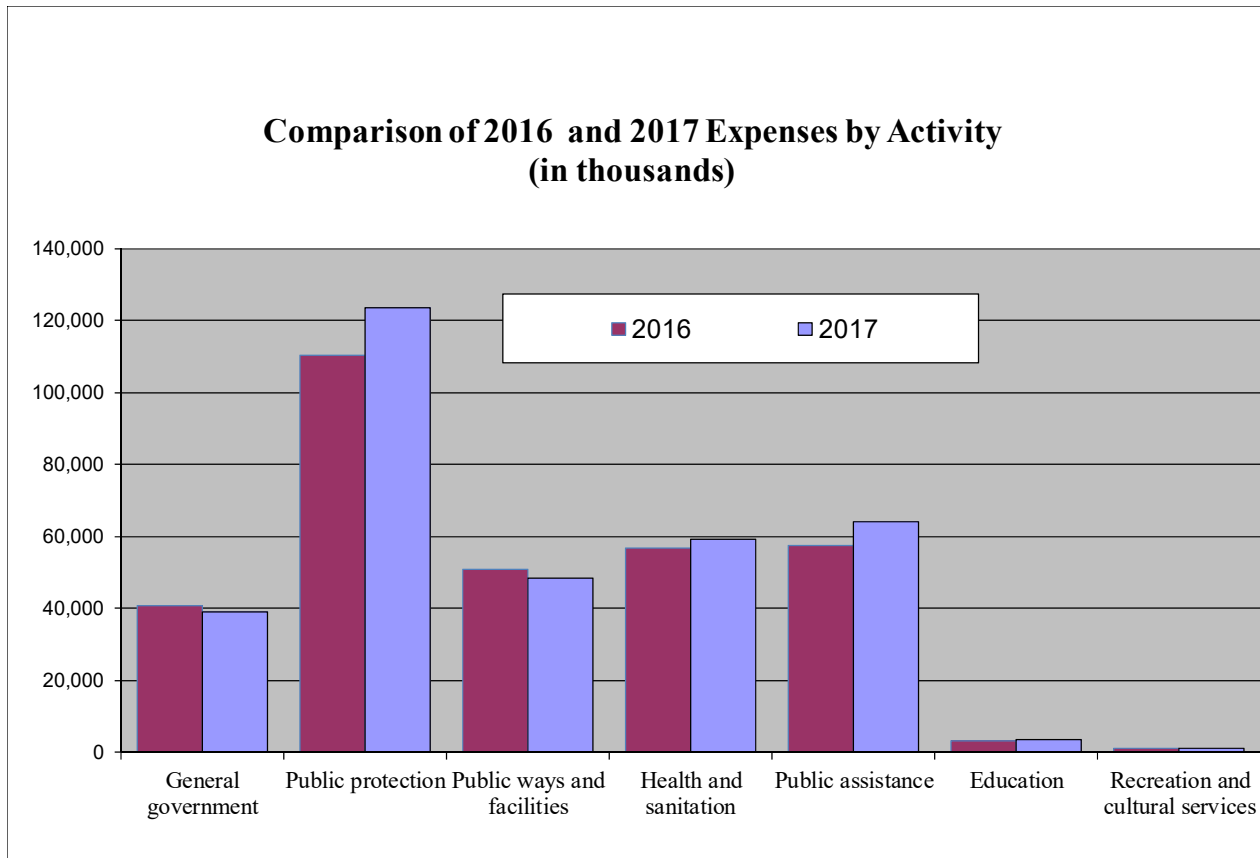
All functional expenses were affected by the recognition of the other post-employment benefits (OPEB) Retiree Health obligation (Retiree Health), the net pension liability, and the deferred pension inflows and outflows of resources. With the continued enforcement of the County's cap on the aggregate cost of the County's share of benefit costs and other modifications to those employees entitled to receive these benefits, the annual Retiree Health cost was \$8.6 million in 2017 compared to \$8.5 million in 2016. The Retiree Health liability increased in 2017 by \$5.9 million, same as last year. The effect of the cap on benefits of the Retiree Health defined benefit plan was that the County's share of benefit costs was reduced by 16.1 percent in 2017 and 16.5 percent in 2016. Further, the County reported total net pension liability of \$304.2 million and annual pension expense of \$34.2 million in 2017.

Following is a graphical presentation of the various revenue sources at the entity-wide level. As presented, the County received most of its recognized revenues from grants and contributions (46 percent), property taxes (28 percent), and charges for services (17 percent),

Revenues by Source-Governmental Activities



Below is a graph that presents a comparison of 2017 and 2016 expenses under each of the governmental activities,



Business-type activities. Business-type activities decreased the County's net position by \$170 thousand. This net decrease was the result of \$415 thousand in operating losses combined with \$51 thousand in transfer out, offset by \$10 thousand in non-operating revenues, \$199 thousand in capital grants contribution, and transfers in of \$87 thousand. Similar to prior years, the County Airports continued to operate at a loss, \$415 thousand in 2017 compared to \$578 thousand last year.

To help finance the operations of business-type activities in 2017, County governmental funds contributed \$87 thousand to the County Airports during the year.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental funds. Governmental activities are accounted for under the general, special revenue, capital project, debt service, and permanent 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 balances of expendable resources. Such information is useful in assessing the County's short-term financing requirements. In particular, the spendable and unrestricted fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of June 30, 2017, the County's governmental funds reported a combined ending fund balance of \$239.6 million, compared to the \$231.0 million fund balance of the previous year. Approximately 41.7 percent of this fund balance, or \$99.8 million, was unrestricted and thus would be available to meet the County's current and future spending needs. The remainder of the fund balance was either not spendable or restricted for specific uses.

The General Fund is the chief operating fund of the County. As of June 30, 2017, the General Fund's spendable and unrestricted fund balance was \$52.4 million; an increase of \$5.6 million from last year's spendable and unrestricted fund balance of \$46.8 million. This increase is entirely due to the net change or increase in the General Fund's fund balance of \$5.8 million during the year.

The June 30, 2017 spendable and unrestricted fund balance, as compared to General Fund expenditures for the year, was approximately 25.3 percent compared to 23.4 percent in 2016. Thus, without any additional revenue inflows, this fund balance could support the General Fund's activities for approximately 92 days compared to 85 days last year.

In addition to the General Fund, the County maintains two major governmental funds, the Road Fund and the CSA #7 Fund. The Road Fund accounts for the planning, design, construction, maintenance, and administration of the County's transportation activities (public ways and facilities). The Road Fund recorded revenue of \$19.9 million in 2017, compared to \$26.0 million last year. This \$6.1 million decrease was primarily due to a \$6.4 million decrease in intergovernmental revenue, offset or reduced by a moderate increase in charges for services. The \$6.4 million decrease in intergovernmental revenue was a result of the decreased funding from State and Federal sources, including State Highway Users Tax (gas tax) decrease of \$740 thousand, State Prop 1B decrease of \$1.4 million, Federal Highway Bridge Funding decrease of \$1.5 million, Federal Hazard Elimination funding decrease of \$1.2 million, and Federal Surface Transportation Program funding decrease of \$860 thousand. Similarly, expenditures decreased from \$53.9 million in 2016 to \$42.4 million in 2017. Thus, the \$6.1 million decrease in revenues, coupled with the \$11.5 million decrease in expenditures resulted in a \$22.6 million deficiency of revenues to expenditures compared to \$27.9 million deficit last year. With the \$17.4 million in net transfers from other funds, the relative net change in fund balance went from a \$4.2 million decrease in fiscal year 2016 to a \$5.2 million decrease in 2017.

The CSA #7 Fund is a special revenue fund used to account for special tax revenues that provide funding for ambulance services on Western Slope of El Dorado County. The CSA #7 Fund recorded revenue of \$11.9 million in 2017, comparable to the recorded revenue of \$12.1 million last year. Similarly, the expenditures recorded in 2017 totaled \$11.2 million, comparable to the \$11.7 million in 2016.

The combined governmental fund balances increased by \$8.6 million during 2017, compared to a \$2.1 million increase last year. This \$6.5 million increase to the net change in governmental fund balances was the result of 1.9 percent increase in revenues and 0.1 percent decrease in expenditures in 2017 when compared to 2016, resulting in a \$9.0 million excess of revenues to expenditures in 2017, compared to \$2.4 million in 2016, with \$328 thousand in other financing uses, compared to \$266 thousand last year.

Proprietary funds. As described earlier, when certain activities are performed for which user fees or charges are designed to cover expenditures, proprietary funds are used. The County accounts for both governmental activities (internal service funds) and business-type activities (enterprise funds) using these types of funds.

The internal service funds include the Fleet Management and Risk Management Authority funds. In fiscal year 2017, the Fleet Management realized a net operating income of \$274 thousand dollars and the Risk Management Authority a net operating loss of \$4.5 million, compared to a \$381 thousand of net operating income and \$5.8 million of net operating loss respectively last year. The operating loss by Risk Management was primarily attributable to the recognition of the OPEB Retiree Health obligation. In prior fiscal years this OPEB obligation was partially funded in addition to pay-as-you-go via the Retiree Health internal service rates charges to the various County departments and programs. In fiscal year 2010 this practice was discontinued and the County reverted back to a pay-as-you-go basis. Thus, while this pay-as-you-go funding reduced the expenditures incurred at the governmental fund level, the recognition of this liability and expense by the Risk Management Authority has resulted in \$71.5 million in deficit net position. Further, as a pay-as-you-go administered program, none of these additional costs were passed to the other funds, programs, or restricted funding sources via the internal service fund rates.

Business-type activities are accounted for under enterprise funds and include the County Airports; see the business-type activities section for a further discussion regarding the County Airports.

GENERAL FUND BUDGETARY ANALYSIS

The original and the final amended budgeted amounts available for appropriations (and budgeted appropriations) increased by \$2.5 million, or 0.9 percent. The largest of the revenue budget modifications included:

- \$1.8 million increase in Federal intergovernmental revenue,
- \$982 thousand increase in State intergovernmental revenue, and
- \$406 thousand increase in other financing sources.

The largest expenditure budget modifications included:

- \$249 thousand increase to the Elections appropriation, including \$234 thousand increase in services and supplies, and \$15 thousand increase in other financing uses,
- \$1.3 million increase to the Contributions to Other Funds appropriation, including \$825 thousand increase in services and supplies, and \$500 thousand increase in other charges,
- \$285 thousand increase to the Sheriff - Bailiff for the salaries and employee benefits, and
- \$201 thousand decrease to the Public Guardian appropriation, including \$158 thousand decrease in salaries and employee benefits, \$17 thousand decrease in services and supplies, and \$26 thousand decrease in intrafund transfers.

The overall variances between final resources budgeted and the actual amounts available for appropriations were moderate, with a negative or deficit variance of \$8.6 million or 3.1 percent. Specifically, compared to a final resource budget of \$280.3 million, actual funding equaled \$271.7 million. This variance included the following:

- \$1.1 million over budget in taxes and assessments,
- \$4.3 million under budget in Federal intergovernmental revenues,
- \$942 thousand under budget in charges for services, and
- \$969 thousand under budget in miscellaneous revenues.

The differences between the budgeted and actual expenditures, not including contingency, were significant. Specifically, expenditures fell \$43.5 million or 15.8 percent below the final budget. Variances occurred under each of the functions, whereby departments' expenditures fell below projections, the most significant of which included:

- General Government – Actual expenditures fell below final budget by \$22.8 million or 28.7 percent. While most of the general government operating units had expenditures that fell below their final budget, some showed considerable differences whereby actual expenditures fell below budget by \$400 thousand or more, including the County Administrative Office, County Counsel, Information Technologies, Engineer, Contributions to Other Funds, Contributions to Other Agencies, and Other General. The only operating unit that exceeded its final budget was the Central Services.
- Public Protection – Actual expenditures fell below final budget by \$13.8 million or 10.5 percent. Most of the departments under public protection fell below their budgets, with many departments falling significantly below budget (budget exceeded actual expenditures by over \$400 thousand) including Public Defender, Sheriff, Jail, Juvenile Hall, Probation, Building Inspector, Planning and Zoning, and Animal Services. The departments that exceeded their final budget included Sheriff-Bailiff, Coroner, and Emergency Services.
- Health and Sanitation Environmental Management – Actual expenditures fell below final budget by \$372 thousand or 13.9 percent, due mostly to the actual to budget variances of \$219 thousand in other charges.
- Public Assistance – Actual expenditures fell below final budget by \$5.5 million or 9.6 percent, mostly due to the Social Services Administration, Social Services Programs, and Categorical Aids, which fell below budget by \$3.0 million, \$1.6 million, and \$729 thousand, respectively.
- Education – County Library fell under budget by \$512 thousand or 13.6 percent, with salaries and benefits making up the majority, followed by services and supplies, and intrafund transfers.
- Recreational and Cultural Services – Actual expenditures fell below budget by \$547 thousand or 34.1 percent.

In general, both General Fund inflows and outflows fell below budget. Specifically, actual revenues, not including budgetary fund balance, fell \$8.6 million or 3.5 percent under budget while expenditures, not including contingency, fell \$43.5 million or 15.8 percent under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's net investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$357.1 million. The net investment in capital assets includes land and improvements, construction in progress, infrastructure, structures and improvements, and equipment. Additions to capital assets totaled \$30.4 million in 2017.

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

- \$404 thousand in additions to the land and land improvements due to the right of way purchases by the Road fund,
- \$11.7 million in additions to construction in progress,
- \$852 thousand in new road construction, including \$431 thousand for the US 50 Silva Valley Road Interchange,
- \$10.4 million in road reconstruction, including \$2.2 million for Ice House Road rehabilitation, \$829 thousand for Overlay Patterson Drive and Pleasant Valley Road, \$721 thousand for Cold Springs Road realignment, \$665 thousand for Salmon Falls at Glenesk Lane realignment, \$2.2 million for Green Valley Road at Weber Creek-Bridge replacement, \$973 thousand Blair Road over EID Canal Bridge replacement, \$539 thousand for Alder Drive at EID Canal Bridge replacement, and \$568 thousand for Mosquito Road Bridge/South Fork American River Bridge replacement,
- \$46 thousand for signals, safety and lighting,

- \$194 thousand for pedestrian ways and bike paths, including \$83 thousand for Silva Valley Parkway Class 1 and Class 2 Bike Lanes,
- \$1.3 million for storm drains,
- \$1.9 million for storm damage construction,
- \$250 thousand in additions to the structures and improvements, and
- \$3.3 million in additions to the equipment, including \$810 thousand in road construction and maintenance equipment, \$536 thousand in law enforcement equipment, and \$1.2 million of new vehicle purchases by Fleet Management.

Additional information on the County's capital assets can be found in note 4 in the notes to the financial statements.

Debt Administration and Long-Term Debt. As of June 30, 2017 the County's outstanding long-term debt totaled \$6.5 million. The components of this obligation consisted of notes payable associated with the Housing and Urban Development (HUD) Home program (\$6 million), and HUD State Community Development Block Grant (CDBG) Program (\$483 thousand). Additional information on the County's long-term debt can be found in note 6 in the notes to the financial statements.

OTHER LONG-TERM OBLIGATIONS

In addition to long-term debt, as of June 30, 2017, the County had other long-term liabilities of \$445.9 million associated with compensated absences (\$15.7 million), landfill closure (\$18.0 million), self-insurance (\$20.6 million), other post-employment benefits (\$87.4 million), and pension benefits (\$304.2 million). Additional information on the County's long-term obligations follows.

Post Employment Retirement Benefits.

The County has contractually obligated itself with various labor organizations to provide post employment retirement benefits to its employees and former employees. As a result, the County has assumed significant obligations to its retirees and future retirees. These obligations are described in the notes to the financial statements.

The Retiree's Health obligation has been partially presented, using a 20-year amortization period of Unfunded Actuarial Accrued Liability (UAAL) beginning at June 30, 2008, as a liability on the County's financial statements. As of June 30, 2017 the County recognized Retiree's Health liability at \$87.4 million. This liability was based on the assumption that the Board of Supervisors has enforced and will continue to enforce a cap on the County's contribution. Because the Retiree's Health benefit plan is a defined benefit plan, generally accepted accounting principles required that the County recognize its retiree's health obligation without the cap limitation until it was enforced by the Board of Supervisor's and began to impact the pattern of shared costs. The Board of Supervisors voted to enforce the cap in fiscal year 2012. The effect on benefits of the Retiree Health defined benefit plan was that the County's share of benefit costs was reduced by 16.1 percent in 2017 and 16.5 percent in 2016. The Retiree's Health plan has no assets held in a qualifying trust. However, the County has charged departments and programs to set aside cash to fund this obligation, which as of June 30, 2017 and 2016 totaled \$12,215,522 and \$12,237,669, respectively.

Further, the County has two pension plans: the miscellaneous plan and the safety plan. As prescribed by GASB Statement Nos. 68 and 71, the County reported net pension liability of \$187.2 million for its miscellaneous plan and \$117.0 million for its safety plan as of June 30, 2017.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the El Dorado County Auditor-Controller, 360 Fair Lane, Placerville, California 95667.

Respectfully submitted,

Joe Harn
El Dorado County Auditor-Controller

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COUNTY OF EL DORADO

Statement of Net Position
June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments	\$ 260,853,538	\$ 103,706	\$ 260,957,244	\$ 7,842,677
Restricted cash and investments	2,656,848	-	2,656,848	4,300,710
Accounts receivable	8,570,122	1,628	8,571,750	51,660
Special assessments receivable	66,632	-	66,632	-
Interest receivable	399,346	-	399,346	2,757
Notes receivable	10,465,068	-	10,465,068	-
Due from other governments	23,681,030	57,004	23,738,034	2,604,074
Inventories and prepayments	4,645,030	69,694	4,714,724	211,418
Internal balances	23,225	(23,225)	-	-
Capital assets				
Nondepreciable assets	71,611,293	407,522	72,018,815	1,419,514
Depreciable, net	282,014,849	3,050,790	285,065,639	10,546,320
Total Assets	664,986,981	3,667,119	668,654,100	26,979,130
Deferred Outflows of Resources				
Deferred pension outflows	69,950,255	-	69,950,255	1,550,604
Total Deferred Outflows of Resources	69,950,255	-	69,950,255	1,550,604
Liabilities				
Accounts payable	12,746,740	39,304	12,786,044	560,910
Accrued expenses	-	-	-	75,783
Accrued salaries and benefits	3,368,522	4,108	3,372,630	17,254
Accrued interest payable	399,346	-	399,346	-
Due to other governments	479,629	-	479,629	1,167,163
Unearned revenue	6,273,054	225	6,273,279	5,720,087
Retainage Payable	1,200,356	-	1,200,356	198
Long-term liabilities:				
Other liabilities	-	-	-	44,167
Liability for other post employment benefits (OPEB)				
Due beyond one year	87,370,644	-	87,370,644	-
Liability for self-insurance				
Due within one year	4,712,796	-	4,712,796	-
Due beyond one year	15,844,204	-	15,844,204	-
Liability for landfill closure and post-closure				
Due beyond one year	17,965,642	-	17,965,642	-
Net pension liability				
Due beyond one year	304,225,820	-	304,225,820	2,935,427
Long-term debt				
Due beyond one year	6,483,000	-	6,483,000	-
Compensated Absences				
Due within one year	1,395,908	1,629	1,397,537	263,226
Due beyond one year	14,322,336	16,468	14,338,804	241,727
Total Liabilities	476,787,997	61,734	476,849,731	11,025,942
Deferred Inflows of Resources				
Deferred pension inflows	6,704,314	-	6,704,314	327,252
Total Deferred Inflows of Resources	6,704,314	-	6,704,314	327,252
Net Position				
Net investment in capital assets	353,626,142	3,458,312	357,084,454	11,965,834
Restricted for				
Capital projects	25,156,402	-	25,156,402	-
Public safety	28,822,046	-	28,822,046	-
Community resources and public facilities	23,191,263	-	23,191,263	2,159,129
Health and public assistance	34,147,010	-	34,147,010	-
General government and support programs	10,808,818	-	10,808,818	-
Other purposes	1,206,840	-	1,206,840	2,253,140
Unrestricted	(225,513,596)	147,073	(225,366,523)	798,437
Total Net Position	\$ 251,444,925	\$ 3,605,385	\$ 255,050,310	\$ 17,176,540

The accompanying notes are an integral part of these financial statements.

COUNTY OF EL DORADO

Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Government activities:				
General government	\$ 39,151,488	\$ 10,446,860	\$ 12,561,234	\$ -
Public protection	123,653,784	14,285,232	31,459,812	-
Public ways and facilities	48,262,992	12,317,220	20,817,440	-
Health and sanitation	59,055,389	21,014,470	34,373,106	1,695,737
Public assistance	64,078,624	809,840	58,394,994	-
Education	3,577,410	416,108	339,724	-
Recreation and Cultural Services	986,997	291,274	257,243	-
Debt Service:				
Interest and fiscal charges on long-term debt	111,500	-	-	-
Total governmental activities	338,878,184	59,581,004	158,203,553	1,695,737
Business-type activities:				
Airports	980,555	566,025	-	198,928
Total business-type activities	980,555	566,025	-	198,928
Total Primary Government	\$ 339,858,739	\$ 60,147,029	\$ 158,203,553	\$ 1,894,665
Component Units:				
El Dorado County Transit Authority	\$ 8,502,571	\$ 1,583,433	\$ 5,377,673	\$ 4,541,758
Children and Families Commission	1,723,304	-	1,813,556	-
El Dorado County Transportation Commission	6,226,509	-	1,452,414	-
Total Component Units	\$ 16,452,384	\$ 1,583,433	\$ 8,643,643	\$ 4,541,758

General Revenues:

- Taxes:
 - Property
 - Sales and use
 - Transfer taxes
 - Other general taxes
- Unrestricted interest and investment earnings
- Other revenues
- Transfers

Total General Revenues and Transfers

Change in Net Position

Net position - July 1

Net position - June 30

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and
Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (16,143,394)		\$ (16,143,394)	
(77,908,740)		(77,908,740)	
(15,128,332)		(15,128,332)	
(1,972,076)		(1,972,076)	
(4,873,790)		(4,873,790)	
(2,821,578)		(2,821,578)	
(438,480)		(438,480)	
(111,500)		(111,500)	
(119,397,890)		(119,397,890)	
	\$ (215,602)	(215,602)	
	(215,602)	(215,602)	
(119,397,890)	(215,602)	(119,613,492)	
			\$ 3,000,293
			90,252
			(4,774,095)
			(1,683,550)
96,069,659	-	96,069,659	-
11,956,828	-	11,956,828	5,226,918
2,642,637	-	2,642,637	-
10,401,001	-	10,401,001	-
1,753,568	1,073	1,754,641	63,308
5,863,465	8,722	5,872,187	24,826
(36,251)	36,251	-	-
128,650,907	46,046	128,696,953	5,315,052
9,253,017	(169,556)	9,083,461	3,631,502
242,191,908	3,774,941	245,966,849	13,545,038
\$ 251,444,925	\$ 3,605,385	\$ 255,050,310	\$ 17,176,540

The accompanying notes are an integral part of these financial statements.

COUNTY OF EL DORADO

Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Road Fund	CSA #7	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 48,865,682	\$ 4,085,763	\$ 7,189,345	\$ 162,894,644	\$ 223,035,434
Restricted cash and investments	-	82,131	-	2,574,717	2,656,848
Accounts receivable	1,031,934	362,123	4,585,805	2,590,260	8,570,122
Special assessments	-	-	45,358	21,274	66,632
Notes receivable	-	-	-	10,465,068	10,465,068
Due from other funds	1,494,558	1,042,508	-	351,346	2,888,412
Due from other governments	8,255,885	3,685,184	-	11,738,040	23,679,109
Advances to other funds	430,000	-	-	-	430,000
Inventories	-	704,965	-	84,940	789,905
Prepaid expenses	1,044,447	17,649	-	371,936	1,434,032
Total Assets	\$ 61,122,506	\$ 9,980,323	\$ 11,820,508	\$ 191,092,225	\$ 274,015,562
Liabilities					
Accounts payable	\$ 3,512,395	\$ 2,165,734	\$ 99,034	\$ 6,600,365	\$ 12,377,528
Salaries and benefits payable	2,686,274	267,180	2,238	395,840	3,351,532
Due to other funds	-	-	-	2,865,187	2,865,187
Due to other governments	469,513	-	-	10,116	479,629
Advances from other funds	-	-	-	430,000	430,000
Unearned revenue	34,242	108,127	-	5,026,583	5,168,952
Retainage Payable	17,882	826,667	-	355,807	1,200,356
Total Liabilities	6,720,306	3,367,708	101,272	15,683,898	25,873,184
Deferred Inflows of Resources					
Unavailable revenue	553,193	832,661	4,564,552	2,596,793	8,547,199
Fund Balances					
Nonspendable	1,474,447	722,614	-	3,633,597	5,830,658
Restricted	-	1,205,077	7,154,684	125,596,014	133,955,775
Committed	6,296,500	3,852,263	-	22,254,698	32,403,461
Assigned	550,402	-	-	21,477,343	22,027,745
Unassigned	45,527,658	-	-	(150,118)	45,377,540
Total Fund Balances	53,849,007	5,779,954	7,154,684	172,811,534	239,595,179
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 61,122,506	\$ 9,980,323	\$ 11,820,508	\$ 191,092,225	\$ 274,015,562

The accompanying notes are an integral part of these financial statements.

COUNTY OF EL DORADO

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position - Governmental Activities
JUNE 30, 2017

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 239,595,179
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term interest receivables are not financial resources and therefore are not reported in the governmental funds.	399,346
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	345,904,501
Unavailable revenues are not available to pay for current period expenditures, and therefore, are deferred inflows of resources in the governmental funds.	8,547,199
Deferred outflows of resources reported in statement of net position	69,950,255
Internal service funds are used by the County to charge the cost of self-insurance risk management and management of fleet maintenance to individual funds. The assets and liabilities are included in governmental activities in the statement of net position. The net position of internal service funds is:	(61,539,365)
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.	(399,346)
Deferred inflows of resources reported in statement of net position	(6,704,314)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Notes payable	(6,483,000)
Compensated Absences	(15,634,068)
Liability for landfill closure and post-closure	(17,965,642)
Net pension liability	<u>(304,225,820)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 251,444,925</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF EL DORADO

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

	General Fund	Road Fund	CSA #7	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 103,881,016	\$ 35,513	\$ 4,694,012	\$ 12,462,960	\$ 121,073,501
Licenses, permits and franchises	11,021,910	749,450	-	1,257,507	13,028,867
Intergovernmental revenues	63,369,962	17,440,761	28,966	77,298,624	158,138,313
Use of money and property	410,671	41,597	55,320	966,614	1,474,202
Charges for services	11,206,761	1,128,774	6,796,239	20,951,082	40,082,856
Fines, forfeits and penalties	850,197	-	9,388	1,282,163	2,141,748
Miscellaneous revenues	1,878,469	386,156	314,000	2,616,420	5,195,045
Other revenues	10,652	75,258	1,900	2,588	90,398
Total Revenues	192,629,638	19,857,509	11,899,825	116,837,958	341,224,930
Expenditures					
Current					
General government	35,186,325	-	-	250,910	35,437,235
Public protection	112,635,240	-	-	4,863,293	117,498,533
Public ways and facilities	-	36,426,077	-	808,729	37,234,806
Health and sanitation	2,106,534	-	11,272,205	44,286,374	57,665,113
Public assistance	51,475,224	-	-	10,813,325	62,288,549
Education	3,255,153	-	-	974	3,256,127
Recreation and cultural services	991,355	-	-	-	991,355
Debt Service					
Interest	-	-	-	180	180
Capital Outlay	1,111,877	6,018,782	-	10,771,594	17,902,253
Total Expenditures	206,761,708	42,444,859	11,272,205	71,795,379	332,274,151
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,132,070)	(22,587,350)	627,620	45,042,579	8,950,779
Other Financing Sources (Uses)					
Transfers in	34,558,266	17,498,623	-	14,547,481	66,604,370
Transfers out	(14,578,965)	(74,071)	-	(52,279,369)	(66,932,405)
Total Other Financing Sources (Uses)	19,979,301	17,424,552	-	(37,731,888)	(328,035)
Net Change in Fund Balances	5,847,231	(5,162,798)	627,620	7,310,691	8,622,744
Fund Balances - Beginning of Year	48,001,776	10,942,752	6,527,064	165,500,843	230,972,435
Fund Balances - End of Year	\$ 53,849,007	\$ 5,779,954	\$ 7,154,684	\$ 172,811,534	\$ 239,595,179

The accompanying notes are an integral part of these financial statements.

COUNTY OF EL DORADO

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 8,622,744

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

Government funds report capital outlay 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.

Capital outlays	\$ 29,010,324	
Depreciation	<u>(24,047,294)</u>	4,963,030

Disposal of capital assets: proceeds from the sale of capital assets are
a financial resource in governmental funds, but only the net gain
or loss is presented in the statement of activities. (159,957)

Because long-term receivables will not be collected within the year,
they are reported as deferred inflows of resources in the
governmental funds. Unavailable revenues decreased by this amount
this year: 6,124,280

Because long-term interest receivables will not be collected within the year,
they are not considered available resources and are not reported
in governmental funds. Long-term interest receivables increased by this amount: 111,193

Some revenues reported in the statement of activities do not result in the
increase of current financial resources and, therefore, are not reported as
revenues in governmental funds. 1,232

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 governmental funds.

Change in compensated absences		(487,476)
Change in accrued interest payable		(111,320)
Change in liability for closure and post-closure		(230,556)
Change in net pension liability and deferred pension inflows/outflows		(6,533,596)

Internal service funds are used by the County to charge the costs
of certain activities, such as insurance, to individual funds. The net
revenue (expense) of the internal service funds is reported with
governmental activities. (3,046,557)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 9,253,017

COUNTY OF EL DORADO

Statement of Net Position Proprietary Funds June 30, 2017

	Business - Type Activities		Governmental Activities
	County Airports	Total Enterprise Funds	Internal Service Funds
Assets			
Current Assets:			
Cash and investments	\$ 103,706	\$ 103,706	\$ 37,818,104
Accounts receivable	1,628	1,628	-
Due from other funds	1,775	1,775	-
Due from other governments	57,004	57,004	1,921
Deposits	27,696	27,696	83,100
Inventories	41,998	41,998	47,314
Prepaid expenses	-	-	2,290,679
	233,807	233,807	40,241,118
Total Current Assets			
Noncurrent Assets:			
Capital Assets:			
Land	319,665	319,665	40,000
Construction in progress	87,857	87,857	-
Structures and improvements	9,516,365	9,516,365	173,128
Equipment	43,703	43,703	13,141,380
Accumulated depreciation	(6,509,278)	(6,509,278)	(5,632,867)
Total Capital Assets, Net of Accumulated Depreciation	3,458,312	3,458,312	7,721,641
Total Noncurrent Assets	3,458,312	3,458,312	7,721,641
	3,692,119	3,692,119	47,962,759
Total Assets			
Liabilities			
Current Liabilities			
Accounts payable	39,304	39,304	369,212
Salaries and benefits payable	4,108	4,108	16,990
Due to other funds	25,000	25,000	-
Unearned revenues	225	225	1,104,102
Liability for self-insurance	-	-	4,712,796
Compensated absences - due in one year	1,629	1,629	7,575
	70,266	70,266	6,210,675
Total Current Liabilities			
Noncurrent Liabilities			
Liability for self-insurance	-	-	15,844,204
Other post employment benefits (OPEB)	-	-	87,370,644
Compensated absences - due beyond one year	16,468	16,468	76,601
	16,468	16,468	103,291,449
Total Noncurrent Liabilities			
	86,734	86,734	109,502,124
Total Liabilities			
Net Position			
Net investment in capital assets	3,458,312	3,458,312	7,721,641
Restricted	-	-	2,149,816
Unrestricted	147,073	147,073	(71,410,822)
	\$ 3,605,385	\$ 3,605,385	\$ (61,539,365)
Total Net Position (Deficit)			

The accompanying notes are an integral part of these financial statements.

COUNTY OF EL DORADO

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

	<u>Business -Type Activities</u>		<u>Governmental</u>
	<u>County</u>	<u>Total Enterprise</u>	<u>Activities</u>
	<u>Airports</u>	<u>Funds</u>	<u>Internal Service</u>
			<u>Funds</u>
Operating Revenues			
Service fees	\$ 566,025	\$ 566,025	\$ 43,932,515
Total Operating Revenues	<u>566,025</u>	<u>566,025</u>	<u>43,932,515</u>
Operating Expenses			
Salaries and benefits	260,307	260,307	1,025,548
Services and supplies	425,056	425,056	46,258,762
Depreciation	295,192	295,192	843,888
Total Operating Expenses	<u>980,555</u>	<u>980,555</u>	<u>48,128,198</u>
Operating Income (Loss)	<u>(414,530)</u>	<u>(414,530)</u>	<u>(4,195,683)</u>
Non-Operating Revenues (Expenses)			
Interest income	1,073	1,073	168,173
Gain (Loss) on sale of capital assets	-	-	(29,501)
Miscellaneous nonoperating revenue	8,722	8,722	625,748
Total Non-Operating Revenues	<u>9,795</u>	<u>9,795</u>	<u>764,420</u>
Income (Loss) Before Transfers and Capital Contributions	<u>(404,735)</u>	<u>(404,735)</u>	<u>(3,431,263)</u>
Transfers In (Out) and Capital Contributions			
Transfers in	87,390	87,390	344,547
Transfers out	(51,139)	(51,139)	(52,763)
Capital contributions	198,928	198,928	92,922
Total Transfers and Capital Contributions	<u>235,179</u>	<u>235,179</u>	<u>384,706</u>
Change in Net Position	(169,556)	(169,556)	(3,046,557)
Net Position - Beginning of Year	<u>3,774,941</u>	<u>3,774,941</u>	<u>(58,492,808)</u>
Net Position - End of Year	<u>\$ 3,605,385</u>	<u>\$ 3,605,385</u>	<u>\$ (61,539,365)</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF EL DORADO

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

	Business-Type Activities		Governmental Activities
	County Airports	Total Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 567,791	\$ 567,791	\$ -
Cash receipts from interfund services provided	-	-	45,036,639
Cash paid to suppliers for goods and services	(697,259)	(697,259)	(38,189,257)
Cash paid to employees for salaries and benefits	(295,377)	(295,377)	(1,044,410)
Net cash provided (used) by operating activities	(424,845)	(424,845)	5,802,972
Cash Flows From Noncapital Financing Activities:			
Cash received from (paid to) other funds	7,062	7,062	(612,216)
Cash received from (paid to) other governmental agencies	-	-	(1,921)
Non-operating receipts	8,722	8,722	625,748
Net cash provided (used) by noncapital financing activities	15,784	15,784	11,611
Cash Flows From Capital and Related Financing Activities:			
Proceeds from sale of capital assets	-	-	55,043
Payments related to the acquisition of capital assets	(92,164)	(92,164)	(1,292,655)
Capital contributions	476,542	476,542	-
Net cash provided (used) by capital and related financing activities	384,378	384,378	(1,237,612)
Cash Flows From investing Activities:			
Interest received (paid)	1,073	1,073	168,173
Net cash provided (used) by investing activities	1,073	1,073	168,173
Net Increase (Decrease) in Cash and Cash Equivalents	(23,610)	(23,610)	4,745,144
Cash and Cash Equivalents, Beginning of Year	127,316	127,316	33,072,960
Cash and Cash Equivalents, End of year	\$ 103,706	\$ 103,706	\$ 37,818,104

Continued

The accompanying notes are an integral part of these financial statements.

COUNTY OF EL DORADO

Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities		Governmental Activities
	County Airports	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	(414,530)	(414,530)	(4,195,683)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	295,192	295,192	843,888
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	1,541	1,541	22
Inventory	(9,859)	(9,859)	(11,948)
Deposits and prepaid expenses	7,834	7,834	5,110
Increase (decrease) in:			
Accounts payable	(270,178)	(270,178)	(386,075)
Salaries payable	(11,116)	(11,116)	(31,764)
Unearned revenues (service fees)	225	225	1,104,102
Liability for compensated absences	(23,954)	(23,954)	12,902
Liability for self-insurance	-	-	2,586,000
Liability for other post employment benefits (OPEB)	-	-	5,876,418
Net Cash Provided (Used) by Operating Activities	\$ (424,845)	\$ (424,845)	\$ 5,802,972

The accompanying notes are an integral part of these financial statements.

COUNTY OF EL DORADO

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Investment Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and investments	\$ 215,218,299	\$ 15,195,835
Interest receivable	1,222,909	76,399
Taxes receivable	-	19,769,597
	<u> </u>	<u> </u>
Total Assets	<u>216,441,208</u>	<u>35,041,831</u>
Liabilities		
Accounts payable	1,627,840	419,804
Salaries and benefits payable	434,563	-
Fiduciary liabilities	-	34,622,027
	<u> </u>	<u> </u>
Total Liabilities	<u>2,062,403</u>	<u>35,041,831</u>
Net Position		
Net position held in trust for external pool participants	<u>214,378,805</u>	<u>-</u>
	<u> </u>	<u> </u>
Total Net Position	<u>\$ 214,378,805</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF EL DORADO

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

	Investment Trust Funds
Additions:	
Contributions to investment pool	\$ 1,278,441,111
Interest and investment income	1,307,594
Total Additions	<u>1,279,748,705</u>
Deductions:	
Distributions from investment pool	<u>1,281,229,652</u>
Total Deductions	<u>1,281,229,652</u>
Changes in Net Position	(1,480,947)
Net Position - Beginning	<u>215,859,752</u>
Net Position - Ending	<u>\$ 214,378,805</u>

The accompanying notes are an integral part of these financial statements.

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COUNTY OF EL DORADO

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The County of El Dorado (the "County") is a political subdivision of the State of California (the "State"). As such, it can exercise the powers specified by the Constitution and statutes of the State. The County's powers are exercised through a Board of Supervisors (the "Board"), which acts as the governing body of the County. The Board is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including law and justice, education, detention, social, health, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning and tax collection.

The governmental reporting entity consists of the County (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The following circumstances set forth the County's financial accountability for a legally separate organization.

- The County is financially accountable if it appoints a voting majority of the organization's governing body *and* (1) it is able to impose its will on that organization *or* (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.
- The County is financially accountable if an organization is fiscally dependent on *and* there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities, are in substance, part of the County's operations and so data from these units are combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon activities taken by the County's Board. Financial information on these component units may be obtained from the County Auditor/Controller's Office.

Blended Component Units: The following component units are blended into the County's financial statements because the governing board members are substantively the same as the County Board of Supervisors and the County's management has operational responsibility for these component units.

- The County Service Areas are separate legal entities created to provide services such as water, sewer, lighting and road maintenance throughout the County.
- The Air Quality Management District was established as a separate legal entity to maintain and improve the County's air quality.
- The In-Home Supportive Services Public Authority was created for the purpose of collective bargaining for in-home supportive services (IHSS) providers.
- The El Dorado County Housing Authority was formed to issue certificates and vouchers for Section 8 housing.

COUNTY OF EL DORADO

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

A. **Description of the Reporting Entity** (continued)

Blended Component Units: (continued)

- The El Dorado County Bond Authority was established pursuant to a joint exercise of powers agreement between the County and the El Dorado Redevelopment Agency to obtain financing for public capital improvements.
- The El Dorado Hills Business Park Light and Landscape District was formed to provide lighting and landscaping to the business park in El Dorado Hills.

The following component unit is blended into the County's financial statements because its total debt outstanding, if any, is expected to be repaid entirely or almost entirely with the County's resources.

- The County Water Agency is a separate legal entity formed to provide water service within the County.

Discretely Presented Component Units: The following component units are discretely presented because their governing boards are not substantively the same as that of the County and they do not meet other criteria as blending component units.

- The Children and Families Commission of El Dorado County (the Commission) was established in December 1998, under the authority of the California Children and Families First Act of 1998 and sections 130100, et seq. of the Health and Safety Code. The County Board appointed all members of the Commission. The Board can remove appointed members at will. The Commission accounts for receipts and disbursements of California Children and First Families Trust Fund (Proposition 10) allocations and appropriations for the Commission.
- The El Dorado County Transit Authority (EDCTA) was established pursuant to a joint exercise of powers agreement by and between the County and the City of Placerville to provide transit services. The County Board appoints three of the five EDCTA board members.
- The El Dorado County Transportation Commission (EDCTC) was created pursuant to Section 29532 and 29535 of the California Government Code as a local transportation commission for the western slope of the County in 1975 to administer transportation planning and allocate the funds in accordance with the Transportation Development Act. Provided by the law change through California Assembly Bill No. 1204, the County Board appoints four of the seven EDCTC voting board members.

The reporting entity excludes certain separate legal entities which may have "El Dorado" in their title, or which are required to keep their funds in the County Treasury or receive their tax apportionment from the County. Examples are school districts and a variety of special purpose districts for fire protection, recreation and parks, etc. These entities are autonomous organizations with their own governmental powers and constituencies over which the County Board has no oversight responsibility. Accordingly, they are not included in the accompanying combined financial statements, except as to their assets held by the County (principally cash and investments held by the County Treasury) as discussed under "Fiduciary Funds."

COUNTY OF EL DORADO

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

A. **Description of the Reporting Entity** (continued)

Also, excluded from the reporting entity are the following Joint Power Authorities (JPA):

- American River Authority. The County participates with Placer County, Placer County Water Agency, El Dorado County Water Agency, and San Joaquin County in this Joint Powers Authority that was created to facilitate construction of a dam, reservoir and hydroelectric power facilities at the Auburn Dam Site. The participants share the costs of operating the JPA equally. The governing board consists of one member from each of the participants and a public resident who alternates among El Dorado, Placer and San Joaquin County.
- El Dorado County-Folsom Joint Powers Agreement. The County participates with the City of Folsom in this JPA, the purpose of which is to manage growth toward the goal of achieving an improved quality of life for the citizens of both political jurisdictions. The governing board consists of two members from each of the participating entities.
- Sacramento-Placerville Transportation Corridor Joint Powers Agreement. The County participates with Sacramento County, the City of Folsom and Regional Transit in this JPA. The agency was formed to acquire the Placerville Branch of the Southern Pacific Railroad Right of Way. The participants share the costs of operating the Joint Powers Authority equally. The board is made up of one member from each participant and one public member at large.

B. **Basis of Presentation**

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for 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 expenses reported for individual functions and activities. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted components of net position are available, restricted resources are used just before the unrestricted resources are used.

COUNTY OF EL DORADO

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. **Basis of Presentation** (continued)

Fund Financial Statements

The fund financial statements provide information about the County's funds, including blended component units and fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. *Operating* revenues, such as charges for services, result from exchange transactions associated with the principal activities of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. *Operating* expenses include costs of providing services and delivering goods. All other expenses not meeting this definition are reported as nonoperating expenses.

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 general government, public protection, health and sanitation, public assistance, education, and recreation and cultural services.
- The Road Fund is a special revenue fund used to account for funds allocated for the planning, design, construction, maintenance and administration of County transportation activities (public ways and facilities). The Road Fund's revenues primarily come from intergovernmental sources. The State provides the allocation to the Road Fund from sources such as gas taxes, transportation planning funds and Proposition 1B. The federal government also provides funding through various federal construction funds. In addition, Road Fund receives operating transfers of local revenues generated from road improvement fees and traffic impact mitigation fees charged on new development.
- The CSA #7 Fund is a special revenue fund used to account for special tax revenues that provide funding for ambulance services on Western Slope of El Dorado County. The tax is applied to each parcel of property, improvements and uses conducted thereon. In addition, ambulance service fee revenues are accounted for through this fund.

The County reports the following nonmajor enterprise fund:

- The County Airports Fund accounts for the activities of the County airports.

In addition, the County reports the following additional fund types:

- Internal Service Funds – Fleet Management and Risk Management Authority are internal service funds used to account for the County's fleet maintenance provided to other departments, and for employee and retiree health benefits and self-insurance programs including workers' compensation, personal injury and property damage on a cost-reimbursement basis.

COUNTY OF EL DORADO

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. **Basis of Presentation** (continued)

Fund Financial Statements (continued)

- Investment Trust Funds – Investment Trust Funds account for the assets, primarily cash and investments, of legally separate entities that deposit cash with the County Treasury in an investment pool, which commingles resources in an investment portfolio for the benefit of all participants. These participants include school and community college districts, other special districts governed by local boards, regional boards and authorities.
- Agency Funds – Agency Funds are custodial in nature and do not involve measurement of the results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the County as an agent for individuals and other government units.

C. **Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The government-wide and proprietary 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 does not give (or receive) equal value in exchange, includes property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year for 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 earned, measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within 180 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

D. **Cash and Investments**

The County maintains an investment pool that is managed by the County Treasurer. The County Treasury 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. The State of California (State) statutes authorize the County to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

COUNTY OF EL DORADO

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

D. Cash and Investments (continued)

Participants' 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 accredited discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every month. Unrealized gains or losses are not apportioned to pool participants.

Income from pooled investments is allocated to the individual funds or external participants based on the fund or participants' average daily cash balance at month end in relation to the total pool investments.

E. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasury investment pool, to be cash equivalents.

F. Mortgages Receivables

Governmental fund long-term mortgage receivables arise from mortgage subsidiary programs. These long-term receivables are recorded in the governmental fund balance sheet as well as in the governmental activities of the government-wide statement of net position.

G. Inventories and Prepaid Expenses

Inventories of expendable supplies are valued at the lower of cost (first-in, first-out) or market. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventory is equally offset by the nonspendable fund balance to indicate that portion of fund balance is not in spendable form.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Similarly, reported prepaid expenses are equally offset by the nonspendable fund balance.

H. Capital Assets and Depreciation

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The County defines infrastructure and building and improvements as purchases or improvements with an aggregate cost of more than \$10,000 and with useful life of more than one year. The County defines equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. This threshold was increased from \$1,500 to \$5,000 effectively July 1, 2015.

The estimated useful lives are as follows:

Infrastructure (except for the maintained pavement subsystem)	15 to 25 years
Structures and improvements	8 to 50 years
Equipment	3 to 20 years

COUNTY OF EL DORADO

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Capital Assets and Depreciation (continued)

Governmental Funds – Capital assets that the County acquires through the use of resources from a governmental fund are recorded as an outflow/expenditure for the period. Further, since the governmental fund balance sheet presents only those assets that represent financial resources available for current appropriation and expenditure, capital assets are not reported in a specific governmental fund but, rather, are reported in the government-wide statement of net position. Leasehold improvements of governmental funds are amortized in the government-wide statements using the straight-line method over the lesser of the lease period or their estimated useful lives. Other capital assets of governmental funds are depreciated in the government-wide statements using the straight-line method over their estimated useful lives.

Proprietary Funds – Capital assets are capitalized and depreciated using the straight-line method over their estimated useful lives; however, the Fleet Management Fund uses the “per mile” depreciation method, which approximates the straight-line method.

I. Property Tax Levy, Collection and Maximum Rates

The State Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent (1%) of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value, as defined by Article XIII A, and may be adjusted by no more than two percent (2%) per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent (1%) tax levy among the County, cities, school districts, and other districts. The total 2016-2017 net assessed valuation of the County was \$29,659,230,220.

Secured property taxes are recorded as revenues when levied under the alternate plan described in Division I, Part 8, Chapter 3 of the Revenue and Taxation Code of the State so that fund balances include property taxes apportioned but not collected. Unsecured taxes are recorded as revenues when collected. The County’s property tax calendar is as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien date	January 1	January 1
Levy date	July 1	July 1
Due dates:		
First installment	November 1	January 1
Second installment	February 1	
Delinquent dates:		
First installment	December 10	August 31
Second installment	April 10	

J. Compensated Absences (Accrued Vacation, Sick Leave and Compensatory Items)

The County’s policy allows employees to accumulate earned but unused vacation, sick leave, and compensatory time-off. Vacation pay may be accumulated to a maximum of six to eight weeks depending on the employee’s years of service and is payable upon termination. Employees with at least five years of service receive a percentage of their unused sick leave upon termination ranging from 20% at five years to 100% at twenty years up to a maximum cap between 500 to 504 hours. Compensated time off may be accumulated up to a maximum of 160 to 200 hours depending on the employee’s bargaining unit and, similar to vacation pay, is payable upon termination.

COUNTY OF EL DORADO

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. **Compensated Absences (Accrued Vacation, Sick Leave and Compensatory Items)** (continued)

Governmental Funds – Because vacation, sick leave and compensatory time-off balances do not require the use of expendable financial resources, no liability is recorded within the governmental funds. However, this liability is reflected in the government-wide statement of net position.

Proprietary Funds – Vacation, sick leave and compensatory time-off are recorded as an expense and the related salaries and benefits liability in the year earned. Accrued but unpaid liabilities at year-end are recorded in the respective funds.

K. **Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). 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 to other funds reported in the General Fund financial statement are offset by the nonspendable fund balance to indicate that they are not in spendable form.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between *governmental activities* or *business-type activities* are netted as part of the reconciliation to the government-wide presentation.

L. **Self-Insurance**

The County self-insures for property damage, liability, workers' compensation, and unemployment claims. Self-insurance programs are accounted for in an internal service fund and interfund charges are treated as quasi-external transactions.

M. **Pensions**

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

COUNTY OF EL DORADO

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows and Inflows of Resources

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position" and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", the County recognized deferred outflows and 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 assets by the County that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/ expenditure) until then. The County has only one type of deferred outflows of resources, which is from pension activities and is reported in the government-wide 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 assets by the County that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. The County has two types of deferred inflows of resources. The first type, unavailable revenue, arises under the modified accrual basis of accounting and therefore, is reported only in the governmental fund balance sheet. The second type is from pension activities and is reported in the government-wide statement of net position.

O. Net Position and Fund Balances

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:* This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position:* This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Included in governmental activities restricted net position at June 30, 2017, is net position restricted by enabling legislation of \$117.7 million.
- *Unrestricted Net Position:* This category represents net position of the County, not restricted for any project or other purpose.

COUNTY OF EL DORADO

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. **Net Position and Fund Balances** (continued)

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balances in classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources reported in those funds. As of June 30, 2017, fund balances for governmental funds comprise the following based on the relative strength of the constraints that control how specific amounts can be spent:

- *Nonspendable Fund Balance:* This category includes 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:* This category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance:* This category includes amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision-making authority (resolution by the County's Board). Commitments may be changed or lifted only by the County's Board taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance:* This category comprises amounts intended to be used by the County for specific purposes that are neither restricted nor committed. *Intent* is expressed by (a) the County's Board or (b) a body (a budget or finance committee, for example) or official to which the County's Board has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance:* This category is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification was used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In circumstances when an expenditure is incurred for purposes for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

General Fund General Reserves and Contingency

The County's Board has established policies with adoption of the annual budget to establish and maintain General Fund General Reserves and Contingency.

- *General Reserves:* should be maintained at a target of five percent (5%) of adjusted General Fund budget. General Reserves are to be maintained at this level at all times, except in the case of a Board recognized fiscal emergency.
- *Appropriation for Contingencies:* should be established annually at a minimum of three percent (3%) of adjusted General Fund appropriations. Funds are to be used during the fiscal year to address unanticipated expenditure increases or revenue decreases. The use of contingency funds requires the County's Board and the Chief Administrative Office approval.

COUNTY OF EL DORADO

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

O. **Net Position and Fund Balances** (continued)

General Fund General Reserves and Contingency (continued)

For 2016-2017, the appropriation for contingencies in General Fund budget was \$4.7 million. As of June 30, 2017, the balance of General Fund General Reserves was \$8.3 million. General Fund General Reserves and Contingency are reported within unassigned fund balances because they do not meet the criteria to be reported within the restricted or committed classifications.

P. **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates and the differences may be material.

Q. **Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

R. **Implementation of GASB Statements**

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which is effective for periods beginning after June 15, 2015 for certain provisions and for periods beginning after June 15, 2016 for remaining provisions. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. There was no impact to the County's financial statements as a result of implementation of this statement.

COUNTY OF EL DORADO

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

R. **Implementation of GASB Statements** (continued)

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for periods beginning after June 15, 2016. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the specified criteria. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. There was no impact to the County's financial statements as a result of implementation of this statement.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for periods beginning after December 15, 2015. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. This statement was implemented by the County during fiscal year ended June 30, 2017.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is effective for periods beginning after December 15, 2015. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The County has determined this statement to be not applicable.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, which is effective for periods beginning after June 15, 2015 for certain provisions and for periods beginning after December 15, 2015 for remaining provisions. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The County has determined this statement to be not applicable.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB No. 14*, which is effective for periods beginning after June 15, 2016. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The County has determined this statement to be not applicable.

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68 and No. 73*, which is effective for periods beginning after June 15, 2016 for most provisions. Paragraph 7 of this statement is effective for the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017 if an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

COUNTY OF EL DORADO

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Implementation of GASB Statements (continued)

Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement was implemented by the County during fiscal year ended June 30, 2017 for provisions effective for periods beginning after June 15, 2016.

S. New Accounting Pronouncements

GASB recently released the following new accounting and financial reporting standards, which may have significant impacts on the County's financial reporting process.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is issued in June 2015 and effective for periods beginning after June 15, 2017. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, is issued in March 2016 and effective for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is issued in November 2016 and effective for periods beginning after June 15, 2018. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations.

GASB Statement No. 84, *Fiduciary Activities*, is issued in January 2017 and effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 85, *Omnibus 2017*, is issued in March 2017 and effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is issued in May 2017 and effective for periods beginning after June 15, 2017. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB Statement No. 87, *Leases*, is issued in June 2017 and effective for periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

COUNTY OF EL DORADO

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

NOTE 2: CASH AND INVESTMENTS

The County Treasurer manages an investment pool as prescribed in the County's investment policy. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds using a formula based on the average daily cash balance of each fund.

The investment pool includes both voluntary and involuntary participation from external entities. The State of California statutes require schools, certain special districts and other governmental entities to maintain their cash surplus with the County Treasury pool.

The County investment pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. Investments made by the County Treasury are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, public trust, and yield.

The County Board of Supervisors reviews and approves the investment policy annually. The County Treasury prepares and submits a comprehensive investment report to the investment pool participants every quarter. The report covers the type of investments in the pool, maturity dates, par value, actual costs and fair value.

As of June 30, 2017, total County cash and investments were as follows:

	<u>Pooled Treasury</u>	<u>External to Pool</u>	<u>Total</u>
Cash:			
Imprest cash	\$ --	\$ 242,800	\$ 242,800
Cash on hand	500	--	500
Deposits	58,139,964	9,337,114	67,477,078
Total Cash	<u>58,140,464</u>	<u>9,579,914</u>	<u>67,720,378</u>
Investments	<u>437,253,860</u>	<u>1,197,375</u>	<u>438,451,235</u>
Total Cash and Investments	<u>\$ 495,394,324</u>	<u>\$ 10,777,289</u>	<u>\$ 506,171,613</u>

COUNTY OF EL DORADO

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Total cash and investments as of June 30, 2017 were presented on the County's financial statements as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
County Investment Pool:				
Unrestricted	\$ 260,714,844	\$ 228,667,823	\$ 1,991,646	\$ 491,374,313
Restricted	2,574,717	--	1,445,294	4,020,011
Total in County Investment Pool	<u>263,289,561</u>	<u>228,667,823</u>	<u>3,436,940</u>	<u>495,394,324</u>
External to Pool:				
Other restricted cash and investments	82,131	--	2,855,416	2,937,547
Other unrestricted cash and investments	--	1,746,311	5,850,631	7,596,942
Imprest cash	242,400	--	400	242,800
Total External to Pool	<u>324,531</u>	<u>1,746,311</u>	<u>8,706,447</u>	<u>10,777,289</u>
Total Cash and Investments	<u>\$ 263,614,092</u>	<u>\$ 230,414,134</u>	<u>\$ 12,143,387</u>	<u>\$ 506,171,613</u>

In the Statement of Fiduciary Net Position, the total cash and investments balance for Investment Trust and Agency Funds in the amount of \$230,414,134 includes, and is decreased by the negative cash balances maintained in certain agency funds used to allocate property taxes under the alternate method of tax apportionment (Teeter Plan). The total cash deficits of these Teeter Plan funds of \$6,943,065 is entirely offset by, and is significantly less than, the total \$11,593,129 that has been recorded by these funds as taxes receivable.

Cash and investments were restricted as of June 30, 2017, for the following purposes:

	Primary Government	Component Units	Total
Closure and post-closure costs	\$ 2,574,717	\$ --	\$ 2,574,717
Retainage held in escrow	82,131	--	82,131
Transit and transportation grant expenditures	--	4,282,424	4,282,424
Risk financing	--	18,286	18,286
	<u>\$ 2,656,848</u>	<u>\$ 4,300,710</u>	<u>\$ 6,957,558</u>

COUNTY OF EL DORADO

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, whichever is more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer *
U.S. Treasury Obligations	5 years	100%	100%
Bankers Acceptances	180 days	40%	5%
Domestic Commercial Paper	31 days	20%	5%
Certificates of Deposit, Negotiable	5 years	30%	5%
Certificates of Deposit, Non-negotiable	5 years	100%	100%
Repurchase Agreements	1 year	100%	5%
U.S. Agency Obligations	3 years	100%	5%
Demand Deposit Savings Accounts	5 years	100%	100%
State Warrants	1 year	100%	100%
Local Agency Investment Fund (LAIF)**	N/A	100%	100%
Medium-Term Notes U.S. Corporations & Depository Institutions	3 years	30%	30%
Commercial Paper under Temporary Liquidity Guarantee Program	270 days	40%	40%
Fully Collateralized Bank Deposits	N/A	100%	100%
Deposits placed with Private Sector Entity	5 years	30%	***

* Limitations apply only at the time an investment is purchased.

** Subject to a \$65 million cap set by LAIF.

*** Individual deposit no more than can be federally insured.

COUNTY OF EL DORADO

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

As of June 30, 2017, the County had the following investments:

	Interest Rates	Maturities	Par Value	Book Value	Fair Value	WAM (Years)
Investments in Investment Pool						
Treasury Securities - Coupon	0.500%-3.500%	07/15/17-02/15/19	\$ 328,000,000	\$ 328,041,348	\$ 327,996,761	0.55
Treasury Securities - Discount	0.880%-0.925%	09/21/17-12/07/17	28,000,000	27,878,812	27,915,050	0.30
California Local Agency Investment Fund	0.925%	On Demand	65,000,000	65,000,000	65,000,000	0.00
Money Market Account	0.100%-0.925%	On Demand	16,333,700	16,333,700	16,333,700	0.00
Total Investments in Investment Pool			<u>\$ 437,333,700</u>	<u>\$ 437,253,860</u>	<u>\$ 437,245,511</u>	0.43
Investments Outside Investment Pool						
Component Units:						
<i>El Dorado County Transit Authority</i>						
California Local Agency Investment Fund	0.925%	On Demand	\$ 1,197,375	\$ 1,197,375	\$ 1,197,375	--
Total Investments Outside Investment Pool			<u>\$ 1,197,375</u>	<u>\$ 1,197,375</u>	<u>\$ 1,197,375</u>	--

As of June 30, 2017 the difference between the carrying value and fair value of cash and investments was not material (fair value was 99.998% of carrying value). No adjustment has been recorded on the financial statements.

Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy. As of June 30, 2017, the investment pool had a weighted average maturity of 0.43 year.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County investment pool's fair value as of June 30, 2017.

	Standard & Poor's Rating	% of Portfolio
Treasury Securities - Coupon	AA	75.01%
Treasury Securities - Discount	A-1	6.38%
California Local Agency Investment Fund	Unrated	14.87%
Money Market Account	Unrated	3.74%
Total		<u>100.00%</u>

COUNTY OF EL DORADO

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

For all investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County had no securities exposed to custodial credit risk.

The custodial credit risk pertaining specifically to deposits is the risk that the County will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The County's bank deposits are insured by FDIC, which serves to mitigate the County's risk.

Fair Value Hierarchy

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Treasury Securities – Coupons and Discounts, valued at \$355.9 million in total, are classified in Level 1 of the fair value hierarchy, valued using quoted prices in active markets. Deposits and withdrawals in governmental investment pools, such as the State of California Local Agency Investment Fund (LAIF), are made on the basis of one dollar and not fair value. Accordingly, the fair value of the County's proportionate share in this type of investment is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. Money Market Accounts are nonparticipating interest-bearing savings accounts. They are measured using a cost-based measure, not fair value and therefore, not subject to fair value hierarchy.

Local Agency Investment Fund

The County Treasury pool maintains an investment in the State of California LAIF, managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (LIAB) has oversight responsibility for LAIF. The LIAB consists of five members as designated by State Statute.

As of June 30, 2017, the County's investment position in LAIF was \$65 million, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$22.8 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance as of June 30, 2017 was \$77.6 billion. Of that amount, 2.89% was invested in structured notes and asset-backed securities.

COUNTY OF EL DORADO

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

NOTE 2: **CASH AND INVESTMENTS** (CONTINUED)

County Investment Pool Condensed Financial Statements

The following represents a condensed statement of net position and changes in net position for the County Treasury investment pool as of June 30, 2017:

Statement of Net Position

Net position held for pool participants	\$ 495,394,324
Equity of internal pool participants	\$ 280,176,025
Equity of external pool participants	215,218,299
Total net position	<u>\$ 495,394,324</u>

Statement of Changes in Net Position

Net position, July 1, 2016	\$ 481,341,891
Investment income	3,457,348
Investment expenses	(557,853)
Net contributions (withdrawals) by pool participants	11,152,938
Net position, June 30, 2017	<u>\$ 495,394,324</u>

NOTE 3: **LONG-TERM RECEIVABLES**

The accounts receivable balances reported in the governmental funds include an allowance for uncollectible amounts of \$10,764,375. Among the accounts receivables, \$6,716,372 (net of uncollectible amount) are long-term accounts receivables. In addition, the due from other government balances reported in the governmental funds include long-term receivables of \$1,764,195. These long-term receivables are not expected to be fully collected in the next fiscal year and are therefore equally offset by the deferred inflows of resources (unavailable revenue). Similarly, the governmental funds report special assessment receivables of \$66,632 (net of uncollectible amounts of \$1,737,171), which are also not expected to be fully collected in the next fiscal year and are therefore equally offset by the deferred inflows of resources (unavailable revenue). Further, the governmental funds and the governmental activities report long-term notes receivables of \$10,465,068. The governmental activities also report long-term interest receivables of \$399,346.

COUNTY OF EL DORADO

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

NOTE 4: CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2017
Governmental Activities					
Capital assets, not being depreciated					
Land and improvements	\$ 53,009,521	\$ 403,934	\$ --	\$ --	\$ 53,413,455
Construction in progress	8,652,887	11,615,281	--	(2,070,330)	18,197,838
Total capital assets not being depreciated	61,662,408	12,019,215	--	(2,070,330)	71,611,293
Capital assets, being depreciated					
Infrastructure	474,190,097	14,756,643	--	--	488,946,740
Structures and improvements	122,485,303	249,854	--	2,029,854	124,765,011
Equipment	52,448,135	3,278,499	(2,906,467)	40,476	52,860,643
Total capital assets being depreciated	649,123,535	18,284,996	(2,906,467)	2,070,330	666,572,394
Less accumulated depreciation for					
Infrastructure	(282,869,145)	(19,163,311)	--	--	(302,032,456)
Structures and improvements	(46,529,603)	(2,564,522)	--	--	(49,094,125)
Equipment	(33,022,503)	(3,163,349)	2,754,888	--	(33,430,964)
Total accumulated depreciation	(362,421,251)	(24,891,182)	2,754,888	--	(384,557,545)
Total capital assets being depreciated, net	286,702,284	(6,606,186)	(151,579)	2,070,330	282,014,849
Governmental activities capital assets, net	\$ 348,364,692	\$ 5,413,029	\$ (151,579)	\$ --	\$ 353,626,142
Business Type Activities					
Capital assets, not being depreciated					
Land	\$ 319,665	\$ --	\$ --	\$ --	\$ 319,665
Construction in progress	2,440	92,164	--	(6,747)	87,857
Total capital assets not being depreciated	322,105	92,164	--	(6,747)	407,522
Capital assets, being depreciated					
Structures and improvements	9,509,618	--	--	6,747	9,516,365
Equipment	43,703	--	--	--	43,703
Total capital assets being depreciated	9,553,321	--	--	6,747	9,560,068
Less accumulated depreciation for					
Structures and improvements	(6,180,735)	(293,401)	--	--	(6,474,136)
Equipment	(33,351)	(1,791)	--	--	(35,142)
Total accumulated depreciation	(6,214,086)	(295,192)	--	--	(6,509,278)
Total capital assets being depreciated, net	3,339,235	(295,192)	--	6,747	3,050,790
Business type activities capital assets, net	\$ 3,661,340	\$ (203,028)	\$ --	\$ --	\$ 3,458,312

COUNTY OF EL DORADO

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

NOTE 4: **CAPITAL ASSETS** (CONTINUED)

Depreciation

Depreciation expense was charged to governmental activities as follows:

General government	\$ 741,986
Public protection	2,180,346
Public ways and facilities	20,173,937
Health and sanitation	234,803
Public assistance	306,014
Education	247,790
Recreation and cultural services	162,418
Internal Service Funds - depreciation on capital assets held by the County's internal service funds are charged to the various functions based on their usage of service	<u>843,888</u>
Total depreciation expense governmental activities	<u>\$ 24,891,182</u>

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

Airports	\$ 295,192
Total depreciation expense business-type activities	<u>\$ 295,192</u>

NOTE 5: **UNEARNED REVENUE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Unearned Revenues

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net position as well as governmental and enterprise funds delay revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earning process is complete are offset by a corresponding liability for unearned revenue.

As of June 30, 2017, governmental funds, internal service funds, enterprise fund, governmental activities, and business-type activities report unearned revenue in connection with resources that have been received, but not yet earned. The various components of unearned revenue were reported as follows:

COUNTY OF EL DORADO

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

NOTE 5: UNEARNED REVENUE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

Unearned Revenues (continued)

	<u>Governmental Funds</u> Unearned Revenue	<u>Internal Service Funds</u> Unearned Revenue	<u>Governmental Activities</u> Unearned Revenue	<u>Enterprise Fund / Business-Type</u> Unearned Revenue
Governmental Funds/Governmental Activities:				
General Fund:				
Various grants and charges	\$ 34,242	\$ --	\$ 34,242	\$ --
Road Fund:				
Various grants and charges	108,127	--	108,127	--
Other Governmental Funds:				
Various grants, charges, and special assessments	5,026,583	--	5,026,583	--
Internal Service Funds/Governmental Activities:				
Risk Management Authority:				
Service fees	--	1,104,102	1,104,102	--
Enterprise Fund/Business-Type Activities:				
County Airports:				
Service fees	--	--	--	225
Total	<u>\$ 5,168,952</u>	<u>\$ 1,104,102</u>	<u>\$ 6,273,054</u>	<u>\$ 225</u>

Deferred Outflows and Inflows of Resources

As described in Note 1N, pursuant to GASB Statement No. 63 and Statement No. 65, the County recognizes deferred outflows and inflows of resources in the financial statements. Under the modified accrual basis of accounting, in addition to "having been earned", revenue must also be available to finance expenditures of the current period for it to be recognized in the current period. When an asset is recorded in governmental fund financial statements but the revenue is not available, governmental funds report a deferred inflow of resources until such time as the revenue becomes available. These deferred inflows of resources are in connection with receivables for revenues considered unavailable for the current period. Further, the County reports deferred outflows and inflows of resources related to pensions in its governmental activities.

The summary of the deferred outflows and inflows of resources reported for the year ended June 30, 2017, is as follows:

	<u>Governmental Funds</u> (Unavailable Revenue) Deferred Inflows of Resources	<u>Governmental Activities</u> Deferred Outflows of Resources	<u>Governmental Activities</u> Deferred Inflows of Resources
Governmental Funds:			
General Fund:			
Various grants and charges	\$ 553,193	\$ --	\$ --
Road Fund:			
Various grants and charges	832,661	--	--
CSA #7 Fund:			
Various charges and special assessments	4,564,552	--	--
Other Governmental Funds:			
Various grants, charges, and special assessments	2,596,793	--	--
Governmental Activities:			
Deferred pension outflows	--	69,950,255	--
Deferred pension inflows	--	--	6,704,314
Total	<u>\$ 8,547,199</u>	<u>\$ 69,950,255</u>	<u>\$ 6,704,314</u>

COUNTY OF EL DORADO

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

NOTE 6: LONG-TERM LIABILITIES

Long-term debt at June 30, 2017 consisted of the following:

	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2017</u>
Governmental Activities						
Notes Payable:						
HUD HOME Program ¹⁾	2003	2058	0.00%	2)	3,000,000	3,000,000
HUD HOME Program ¹⁾	2013	2067	3.00%	2)	3,000,000	3,000,000
HUD State CDBG Program ¹⁾	2013	2068	3.00%	2)	483,000	<u>483,000</u>
Total Governmental Activities						<u>\$ 6,483,000</u>

¹⁾ Note payable is offset by a long-term note receivable secured by a deed of trust.

²⁾ Principal payment is due in total at the end of note maturity.

USDA Loan

On November 18, 2015, the U.S. Department of Agriculture (USDA) Rural Development Program approved the County's pre-application for a loan to fund the development and construction of a new public safety facility in Diamond Springs. On December 16, 2016, the County received a letter from USDA outlining conditions that must be agreed to in order to proceed with the loan application in the amount of \$57,140,000. On December 28, 2016 the County adopted Resolution 223-2016 which authorized the Board Chair to execute Forms RD 1942-46 "Letter of Intent to Meet Conditions" and Forms RD 1940-1, "Request for Obligation of Funds" for the purpose of USDA Rural Development to give further consideration and approval for the County's loan application. Subsequent to the County's approval of the appropriate forms, USDA approved the \$57,140,000 loan. During fiscal year 2016-2017, no funds were drawn down on the loan by the County.

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Notes payable:					
HUD HOME Program	\$ 6,000,000	\$ --	\$ --	\$ 6,000,000	\$ --
HUD State CDBG Program	483,000	--	--	483,000	--
Compensated absences	15,217,866	1,888,140	1,387,762	15,718,244	1,395,908
Landfill closure / post-closure liability	17,735,086	230,556	--	17,965,642	--
Liability for self-insurance claims	17,971,000	35,357,466	32,771,466	20,557,000	4,712,796
Other postemployment benefits	81,494,226	8,630,664	2,754,246	87,370,644	--
Net pension liability	243,132,147	98,973,047	37,879,374	304,225,820	--
	<u>\$ 382,033,325</u>	<u>\$ 145,079,873</u>	<u>\$ 74,792,848</u>	<u>\$ 452,320,350</u>	<u>\$ 6,108,704</u>
Business-Type Activities					
Compensated absences	\$ 42,051	\$ --	\$ 23,954	\$ 18,097	\$ 1,629
	<u>\$ 42,051</u>	<u>\$ --</u>	<u>\$ 23,954</u>	<u>\$ 18,097</u>	<u>\$ 1,629</u>

COUNTY OF EL DORADO

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

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

The liability for self-insurance claims is liquidated by the cumulative charge for services recorded in the internal service fund. Similarly, the liability for other postemployment benefits is liquidated by the cumulative charge to County departments recorded in the internal service fund. Compensated absences and net pension liability are generally liquidated by the General Fund and related special revenue funds. Landfill closure / post-closure liability is liquidated from special revenue funds.

As of June 30, 2017, there are no annual debt service requirements of governmental activities with fixed maturities and there are no annual debt service requirements of business-type activities to maturity.

NOTE 7: LIMITED OBLIGATION DEBT

Pursuant to various development agreements, the County has formed a number of community facility districts (CFDs) and has issued limited obligation bonds to finance infrastructure. The bonds are limited obligation debt repayable solely from the special taxes collected with each CFD. The only foreseeable circumstances that would make the County partially responsible for debt service payments or damages to bond investors would be if an error or omission is made by the County in the formation of the CFD, in the preparation of the offering statement, in the ongoing SEC required disclosures, or in the administration of the CFD. No adjustments were made to the County's financial statements for these limited obligation debt. As of June 30, 2017, the balances of these districts' outstanding debt were as follows:

Community Facilities District No. 1992-1 (EDH Serrano)	\$	34,880,000
Community Facilities District No. 2001-1 (Promontory)	\$	24,765,000
Community Facilities District No. 2005-1 (Blackstone)	\$	28,130,000
Community Facilities District No. 2005-2 (Laurel Oaks)	\$	3,210,000
Community Facilities District No. 2014-1 (Carson Creek)	\$	12,850,000

NOTE 8: LEASES

Operating Lease Obligations

The County leases various office space, equipment, and buildings under various operating leases. Annual rent expenditures were approximately \$3.4 million for the year ended June 30, 2017.

Future minimum operating lease commitments are as follows:

<u>Year Ending June 30</u>	
2018	\$ 2,735,450
2019	2,565,711
2020	1,993,567
2021	1,924,452
2022	1,875,405
2023-2027	<u>3,907,721</u>
	<u>\$ 15,002,306</u>

COUNTY OF EL DORADO

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

NOTE 9: **LIABILITY FOR CLOSURE AND POST-CLOSURE COSTS**

State and federal laws and regulations require the County to place a final cover on its Union Mine landfill site and perform certain maintenance and monitoring functions at the site for thirty years after final closure. In addition to operating expenditures related to current activities of the landfill, an estimated liability is being recognized based on the future closure and postclosure maintenance costs that will be incurred near or after the date the landfill no longer accepts waste.

The County ceased accepting waste from the public in 1997 and 8.2 acres or 19.4 percent of the landfill's 42.3 acres remain open to waste generated onsite. The estimated landfill closure care liability of \$2,574,717 reported as of June 30, 2017, is the current cost estimate of closing the remaining 8.2 acres. Because the landfill is no longer accepting waste from the public, the additional liability of \$15,390,925 representing postclosure costs for the entire 42.3 acres has been recognized and is a cumulative amount reported to date based on County staff estimates and adjustments for CPI (Consumer Price Index) rate changes.

State and federal laws require the County to make contributions to a special fund in order to finance closure care. At June 30, 2017, cash and investments held of \$2,574,717 in this special fund are part of the pooled funds held by the County Treasury and are reported as restricted assets on the Statement of Net Position. Currently, the amount held as restricted cash is sufficient to cover the entire closure liability.

The County has filed a Pledge of Revenue with the California Integrated Waste Management Board that waives the requirement to make contributions to a special fund to finance postclosure costs. The estimated postclosure costs of \$15,390,925, to be paid over a 30-year period upon final closure, may need to be funded by charges to future landfill users and/or from future tax revenue.

COUNTY OF EL DORADO

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

NOTE 10: INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2017 is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Enterprise Fund - County Airports	\$ 25,000	Advance for cash flow
	Other Governmental Funds	191,260	Realignment Funds
	Other Governmental Funds	439,000	Advance to Community Services Funds to cover cash shortfall
	Other Governmental Funds	135,000	Advance to Health Fund to cover cash shortfall
	Other Governmental Funds	57,000	Advance to Social Services Fund to cover cash shortfall
	Other Governmental Funds	15,000	Advance to Public Housing Authority Fund to cover cash shortfall
	Other Governmental Funds	232,230	Reimbursement for Insurance Fraud Program Expenditures
	Other Governmental Funds	74,632	Reimbursement for SB678 Expenditures
	Other Governmental Funds	63,160	Reimbursement for Planning projects
	Other Governmental Funds	<u>262,276</u>	Reimbursement for LMIS replacement project
		<u>1,494,558</u>	
Road Fund	Other Governmental Funds	<u>1,042,508</u>	Billing for Road Work
		<u>1,042,508</u>	
Enterprise Fund - Airports	Other Governmental Funds	<u>1,775</u>	ACO Funds Contribution
		<u>1,775</u>	
Other Governmental Funds	Other Governmental Funds	110,743	County Local Revenue Funds for Mental Health programs
	Other Governmental Funds	<u>240,603</u>	Sales Tax Realignment Funds for Mental Health Programs
		<u>351,346</u>	
	Total	<u>\$ 2,890,187</u>	

Advance To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 330,000	Advance to IHSS Public Authority
	Other Governmental Funds	<u>100,000</u>	Advance to Public Housing Authority
		<u>430,000</u>	
	Total	<u>\$ 430,000</u>	

COUNTY OF EL DORADO

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

NOTE 10: INTERFUND TRANSACTIONS (CONTINUED)

Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 65,570	Timber Tax to Sheriff's Office Patrol, Search and Rescue
	Other Governmental Funds	407,641	County Service Area #10 Solid Waste to Environmental Management General Fund Operating
	Other Governmental Funds	268,241	County Service Area #10 Solid Waste Reimbursements to General Fund CDS Admin
	Other Governmental Funds	1,208,088	County Service Area #10 Special Tax Revenues to Library General Fund Operating
	Other Governmental Funds	24,000	Air Quality to General Fund Operating
	Other Governmental Funds	1,417,785	ACO Fund Reimbursements to General Fund
	Other Governmental Funds	81,818	State Off-Highway Vehicle & El Dorado-SMUD Agreement Funds to Parks & Rubicon Trail
	Other Governmental Funds	109,442	El Dorado-SMUD Cooperation Agreement Funds to Sheriff OHV Rubicon
	Other Governmental Funds	239,982	Park / River Fees to Parks and Rivers General Fund Operating
	Other Governmental Funds	2,998	Veteran's House Committee Reimbursement to General Fund Maintenance
	Other Governmental Funds	761,006	Time Share, Overpayment, and Redemption Fees to BOS / Auditor / TTC / Assessor
	Other Governmental Funds	1,823	Overages to Treasurer Tax Collector Operating
	Other Governmental Funds	10,540	Assessor AB719 Reimbursement to General Fund
	Other Governmental Funds	624,122	Grant Revenues, Prop 64, Environmental & Real Estate Funds to District Attorney General Fund Operating
	Other Governmental Funds	412,690	Grant Revenues & Program Revenues to Sheriff's Operating
	Other Governmental Funds	300,100	Probation CCPIF SB678 Reimbursement to General Fund Adult Supervision
	Other Governmental Funds	65,059	Commercial Grading to Building Operating
	Other Governmental Funds	451,160	Micro, Computer System, Vital Health Statistics, Electronic Recording to Recorder Operating
	Other Governmental Funds	252,598	Planning Projects Revenues to Planning
	Other Governmental Funds	585,868	Engineer Time and Materials to DOT County Engineer
	Other Governmental Funds	5,012	Code Enforcement Grant Program Reimbursements to Operating
	Other Governmental Funds	32,429	License Plate Fees to Veteran Services Operating
	Other Governmental Funds	12,799	Bookmobile Funds and Gloria Harootunian Trust Funds to Library Operating
	Other Governmental Funds	234,236	Realignment Funds to Animal Services
	Other Governmental Funds	198,200	Realignment Funds to Environmental Health
	Other Governmental Funds	11,199,649	Realignment Funds to Social Services
	Other Governmental Funds	103,790	Realignment Funds to Probation
	Other Governmental Funds	30,158	County Local Revenue Funds to DA
	Other Governmental Funds	4,473,426	County Local Revenue Funds to Sheriff
	Other Governmental Funds	2,150,033	County Local Revenue Funds to Probation
	Other Governmental Funds	8,276,370	County Local Revenue Funds to Social Services
	Other Governmental Funds	86,518	County Local Revenue Funds to Public Guardian
	Other Governmental Funds	465,115	Supplemental Law Enforcement Services Fund (SLESF) to Sheriff/Probation Operating
		<u>34,558,266</u>	

COUNTY OF EL DORADO

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

NOTE 10: INTERFUND TRANSACTIONS (CONTINUED)

Transfers (continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
Road Fund	General Fund	\$ 1,697	General Fund Billing
	Other Governmental Funds	5,812,079	Road District Tax to Road Fund Operating
	Other Governmental Funds	252,547	El Dorado-SMUD Cooperation Agreement Fund Billing
	Other Governmental Funds	11,432,300	Road Projects Billing and Traffic Impact Fees to Road Fund Operating
		<u>17,498,623</u>	
Internal Services Fund - Fleet	General Fund	327,358	General Fund Contribution
	Other Governmental Funds	17,189	AQMD Fund Contribution
		<u>344,547</u>	
Enterprise Fund - Airports	General Fund	58,453	General Fund Contribution
	Other Governmental Funds	20,020	Special Aviation Funding
	Other Governmental Funds	8,917	ACO Fund Contribution
		<u>87,390</u>	
Other Governmental Funds	General Fund	20,000	General Fund Contribution to Fish and Game
	General Fund	2,053,123	General Fund Contribution to Community Services
	General Fund	79,440	General Fund Contribution to HCED
	General Fund	3,082,039	General Fund Contribution to Public Health
	General Fund	62,669	General Fund Contribution to IHSS Public Authority Fund
	General Fund	27,149	General Fund Contribution to Environmental Management
	General Fund	15,000	General Fund Contribution For Veterans Hall
	General Fund	2,381	General Fund Transfer to Change Difference Shortage
	General Fund	720,701	General Fund Contribution to Health and Welfare
	General Fund	8,128,955	General Fund Reimbursements to ACO Fund
	Road Fund	74,071	Road Fund Reimbursements to ACO
	Other Governmental Funds	98,197	Health Fund to ACO Fund for Project Billing
	Other Governmental Funds	26,426	Air Quality to ACO Fund for Project Billing
	Other Governmental Funds	18,457	Criminal Justice Facility Fund to ACO Fund for Project Billing
	Other Governmental Funds	280	Assessor AB1653 Fund to ACO Fund for Project Billing
	Other Governmental Funds	4,953	Sheriff Designated Fund to ACO Fund for Project Billing
	Other Governmental Funds	29,738	Animal Pet Aid Program to ACO Fund for Project Billing
	Internal Services Fund - Fleet	52,763	Fleet to ACO Fund for Project Billing
	Enterprise Fund - Airports	51,139	Returning Match to ACO Fund
		<u>14,547,481</u>	
Total		<u>\$ 67,036,307</u>	

COUNTY OF EL DORADO

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

NOTE 11: PENSIONS

A. General Information about the Pension Plans

Plan Description

The County has two pension plans (the Plans): the miscellaneous plan and the safety plan. Both Plans are agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions under the Plans are established by State statutes and County's resolutions. CalPERS issues publicly available reports that include a full description of the Plans regarding benefit provisions, assumptions and membership information. These reports and CalPERS' audited financial statements can be viewed at CalPERS' website.

Benefits Provided

CalPERS provides service retirement, 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 a year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for miscellaneous PEPRA members hired on or after January 1, 2013) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, the Optional Settlement 2W Death Benefit, or the Special Death Benefit (for safety members only). The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law (PERL).

Below is a summary of the Plans' provisions and benefits in effect at June 30, 2017:

	Miscellaneous		
	Classic		PEPRA
	Prior to October 5, 2012	On or after October 5, 2012	On or after January 1, 2013
Hire Date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement eligibility age	50	50	52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	7% *	7% *	6.25% *
Required employer contribution rates	18.780% *	18.780% *	18.780% *
	Safety		
	Classic		PEPRA
	Prior to October 5, 2012	On or after October 5, 2012	On or after January 1, 2013
Hire Date			
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement eligibility age	50	50	50
Monthly benefits, as a % of eligible compensation	3%	2% to 2.7%	2% to 2.7%
Required employee contribution rates	9% *	9% *	10.750% *
Required employer contribution rates	36.357% *	36.357% *	36.357% *

* The required contribution for fiscal year 2016-2017 was determined as part of the June 30, 2014 actuarial.

COUNTY OF EL DORADO

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

NOTE 11: **PENSIONS** (CONTINUED)

A. **General Information about the Pension Plans** (continued)

Employees Covered

Listed below is the summary of number of employees covered by the benefit terms as of June 30, 2016, the most recent actuarial valuation date:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	1,722	374
Inactive employees entitled to but not yet receiving benefits (Transferred + Terminated)	1,371	256
Active employees	<u>1,380</u>	<u>359</u>
Total	<u><u>4,473</u></u>	<u><u>989</u></u>

Contribution

Section 20814(c) of the PERL 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (the measurement date), the active employee contribution rate is 7 percent of annual pay for miscellaneous employees (6.25 percent for miscellaneous PEPRA employees hired on or after January 1, 2013), and 9 percent for safety employees (10 percent for safety PEPRA employees hired on or after January 1, 2013). The employer's contribution rate is 18.143 percent of annual payroll for miscellaneous employees and 33.410 percent of annual payroll for safety employees. Employer contribution rates may change if plan contracts are amended. Further, the employees pay a portion or all of their required CalPERS contribution to CalPERS depending on their labor agreements with the County. When employees are required to pay only a portion of their required contribution, the County pays the remaining portion on their behalf and for their account. Payments made by the County to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

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 Plan is measured as of June 30, 2016, using standard update procedures.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 (the measurement date) total pension liability for each Plan, based on the following actuarial methods and assumptions:

COUNTY OF EL DORADO

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

NOTE 11: **PENSIONS** (CONTINUED)

B. **Net Pension Liability** (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (continued)

	Miscellaneous and Safety
Actuarial cost method	Entry age normal
Actuarial assumptions	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Mortality rate table ³⁾	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

³⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

There were no changes of assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

COUNTY OF EL DORADO

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

NOTE 11: **PENSIONS** (CONTINUED)

B. Net Pension Liability (continued)

Discount Rate (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) 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 PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects 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. The target allocation shown was adopted by the CalPERS board effective on July 1, 2015.

Asset Class	Current Target Allocation	Real Return Years 1 – 10⁴⁾	Real Return Years 11+⁵⁾
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)

⁴⁾ An expected inflation of 2.5% used for this period

⁵⁾ An expected inflation of 3.0% used for this period

COUNTY OF EL DORADO

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

NOTE 11: **PENSIONS** (CONTINUED)

C. Changes in the Net Pension Liability

The change in the net pension liability for each Plan follows:

	Miscellaneous Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/15	\$ 574,825,794	\$ 430,324,223	\$ 144,501,571
Changes for the year:			
Service cost	12,811,520	--	12,811,520
Interest	44,067,819	--	44,067,819
Changes of benefit terms	--	--	--
Changes of assumptions	--	--	--
Differences between expected and actual experience	9,494,835	--	9,494,835
Plan to plan resource movement	--	--	--
Contributions - employer	--	15,708,862	(15,708,862)
Contributions - employees	--	6,021,392	(6,021,392)
Net investment income	--	2,206,776	(2,206,776)
Benefit payments, including refunds of employee contributions	(29,352,908)	(29,352,908)	--
Administrative expense	--	(262,260)	262,260
Net changes	<u>37,021,266</u>	<u>(5,678,138)</u>	<u>42,699,404</u>
Balances at 6/30/16	<u>\$ 611,847,060</u>	<u>\$ 424,646,085</u>	<u>\$ 187,200,975</u>

	Safety Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/15	\$ 299,403,931	\$ 200,773,355	\$ 98,630,576
Changes for the year:			
Service cost	7,236,448	--	7,236,448
Interest	22,782,825	--	22,782,825
Changes of benefit terms	--	--	--
Changes of assumptions	--	--	--
Differences between expected and actual experience	2,171,978	--	2,171,978
Plan to plan resource movement	--	(23,001)	23,001
Contributions - employer	--	9,978,939	(9,978,939)
Contributions - employees	--	2,976,868	(2,976,868)
Net investment income	--	986,537	(986,537)
Benefit payments, including refunds of employee contributions	(14,758,855)	(14,758,855)	--
Administrative expense	--	(122,361)	122,361
Net changes	<u>17,432,396</u>	<u>(961,873)</u>	<u>18,394,269</u>
Balances at 6/30/16	<u>\$ 316,836,327</u>	<u>\$ 199,811,482</u>	<u>\$ 117,024,845</u>

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

The following presents the net pension liability of the County for each Plan, calculated using the discount rate for each Plan, as well as what the County's 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:

		<u>Miscellaneous</u>		<u>Safety</u>	
		Net Pension Liability	Net Pension Liability	Net Pension Liability	Net Pension Liability
1% Decrease	6.65%	\$ 263,105,883	\$ 160,427,723		
Current Discount Rate	7.65%	\$ 187,200,975	\$ 117,024,845		
1% Increase	8.65%	\$ 123,754,844	\$ 81,334,981		

COUNTY OF EL DORADO

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

NOTE 11: **PENSIONS** (CONTINUED)

C. Changes in the Net Pension Liability (continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2017, the County recognized pension expense of \$21,381,745 for its miscellaneous plan and \$12,811,710 for its safety plan. At June 30, 2017, 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
Changes of assumptions		
Miscellaneous	\$ --	\$ 2,947,189
Safety	--	3,099,927
Differences between expected and actual experience		
Miscellaneous	6,220,754	442,467
Safety	1,678,347	214,731
Net difference between projected and actual earnings on plan investments		
Miscellaneous	23,266,617	--
Safety	11,016,855	--
County contributions subsequent to the measurement date		
Miscellaneous	16,703,240	--
Safety	11,064,442	--
Total	\$ 69,950,255	\$ 6,704,314

\$27,767,682 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amounts
2018	\$ 4,033,100
2019	7,095,344
2020	15,236,825
2021	9,112,990
Total	35,478,259

COUNTY OF EL DORADO

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

NOTE 11: PENSIONS (CONTINUED)

E. CalPERS Discount Rate Change

In December 2016, CalPERS Board of Administration approved lowering the CalPERS discount rate from 7.5 percent to 7.0 percent over the next three fiscal years, beginning in 2017-2018. The change in the discount rate will affect the required contribution beginning in 2018-2019 and result in increases to the normal costs and required unfunded actuarial liabilities (UAL) payment.

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description. The County of El Dorado (County) Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the County. The Plan provides healthcare insurance benefits to employees who retire from active service due to disability or after the age of 50 and are eligible to commence pension benefits.

- **County Contribution Subsidy** – The County pays a monthly amount up to a percentage of the premium for the County sponsored Blue Shield PPO Standard plan plus dental single coverage for the retirees prior to age 65. For the age 65 or older retirees, the County pays a monthly amount up to a percentage of premium for the highest cost Medicare eligible plan plus dental single coverage. The applicable percentage is based on the retiree's years of service with the County, and multiplied by a calculated percentage each year for payroll cap adjustment.
- **Implicit Subsidy** – For coverage prior to age 65, the retiree pays premiums that are developed by blending active and retiree costs. Since retirees are older and generally cost more than actives, the premium paid by the retiree is less than the "true cost" of coverage for retirees.

New hires were no longer eligible for the County Contribution Subsidy. The new hire cut off dates ranged from January 2009 to January 2010, depending on the bargaining unit. While not eligible for the County Contribution Subsidy, new hires are allowed to participate in the plan with payment of premiums and, as a result, benefit from the Implicit Subsidy. The County's Retiree Health Plan agreement places a cap on the County's contribution so that the amount paid to each individual retiree will be limited such that total County contributions do not exceed 1.2% of total payroll. This 1.2% payroll cap applies to the County's Contribution Subsidy only, and because this cap is a limitation on the employer's contribution, and not a limitation of retiree benefits, it cannot be considered to reduce the County's liability until the cap is enforced and thereby begins to alter the established pattern of shared costs. Effective July 1, 2011, the County contribution cap (1.2%) has been enforced and the rate has been adjusted to meet the cap.

Funding Policy. The contribution requirements of the plan members and the County are established and may be amended by the County. The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The County ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 20 years. The 2016-2017 ARC is \$12,498,000.

COUNTY OF EL DORADO

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

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation.

For 2016-2017, the County's annual OPEB cost (expense) was \$8,630,664 and the Net OPEB Obligation was \$87,370,644. Actual contributions made during the year were \$2,754,246.

The following table shows the components of the County's Annual OPEB Cost for the year ended June 30, 2017, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation/(Asset).

Annual Required Contributions	\$ 12,498,000
Interest on Net OPEB Obligation/(Asset)	3,204,684
Adjustment to Annual Required Contributions	<u>(7,072,020)</u>
Annual OPEB Cost (Expense)	8,630,664
Contributions Made	<u>(2,754,246)</u>
Increase to Net OPEB Obligations/(Asset)	5,876,418
Net OPEB Obligation/(Asset) – Beginning of Year	<u>81,494,226</u>
Net OPEB Obligation/(Asset) – End of Year	<u>\$ 87,370,644</u>

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the Plan (as described in the funding policy above), and the Net OPEB Obligation for the past three fiscal years are as follows (dollar amounts in thousands):

<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	\$ 6,938	34.0%	\$ 75,622
6/30/16	8,521	31.1%	81,494
6/30/17	8,631	31.9%	87,371

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2016, the plan's most recent actuarial valuation date, was as follows (dollar amounts in thousands):

Actuarial accrued liability (AAL)	\$ 86,809
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 86,809</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active Plan members)	\$166,046
UAAL as a percentage of covered payroll	52.3%

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 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.

COUNTY OF EL DORADO

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

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return based on the assumption that benefits will be paid from general County assets earmarked for purposes of County Postretirement Benefits, and not invested in a separate trust. This rate includes a 3% inflation assumption. The actuarial value of assets is equal to the market value. The UAAL is being amortized as a level percentage of projected payroll over 20 years on a closed basis. The remaining amortization period at June 30, 2017 was 11 years.

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 established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$300,000 for each workers' compensation claim, \$1,000,000 for each general liability claim, and \$25,000 for each property damage claim. The County purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. The amount of settlements did not exceed coverage provided by the Risk Management Fund in each of the last three years.

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$20,557,000 reported in the Risk Management Fund at June 30, 2017 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the County's claims liability for the fiscal years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>		<u>2016</u>
Unpaid claims, beginning of year	\$ 17,971,000	\$	16,964,000
Plus estimated claims incurred	35,357,466		33,615,201
Less claims payments	<u>(32,771,466)</u>		<u>(32,608,201)</u>
Unpaid claims, end of year	<u>\$ 20,557,000</u>	\$	<u>17,971,000</u>

The Risk Management Fund also accounts for the health insurance program. Effective July 1, 2011, the County entered into an agreement with CSAC Excess Insurance Authority (Authority) and participated in the Authority's health program. All funds of the County participate in the program and make payments to the Risk Management Fund based on the premiums established by the Authority's health program committee.

COUNTY OF EL DORADO

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

NOTE 14: COMMITMENTS AND CONTINGENCIES

Grants

The County recognizes as revenue, grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. 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 County expects such amounts, if any, to be immaterial.

Pending Litigation

The County is also a defendant in several lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable loss to the County, such loss has been accrued in the accompanying financial statements. Litigation where loss to the County is reasonably possible has not been accrued. The outcome of the remaining claims cannot be determined at this time.

Encumbrances

The County uses an encumbrances system to control expenditures for the year and to enhance cash management. Under this system, purchase orders and contracts are recorded in order to reserve that portion of applicable appropriations. Encumbrances still open at the end of the year are not accounted for as expenditures and liabilities but rather as part of the fund balances. As of June 30, 2017, General Fund had a total of \$550,402 in encumbrances, which were reported as part of the assigned fund balances on the governmental fund balance sheet. Road Fund had a total of \$16,982 in encumbrances, which were reported as part of the restricted fund balances. Other (nonmajor) governmental funds had a total of \$676,458 in encumbrances, which were reported as part of the restricted, committed or assigned fund balances.

Construction Commitments and Other Significant Commitments

At June 30, 2017, the County has ongoing construction commitments that totaled approximately \$7.4 million and other significant commitments that totaled \$9.7 million.

Road Improvement Reimbursement Agreements

The County has entered into reimbursement agreements with various developers and homebuilders (developers) in the El Dorado Hills Traffic Impact Mitigation Fee (TIM Fee) zone. The developers built road improvements in the El Dorado Hills area and the County is required to reimburse the developers in accordance with the terms of the reimbursement agreements. In accordance with the agreements, the County is only required to make reimbursements to the developers if TIM Fee revenues are available. Accordingly, the County is only contingently liable for these reimbursement and these obligations are not included on the County's statement of net position. The outstanding reimbursement obligations are as follows:

Latrobe Road Connector Study	\$ 137,589
Bass Lake Road (SIA)	3,692,150
Silva Valley Interchange	11,714,161
Silver Springs Pkwy	<u>2,139,483</u>
Total	<u>\$ 17,683,383</u>

COUNTY OF EL DORADO

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

NOTE 14: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Tax Abatement Agreement

The California Land Conservation Act of 1965 was commonly referred to as the "Williamson Act" (Act). Pursuant to the Act, the County enters into contracts with property owners for the purpose of limiting the use of specific properties to agricultural and compatible uses. To be established as an agricultural preserve, the property needs to meet all criteria, including minimum acreage, minimum capital outlay, and minimum income, set forth by the Act and the County's Board. The initial term of a contract is ten years. On each anniversary date of a contract, a year shall be automatically added to the initial term unless written notice of non-renewal is given. If the property owner or the County in any year serves written notice of non-renewal, the contract shall remain in effect for the balance of the unexpired term. During the term of the contract, the property owner pays substantially reduced property tax through a reduction of the assessed value on the property and in return agrees to limit the use of the property to agricultural and compatible uses. The assessed value of the property under the Act contract is determined by the capitalization of the property income stream. In fiscal year 2016-2017, the County's tax revenues were reduced by \$213,800 as a result of the Williamson Act contracts.

Noncompliance with Government Code Sections 66000-66008

The County levies and collects fees pursuant to California Government Code Section 66000 (State law) on behalf of various special districts. State law requires that not less than once every five years, the Board of Supervisors review the fees to determine whether the fee amounts are reasonably related to the impacts of development. A County ordinance requires that this review be conducted annually by the Board of Supervisors. These reviews for certain districts were not conducted for over 6 years. The County was in violation of both State law and our County ordinance. The Board of Supervisors reviewed these fees and made certain required findings required by the California Government Code on December 13, 2016. One effect of the County's noncompliance with this law is that it has delayed the disbursement of these fees to certain special districts. The impact that this noncompliance may have on the financial statements is not determinable at this time.

Mitigation Fee Act Litigation – The Austins

In December of 2015 Thomas and Helen Austin of El Dorado Hills filed a lawsuit against the County seeking a writ of Mandate that would force the County to refund fees collected under the Mitigation Fee Act on behalf of the El Dorado Hills Community Services District, the El Dorado Hills County Water District, the Ecological Preserve Program, and the County's Traffic Impact Mitigation Fee program. The County and the Austins sought to resolve the matter through mediation without success. The fees collected pertaining to the lawsuit total \$35 million, approximately \$15 million of which have been collected on behalf of the two aforementioned special districts. The ultimate resolution of this matter is not determinable at this time, regardless; the County's cost of defense will likely be material.

Mitigation Fee Act Litigation – Lunsmann

In January 2017, Jeffrey Lunsmann filed a complaint for recovery of impact fees collected seeking a refund of \$35,470 collected from Mr. Lunsmann by the County and other agencies. The complaint alleges that the fees were collected and retained illegally because the County failed to make specific findings required by the Mitigation Fee Act. A demurrer has been filed and is set to be heard in July 2018. The ultimate resolution of this matter is not determinable at this time, regardless; the County's cost of defense could be material.

COUNTY OF EL DORADO

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

NOTE 14: **COMMITMENTS AND CONTINGENCIES** (CONTINUED)

Mitigation Fee Act Litigation – Sheetz/Friends of El Dorado

In June 2017, George Sheetz filed a lawsuit against the County seeking a writ of Mandate that would force the County to refund fees collected under the Mitigation Fee Act on behalf of the County. The complaint alleges that the fees were collected and retained illegally because the County failed to make specific findings required by the Mitigation Fee Act. The Complaint further alleges that portions of Measure Y, the General Plan and the TIM Fee program are unlawful. A demurrer has been filed and is set to be heard in August 2018. The ultimate resolution of this matter is not determinable at this time, regardless; the County's cost of defense could be material.

Rural Communities United Litigation

In January of 2016 Rural Communities United filed a lawsuit against the County challenging the Board of Supervisors' approval of the Targeted General Plan Amendment/Zoning Ordinance Update. The County's management believes that the lawsuit is without merit and the County's Targeted General Plan Amendment/Zoning Ordinance Update will be upheld; however, the County's defense has been referred to outside counsel and the attorney's fees and other costs may be material. No liability or allowance has been recognized in the financial statements related to this matter.

Noncompliance with the County Water Ordinance

On August 22, 1995, the Board of Supervisors adopted Ordinance No. 4385 (the "Water Ordinance"). The Water Ordinance requires the County to obtain water supply and demand data (the "Water Data") from public water agencies and districts within the County, provide for public review of the Water Data, and hold public hearings prior to acceptance of the Water Data.

The Water Ordinance further requires that a long term water plan be prepared and updated annually. This plan is required to contain information relating to public water needs of projects in the County, and a water availability assessment for each public water district, among other things. The County is required to mail a summary of this assessment to all County property owners on the current property tax assessment roll.

The County has not attempted to comply with the requirements of the Water Ordinance in approximately 15 years. The impact that this noncompliance may have on the financial statements is not determinable at this time.

Medicaid Administrative Activities (MAA) / Targeted Case Management (TCM) Program Audit

The State Department of Health Care Services (DHCS) issued a preliminary settlement letter for the County's 2015-2016 MAA/TCM cost report. The letter stated that the County was overpaid by \$181,736. This overpayment is planned to be paid back to the State through 2017-2018 and future interim payment withholdings. In addition, the State has a current open audit for the County's 2011-2012 cost report, and potential audits for 2012-2013, 2014-2015, and subsequent years' cost reports. Further, DHCS also performed a 2014-2015 TCM program site visit review resulting in an initial request for the County to pay back \$47,000 of invoice payments. The payback request is currently under review. An audit reserve in the amount of \$240,000 was established in 2016-2017 to mitigate the impact of these cost report audits to the General Fund. The State is likely to offset this overpayment against future payments to the County. No liability or allowance has been recognized in the financial statements for the future revenue offsets.

COUNTY OF EL DORADO

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

NOTE 15: FUND BALANCES / NET POSITION

A. Fund Balances

Fund balances for all the major and nonmajor governmental funds as of June 30, 2017, were presented as follows:

	General	Road Fund	CSA #7 Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Advances	\$ 430,000	\$ --	\$ --	\$ --	\$ 430,000
Inventory	--	704,965	--	84,940	789,905
Prepaid expenses	1,044,447	17,649	--	371,936	1,434,032
Permanent fund principal	--	--	--	3,176,721	3,176,721
Subtotal	<u>1,474,447</u>	<u>722,614</u>	<u>--</u>	<u>3,633,597</u>	<u>5,830,658</u>
Restricted for:					
Capital projects	--	--	--	25,156,402	25,156,402
Public protection	--	--	--	28,755,841	28,755,841
Public ways and facilities	--	1,205,077	--	20,422,022	21,627,099
Health and sanitation	--	--	7,154,684	31,147,019	38,301,703
Public assistance	--	--	--	13,359,404	13,359,404
General government	--	--	--	5,564,486	5,564,486
Education	--	--	--	1,144,288	1,144,288
Recreation & cultural services	--	--	--	46,552	46,552
Subtotal	<u>--</u>	<u>1,205,077</u>	<u>7,154,684</u>	<u>125,596,014</u>	<u>133,955,775</u>
Committed to:					
Capital projects	5,836,500	3,852,263	--	12,073,018	21,761,781
Debt service	220,000	--	--	--	220,000
Public protection	--	--	--	291,987	291,987
Public ways and facilities	--	--	--	9,871,789	9,871,789
Public assistance	--	--	--	17,904	17,904
General government	240,000	--	--	--	240,000
Subtotal	<u>6,296,500</u>	<u>3,852,263</u>	<u>--</u>	<u>22,254,698</u>	<u>32,403,461</u>
Assigned to:					
Debt service	--	--	--	1,824,530	1,824,530
Public protection	--	--	--	2,624,357	2,624,357
Public ways and facilities	--	--	--	30	30
Health and sanitation	--	--	--	14,940,307	14,940,307
Public assistance	--	--	--	1,320,828	1,320,828
General government	550,402	--	--	197,039	747,441
Education	--	--	--	1,244	1,244
Recreation & cultural services	--	--	--	569,008	569,008
Subtotal	<u>550,402</u>	<u>--</u>	<u>--</u>	<u>21,477,343</u>	<u>22,027,745</u>
Unassigned	45,527,658	--	--	(150,118)	45,377,540
Total	<u>\$ 53,849,007</u>	<u>\$ 5,779,954</u>	<u>\$ 7,154,684</u>	<u>\$ 172,811,534</u>	<u>\$ 239,595,179</u>

B. Deficit Fund Balance / Net Position

The following fund had deficit fund balance or net position as of June 30, 2017:

Internal Service Fund:	
Risk Management Authority	\$ 71,467,025

The deficit in the internal service fund is expected to be eliminated in future years through either a reduction of the benefits or an increase in charges to other funds.

COUNTY OF EL DORADO

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

NOTE 16: CONDENSED SEGMENT INFORMATION ON COMPONENT UNITS

The County has three Discretely Presented Component Units. Condensed Segment information as of and for the year ended June 30, 2017, is as follows:

**Component Units Statement of Net Position
June 30, 2017**

	<u>Children and Families Commission</u>	<u>El Dorado County Transit Authority</u>	<u>El Dorado County Transportation Commission</u>	<u>Total</u>
<u>ASSETS</u>				
Current and other assets	\$ 2,403,595	\$ 6,871,372	\$ 1,437,619	\$ 10,712,586
Capital assets	48,237	11,901,199	16,398	11,965,834
Restricted cash	--	1,718,083	2,582,627	4,300,710
Total Assets	<u>2,451,832</u>	<u>20,490,654</u>	<u>4,036,644</u>	<u>26,979,130</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred pension outflows	--	1,207,800	342,804	1,550,604
Total Deferred Outflows of Resources	<u>--</u>	<u>1,207,800</u>	<u>342,804</u>	<u>1,550,604</u>
<u>LIABILITIES</u>				
Current liabilities	150,455	5,959,341	1,694,825	7,804,621
Long-term liabilities	--	2,812,938	408,383	3,221,321
Total Liabilities	<u>150,455</u>	<u>8,772,279</u>	<u>2,103,208</u>	<u>11,025,942</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred pension inflows	--	283,582	43,670	327,252
Total Deferred Inflows of Resources	<u>--</u>	<u>283,582</u>	<u>43,670</u>	<u>327,252</u>
<u>NET POSITION</u>				
Net investment in capital assets	48,237	11,901,199	16,398	11,965,834
Restricted	2,253,140	--	2,159,129	4,412,269
Unrestricted	--	741,394	57,043	798,437
Total Net Position	<u>\$ 2,301,377</u>	<u>\$ 12,642,593</u>	<u>\$ 2,232,570</u>	<u>\$ 17,176,540</u>

COUNTY OF EL DORADO

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

NOTE 16: CONDENSED SEGMENT INFORMATION ON COMPONENT UNITS (CONTINUED)

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

	<u>Children and Families Commission</u>	<u>El Dorado County Transit Authority</u>	<u>El Dorado County Transportation Commission</u>	<u>Total</u>
Revenues:				
Program Revenues:				
Charges for current services	\$ --	\$ 1,583,433	\$ --	\$ 1,583,433
Operating grants and contributions	1,813,556	5,377,673	1,452,414	8,643,643
Capital grants and contributions	--	4,541,758	--	4,541,758
General Revenues:				
Taxes	--	--	5,226,918	5,226,918
Interest and investment earnings	11,651	37,974	13,683	63,308
Other revenues	--	16,758	8,068	24,826
Total Revenues	<u>1,825,207</u>	<u>11,557,596</u>	<u>6,701,083</u>	<u>20,083,886</u>
Expenses:				
Health and sanitation	1,723,304	--	--	1,723,304
Public ways and facilities	--	8,502,571	6,226,509	14,729,080
Total Expenses	<u>1,723,304</u>	<u>8,502,571</u>	<u>6,226,509</u>	<u>16,452,384</u>
Change in net position	101,903	3,055,025	474,574	3,631,502
Net Position - Beginning of Year	<u>2,199,474</u>	<u>9,587,568</u>	<u>1,757,996</u>	<u>13,545,038</u>
Net Position - End of Year	<u>\$ 2,301,377</u>	<u>\$ 12,642,593</u>	<u>\$ 2,232,570</u>	<u>\$ 17,176,540</u>

NOTE 17: SUBSEQUENT EVENTS

CalPERS Inflation Rate Change

In December 2017, CalPERS Board of Administration approved lowering the CalPERS inflation rate in two steps and will be 2.625 percent for the June 30, 2017 valuation and 2.50 percent for the June 30, 2018 valuation.

Authorized Limited Obligation Debt

In December 2017, the Board of Supervisors authorized the issuance of the second series of bonds for Community Facilities District (CFD) No. 2014-1 (Carson Creek) in an amount not to exceed \$20,000,000. The bonds are the County's limited obligation debt repayable solely from the special taxes collected within the CFD.

COUNTY OF EL DORADO

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

NOTE 17: SUBSEQUENT EVENTS (CONTINUED)

Fee Refund Authorized

From July 1, 2007 through August 2, 2016, the County levied a Public Safety Development Impact Mitigation Fee for the purpose of financing a Sheriff's Substation in El Dorado Hills. The Fee was levied on building permits on new construction in the west end of the County. On August 2, 2016, the Board of Supervisors voted to stop the levy and collection of the fee and to refund the fees collected from inception to date. A refund of approximately \$445,000 was ordered. On February 7, 2017, the Board of Supervisors voted to delay the distribution of the refunds until an update is provided to the Board in October 2017.

Placerville Jail Expansion Project

On February 14, 2017, the Board of Supervisors authorized the submission of a proposal to the State for a Local Jail Construction Financing Program Grant. Conditional funding in the amount of \$25,000,000 was received from the Board of State and Community Corrections on June 21, 2017. The County is not legally obligated or legally committed to complete this expansion. If this jail expansion is completed, it is estimated that the County will need to hire 5 new full time County employees.

Placerville Juvenile Hall Replacement Project

The Board of Supervisors intends to replace the Juvenile detention facility in Placerville at an estimated cost of \$11,159,000. It is expected that the County will receive a \$9,600,000 Local Youthful Offenders Rehabilitation Facility Financing Grant from the State. On March 28, 2017, the Board of Supervisors adopted Resolution 231-2014 Amendment III committing up to \$1,419,000 as a cash match and \$140,000 as an In-Kind contribution in order to obtain this grant.

Significant Damage to County Roads

During the extremely wet winter of 2016-2017, significant damage was done to County maintained roads. The County estimates that \$24,000,000 of damage has been done to the County roads. The County intends to seek reimbursement for a portion of the necessary repair cost from the Federal Emergency Management Agency (FEMA) and the Federal Highway Administration (FHWA). The actual cost of the necessary repairs and the actual reimbursement from FEMA and FHWA is not determinable at this time. Approximately \$20,000,000 has been budgeted in FY 2017-2018 to begin the repairs.

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County of El Dorado

Required Supplementary Information
For the Year Ended June 30, 2017

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - MISCELLANEOUS PLAN

Last 10 Fiscal Years	(restated)		(restated)
Measurement period	2015-2016	2014-2015	2013-2014
TOTAL PENSION LIABILITY			
Service cost	\$ 12,811,520	\$ 12,078,733	\$ 11,725,418
Interest	44,067,819	41,382,955	39,506,575
Changes of assumptions	-	(9,496,499)	-
Differences between expected and actual experience	9,494,835	(1,425,729)	-
Benefit payments, including refunds of employee contributions	<u>(29,352,908)</u>	<u>(27,100,337)</u>	<u>(25,473,913)</u>
Net change in total pension liability	37,021,266	15,439,123	25,758,080
Total pension liability - beginning	574,825,794	559,386,671	533,628,591
Total pension liability - ending (a)	<u>\$ 611,847,060</u>	<u>\$ 574,825,794</u>	<u>\$ 559,386,671</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 15,708,862	\$ 13,708,979	\$ 11,938,552
Contributions - employee	6,021,392	6,127,135	5,440,632
Net investment income	2,206,776	9,597,580	64,244,763 *
Benefit payments, including refunds of employee contributions	(29,352,908)	(27,100,337)	(25,473,913)
Administrative expense	<u>(262,260)</u>	<u>(484,087)</u>	<u>-</u>
Net change in plan fiduciary net position	(5,678,138)	1,849,270	56,150,034
Plan fiduciary net position - beginning	430,324,223	428,474,953	372,324,919
Plan fiduciary net position - ending (b)	<u>\$ 424,646,085</u>	<u>\$ 430,324,223</u>	<u>\$ 428,474,953</u>
Plan net pension liability (asset) - ending (a) - (b)	<u>\$ 187,200,975</u>	<u>\$ 144,501,571</u>	<u>\$ 130,911,718</u>
Plan fiduciary net position as a percentage of the total pension liability	69.40%	74.86%	76.60%
Covered payroll	\$ 86,583,597	\$ 82,336,210	\$ 76,231,096
Plan net pension liability as a percentage of covered payroll	216.21%	175.50%	171.73%

* Net of administrative expenses

Notes to Schedule For the Year Ended June 30, 2017:

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

Changes of assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

GASB Statement No. 68 was first implemented during the year ended June 30, 2015.

County of El Dorado

Required Supplementary Information
For the Year Ended June 30, 2017

SCHEDULE OF PLAN CONTRIBUTIONS - MISCELLANEOUS PLAN

Last 10 Fiscal Years	(restated)		(restated)	(restated)
Fiscal year	2016-2017	2015-2016	2014-2015	2013-2014
Actuarially determined contribution	\$ 16,703,240	\$ 15,708,862	\$ 13,708,979	\$ 11,938,552
Contributions in relation to the actuarially determined contribution	(16,703,240)	(15,708,862)	(13,708,979)	(11,938,552)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 88,941,640	\$ 86,583,597	\$ 82,336,210	\$ 76,231,096
Contributions as a percentage of covered payroll	18.780%	18.143%	16.650%	15.661%

Notes to Schedule For the Year Ended June 30, 2017:

Actuarially determined contribution rates are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported.

Valuation date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period from 1997 to 2007. Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

GASB Statement No. 68 was first implemented during the year ended June 30, 2015.

County of El Dorado

Required Supplementary Information
For the Year Ended June 30, 2017

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - SAFETY PLAN

Last 10 Fiscal Years	(restated)		(restated)
Measurement period	2015-2016	2014-2015	2013-2014
TOTAL PENSION LIABILITY			
Service cost	\$ 7,236,448	\$ 7,200,973	\$ 7,156,945
Interest	22,782,825	21,518,049	20,468,275
Changes of assumptions	-	(5,396,169)	-
Differences between expected and actual experience	2,171,978	(373,791)	-
Benefit payments, including refunds of employee contributions	(14,758,855)	(13,992,567)	(13,019,302)
Net change in total pension liability	<u>17,432,396</u>	<u>8,956,495</u>	<u>14,605,918</u>
Total pension liability - beginning	299,403,931	290,447,436	275,841,518
Total pension liability - ending (a)	<u>\$ 316,836,327</u>	<u>\$ 299,403,931</u>	<u>\$ 290,447,436</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 9,978,939	\$ 9,161,922	\$ 8,185,724
Contributions - employee	2,976,868	2,655,620	2,581,344
Net investment income	986,537	4,431,631	29,611,782
Benefit payments, including refunds of employee contributions	(14,758,855)	(13,992,567)	(13,019,302)
Plan to plan resource movement	(23,001)	23,897	-
Administrative expense	(122,361)	(225,994)	-
Net change in plan fiduciary net position	<u>(961,873)</u>	<u>2,054,509</u>	<u>27,359,548</u>
Plan fiduciary net position - beginning	200,773,355	198,718,846	171,359,298
Plan fiduciary net position - ending (b)	<u>\$ 199,811,482</u>	<u>\$ 200,773,355</u>	<u>\$ 198,718,846</u>
Plan net pension liability (asset) - ending (a) - (b)	<u>\$ 117,024,845</u>	<u>\$ 98,630,576</u>	<u>\$ 91,728,590</u>
Plan fiduciary net position as a percentage of the total pension liability	63.06%	67.06%	68.42%
Covered payroll	\$ 29,868,120	\$ 28,517,826	\$ 27,344,994
Plan net pension liability as a percentage of covered payroll	391.81%	345.86%	335.45%

* Net of administrative expenses

Notes to Schedule For the Year Ended June 30, 2017:

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

Changes of assumption: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

GASB Statement No. 68 was first implemented during the year ended June 30, 2015.

County of El Dorado

Required Supplementary Information
For the Year Ended June 30, 2017

SCHEDULE OF PLAN CONTRIBUTIONS - SAFETY PLAN

Last 10 Fiscal Years	(restated)		(restated)	(restated)
Fiscal year	2016-2017	2015-2016	2014-2015	2013-2014
Actuarially determined contribution	\$ 11,064,442	\$ 9,978,939	\$ 9,161,922	\$ 8,185,724
Contributions in relation to the actuarially determined contribution	(11,064,442)	(9,978,939)	(9,161,922)	(8,185,724)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 30,432,769	\$ 29,868,120	\$ 28,517,826	\$ 27,344,994
Contributions as a percentage of covered payroll	36.357%	33.410%	32.127%	29.935%

Notes to Schedule For the Year Ended June 30, 2017:

Actuarially determined contribution rates are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported.

Valuation date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period from 1997 to 2007. Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

GASB Statement No. 68 was first implemented during the year ended June 30, 2015.

County of El Dorado

Required Supplementary Information
For the Year Ended June 30, 2017

SCHEDULE OF FUNDING PROGRESS

The table below shows actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll for the County Retiree's Health Benefit Plan as of the actuarial valuation date for the past three valuations.

Retiree's Health

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/12	\$ 67,924,000	-	\$ 67,924,000	0.0%	\$ 136,519,000	49.8%
6/30/14	72,030,000	-	72,030,000	0.0%	146,206,000	49.3%
6/30/16	86,809,000	-	86,809,000	0.0%	166,046,000	52.3%

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COUNTY OF EL DORADO

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, July 1	\$ 34,263,100	\$ 33,755,332	\$ 33,755,332	\$ -
Resources (inflows):				
Taxes and assessments	102,749,597	102,749,597	103,881,016	1,131,419
Licenses, permits and franchises	10,437,497	10,437,497	11,021,910	584,413
Fines, forfeitures and penalties	932,360	932,360	850,197	(82,163)
Revenue from use of money and property	286,438	286,438	410,671	124,233
Intergovernmental revenues-State	24,950,650	25,932,904	26,525,982	593,078
Intergovernmental revenues-Federal	30,610,294	32,367,894	28,060,606	(4,307,288)
Revenue other governmental agencies	8,145,852	8,147,852	8,783,374	635,522
Charges for services	23,030,931	22,885,768	21,943,981	(941,787)
Miscellaneous revenues	2,841,848	2,847,320	1,878,469	(968,851)
Other financing sources	39,545,326	39,951,268	34,568,918	(5,382,350)
	<u>243,530,793</u>	<u>246,538,898</u>	<u>237,925,124</u>	<u>(8,613,774)</u>
Amounts available for appropriations	<u>277,793,893</u>	<u>280,294,230</u>	<u>271,680,456</u>	<u>(8,613,774)</u>
Charges to appropriations (outflows):				
<u>General Government</u>				
Board of Supervisors				
Salaries and employee benefits	1,392,272	1,392,272	1,329,061	63,211
Services and supplies	137,064	137,064	122,883	14,181
Fixed assets	28,000	28,000	15,293	12,707
Intrafund transfers	8,870	8,870	7,012	1,858
	<u>1,566,206</u>	<u>1,566,206</u>	<u>1,474,249</u>	<u>91,957</u>
County Administrative Office				
Salaries and employee benefits	2,905,465	2,905,465	2,613,848	291,617
Services and supplies	1,568,789	1,643,789	1,092,139	551,650
Other charges	184,553	147,585	137,511	10,074
Intrafund transfers	97,498	97,498	89,599	7,899
Intrafund abatement	(63,438)	(63,438)	(95,760)	32,322
	<u>4,692,867</u>	<u>4,730,899</u>	<u>3,837,337</u>	<u>893,562</u>
Annual Audit				
Services and supplies	105,000	105,000	93,895	11,105
	<u>105,000</u>	<u>105,000</u>	<u>93,895</u>	<u>11,105</u>
Auditor-Controller				
Salaries and employee benefits	3,320,187	3,306,962	3,165,851	141,111
Services and supplies	101,567	109,514	99,756	9,758
Fixed assets	6,800	6,800	5,496	1,304
Intrafund transfers	11,122	16,400	16,230	170
Intrafund abatement	(40,000)	(40,000)	(39,730)	(270)
	<u>3,399,676</u>	<u>3,399,676</u>	<u>3,247,603</u>	<u>152,073</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Treasurer/Tax Collector				
Salaries and employee benefits	2,444,860	2,444,860	2,204,216	240,644
Services and supplies	550,830	547,330	460,429	86,901
Fixed assets	134,000	137,500	137,333	167
Other financing uses	3,600	3,600	2,381	1,219
Intrafund transfers	35,472	35,472	17,972	17,500
Intrafund abatement	(10,000)	(10,000)	(12,486)	2,486
	<u>3,158,762</u>	<u>3,158,762</u>	<u>2,809,845</u>	<u>348,917</u>
Assessor				
Salaries and employee benefits	3,830,752	3,830,752	3,532,625	298,127
Services and supplies	152,521	152,521	120,311	32,210
Other charges	500	500	-	500
Fixed assets	50,000	50,000	-	50,000
Intrafund transfers	13,418	13,418	10,868	2,550
	<u>4,047,191</u>	<u>4,047,191</u>	<u>3,663,804</u>	<u>383,387</u>
Purchasing				
Salaries and employee benefits	613,548	613,548	612,945	603
Services and supplies	19,933	19,933	18,897	1,036
Intrafund transfers	175	175	532	(357)
Intrafund abatement	-	-	(803)	803
	<u>633,656</u>	<u>633,656</u>	<u>631,571</u>	<u>2,085</u>
Revenue Recovery				
Salaries and employee benefits	807,668	807,668	633,506	174,162
Services and supplies	122,545	122,545	114,017	8,528
Intrafund transfers	11,634	11,634	11,646	(12)
Intrafund abatement	(11,463)	(11,463)	(8,183)	(3,280)
	<u>930,384</u>	<u>930,384</u>	<u>750,986</u>	<u>179,398</u>
County Counsel				
Salaries and employee benefits	2,996,626	2,996,626	2,674,137	322,489
Services and supplies	706,244	706,244	251,221	455,023
Intrafund transfers	6,715	6,715	5,529	1,186
Intrafund abatement	-	-	(9,322)	9,322
	<u>3,709,585</u>	<u>3,709,585</u>	<u>2,921,565</u>	<u>788,020</u>
Human Resources				
Salaries and employee benefits	1,398,427	1,398,427	1,178,783	219,644
Services and supplies	811,411	811,411	666,219	145,192
Intrafund transfers	6,508	6,508	4,139	2,369
Intrafund abatement	(77,761)	(77,761)	-	(77,761)
	<u>2,138,585</u>	<u>2,138,585</u>	<u>1,849,141</u>	<u>289,444</u>

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Elections				
Salaries and employee benefits	910,109	910,109	890,684	19,425
Services and supplies	352,955	586,602	334,611	251,991
Other charges	82,459	82,459	-	82,459
Other financing uses	-	15,366	15,366	-
Intrafund transfers	7,774	7,774	4,446	3,328
	<u>1,353,297</u>	<u>1,602,310</u>	<u>1,245,107</u>	<u>357,203</u>
Communications				
Salaries and employee benefits	566,553	566,553	529,517	37,036
Services and supplies	1,015,208	1,010,208	795,651	214,557
Services and supplies abatements	(350,000)	(350,000)	(228,405)	(121,595)
Intrafund transfers	50	50	-	50
Intrafund abatement	-	-	(2,357)	2,357
	<u>1,231,811</u>	<u>1,226,811</u>	<u>1,094,406</u>	<u>132,405</u>
Courier and Messenger				
Salaries and employee benefits	183,473	183,473	187,604	(4,131)
Services and supplies	26,650	26,650	20,477	6,173
Intrafund abatement	(166,501)	(166,501)	(174,450)	7,949
	<u>43,622</u>	<u>43,622</u>	<u>33,631</u>	<u>9,991</u>
Building and Grounds				
Salaries and employee benefits	3,944,328	3,944,328	3,562,475	381,853
Services and supplies	2,113,717	2,113,717	2,374,469	(260,752)
Other charges	52,500	52,500	49,303	3,197
Fixed assets	-	-	5,992	(5,992)
Intrafund transfers	1,200	1,200	867	333
Intrafund abatement	(163,929)	(163,929)	(242,724)	78,795
	<u>5,947,816</u>	<u>5,947,816</u>	<u>5,750,382</u>	<u>197,434</u>
Information Technologies				
Salaries and employee benefits	5,525,648	5,442,648	4,704,537	738,111
Services and supplies	2,519,642	2,484,642	2,003,097	481,545
Fixed assets	279,200	472,200	367,660	104,540
Intrafund transfers	7,763	7,763	3,670	4,093
Intrafund abatement	(325,000)	(325,000)	(177,759)	(147,241)
	<u>8,007,253</u>	<u>8,082,253</u>	<u>6,901,205</u>	<u>1,181,048</u>
Surveyor				
Salaries and employee benefits	1,632,640	1,604,640	1,547,742	56,898
Services and supplies	119,308	134,308	104,089	30,219
Other charges	800	800	262	538
Fixed assets	-	13,000	12,250	750
Intrafund transfers	18,794	18,794	2,944	15,850
Intrafund abatement	(160,000)	(160,000)	(160,669)	669
	<u>1,611,542</u>	<u>1,611,542</u>	<u>1,506,618</u>	<u>104,924</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Employee Benefits				
Salaries and employee benefits	25,000	25,000	18,679	6,321
Services and supplies	5,000	5,000	5,000	-
	<u>30,000</u>	<u>30,000</u>	<u>23,679</u>	<u>6,321</u>
Engineer				
Services and supplies	956,385	956,385	371,279	585,106
Other charges	1,589,320	1,589,320	1,377,538	211,782
Intrafund transfers	94,813	94,813	28,691	66,122
Intrafund abatement	-	-	(20,442)	20,442
	<u>2,640,518</u>	<u>2,640,518</u>	<u>1,757,066</u>	<u>883,452</u>
Contributions to Other Funds				
Services and supplies	1,427,500	2,252,500	-	2,252,500
Other charges	3,468,723	3,968,723	3,604,024	364,699
Other financing uses	25,354,565	25,354,565	13,818,723	11,535,842
	<u>30,250,788</u>	<u>31,575,788</u>	<u>17,422,747</u>	<u>14,153,041</u>
Contributions to Other Agencies				
Other charges	1,627,500	1,627,500	813,500	814,000
	<u>1,627,500</u>	<u>1,627,500</u>	<u>813,500</u>	<u>814,000</u>
Contribution to Airports				
Other financing uses	87,681	87,681	58,453	29,228
	<u>87,681</u>	<u>87,681</u>	<u>58,453</u>	<u>29,228</u>
Other General				
Salaries and employee benefits	7,084,607	7,084,607	6,490,515	594,092
Services and supplies	3,155,938	3,155,938	1,887,863	1,268,075
Services and supplies abatements	(660,000)	(660,000)	(527,326)	(132,674)
Fixed assets	43,500	43,500	-	43,500
Intrafund transfers	455,193	455,193	439,603	15,590
Intrafund abatement	(9,550,059)	(9,523,788)	(9,515,940)	(7,848)
	<u>529,179</u>	<u>555,450</u>	<u>(1,225,285)</u>	<u>1,780,735</u>
Central Services				
Salaries and employee benefits	41,910	41,910	38,883	3,027
Services and supplies	189,245	189,245	150,317	38,928
Services and supplies abatements	(175,000)	(175,000)	(129,929)	(45,071)
Intrafund abatement	(49,604)	(49,604)	(49,600)	(4)
	<u>6,551</u>	<u>6,551</u>	<u>9,671</u>	<u>(3,120)</u>
General Government	<u>77,749,470</u>	<u>79,457,786</u>	<u>56,671,176</u>	<u>22,786,610</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Protection				
Superior Court MOE				
Services and supplies	1,307,877	1,567,877	1,433,892	133,985
Other charges	1,274,000	1,174,000	1,066,970	107,030
	<u>2,581,877</u>	<u>2,741,877</u>	<u>2,500,862</u>	<u>241,015</u>
Grand Jury				
Services and supplies	72,550	72,550	51,153	21,397
Intrafund transfers	2,769	2,769	2,639	130
	<u>75,319</u>	<u>75,319</u>	<u>53,792</u>	<u>21,527</u>
District Attorney				
Salaries and employee benefits	8,743,374	8,577,690	8,325,410	252,280
Services and supplies	786,112	848,312	815,808	32,504
Other charges	2,500	22,500	6,328	16,172
Fixed assets	1,143	38,143	25,023	13,120
Other financing uses	34,000	51,000	50,795	205
Intrafund transfers	5,423	56,423	49,386	7,037
Intrafund abatement	(498,761)	(498,761)	(512,116)	13,355
	<u>9,073,791</u>	<u>9,095,307</u>	<u>8,760,634</u>	<u>334,673</u>
Child Support Services				
Salaries and employee benefits	4,091,995	3,991,995	3,713,537	278,458
Services and supplies	605,399	675,399	587,119	88,280
Intrafund transfers	346,175	376,175	356,349	19,826
	<u>5,043,569</u>	<u>5,043,569</u>	<u>4,657,005</u>	<u>386,564</u>
Public Defender				
Salaries and employee benefits	3,372,470	3,372,470	2,906,826	465,644
Services and supplies	409,571	409,571	278,935	130,636
Other charges	17,000	17,000	17,000	-
Fixed assets	17,056	17,056	-	17,056
Other financing uses	52,000	52,000	47,935	4,065
Intrafund transfers	44,913	44,913	38,614	6,299
	<u>3,913,010</u>	<u>3,913,010</u>	<u>3,289,310</u>	<u>623,700</u>
Sheriff - Bailiff				
Salaries and employee benefits	3,318,584	3,603,584	3,799,990	(196,406)
Services and supplies	208,489	208,489	140,404	68,085
Other charges	-	-	802	(802)
Other financing uses	9,000	9,000	37,941	(28,941)
Intrafund transfers	-	-	150	(150)
	<u>3,536,073</u>	<u>3,821,073</u>	<u>3,979,287</u>	<u>(158,214)</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Sheriff				
Salaries and employee benefits	31,336,228	31,316,228	30,424,485	891,743
Services and supplies	6,758,607	6,797,208	4,940,458	1,856,750
Other charges	189,200	189,200	60,737	128,463
Fixed assets	942,616	922,616	478,064	444,552
Other financing uses	54,149	131,149	72,502	58,647
Intrafund transfers	36,495	36,495	62,923	(26,428)
Intrafund abatement	(3,900)	(3,900)	(31,859)	27,959
	<u>39,313,395</u>	<u>39,388,996</u>	<u>36,007,310</u>	<u>3,381,686</u>
Central Dispatch				
Salaries and employee benefits	2,299,912	2,299,912	2,091,394	208,518
Services and supplies	67,763	67,763	60,464	7,299
Intrafund transfers	-	-	150	(150)
	<u>2,367,675</u>	<u>2,367,675</u>	<u>2,152,008</u>	<u>215,667</u>
Jail				
Salaries and employee benefits	13,814,851	13,814,851	12,692,707	1,122,144
Services and supplies	2,766,696	2,741,196	2,088,740	652,456
Other charges	-	-	3,000	(3,000)
Fixed assets	341,500	173,500	-	173,500
Other financing uses	-	203,000	232,693	(29,693)
Intrafund transfers	102,000	102,000	49,166	52,834
	<u>17,025,047</u>	<u>17,034,547</u>	<u>15,066,306</u>	<u>1,968,241</u>
Juvenile Hall				
Salaries and employee benefits	6,033,405	6,033,405	5,460,318	573,087
Services and supplies	849,374	839,374	790,024	49,350
Other charges	117,500	117,500	48,743	68,757
Fixed assets	-	25,014	-	25,014
Other financing uses	107,272	82,258	-	82,258
Intrafund transfers	14,450	24,450	19,241	5,209
	<u>7,122,001</u>	<u>7,122,001</u>	<u>6,318,326</u>	<u>803,675</u>
Probation				
Salaries and employee benefits	8,968,745	8,968,745	8,378,524	590,221
Services and supplies	2,117,216	2,110,521	1,615,679	494,842
Other charges	-	-	300	(300)
Other financing uses	128,110	128,110	73,486	54,624
Intrafund transfers	18,183	24,878	30,077	(5,199)
	<u>11,232,254</u>	<u>11,232,254</u>	<u>10,098,066</u>	<u>1,134,188</u>

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Agricultural Commissioner				
Salaries and employee benefits	1,158,999	1,168,877	1,160,122	8,755
Services and supplies	220,410	222,410	177,519	44,891
Other charges	1,000	1,000	961	39
Intrafund transfers	5,617	5,617	3,166	2,451
	<u>1,386,026</u>	<u>1,397,904</u>	<u>1,341,768</u>	<u>56,136</u>
Building Inspector				
Salaries and employee benefits	5,191,984	5,191,984	4,839,329	352,655
Services and supplies	988,075	988,075	282,635	705,440
Other financing uses	155,827	155,827	81,777	74,050
Intrafund transfers	1,235,190	1,235,190	1,181,858	53,332
Intrafund abatement	(256,460)	(256,460)	-	(256,460)
	<u>7,314,616</u>	<u>7,314,616</u>	<u>6,385,599</u>	<u>929,017</u>
Coroner				
Salaries and employee benefits	1,244,955	1,244,955	1,227,763	17,192
Services and supplies	336,392	336,392	437,057	(100,665)
Intrafund transfers	-	-	395	(395)
	<u>1,581,347</u>	<u>1,581,347</u>	<u>1,665,215</u>	<u>(83,868)</u>
Emergency Services				
Salaries and employee benefits	815,850	815,850	931,866	(116,016)
Services and supplies	126,206	126,206	146,314	(20,108)
Other charges	-	-	363	(363)
Intrafund transfers	-	-	25	(25)
	<u>942,056</u>	<u>942,056</u>	<u>1,078,568</u>	<u>(136,512)</u>
Recorder - Clerk				
Salaries and employee benefits	1,347,398	1,347,398	1,279,560	67,838
Services and supplies	196,264	182,264	164,880	17,384
Fixed assets	12,000	12,000	-	12,000
Intrafund transfers	16,299	16,299	10,303	5,996
	<u>1,571,961</u>	<u>1,557,961</u>	<u>1,454,743</u>	<u>103,218</u>
Planning and Zoning				
Salaries and employee benefits	7,030,232	7,030,232	5,749,872	1,280,360
Services and supplies	3,757,833	3,718,833	1,766,429	1,952,404
Other charges	222,893	255,893	242,821	13,072
Other financing uses	-	6,000	396	5,604
Intrafund transfers	1,476,665	1,476,665	1,146,623	330,042
Intrafund abatement	(1,745,771)	(1,745,771)	(1,533,280)	(212,491)
	<u>10,741,852</u>	<u>10,741,852</u>	<u>7,372,861</u>	<u>3,368,991</u>

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Animal Services				
Salaries and employee benefits	1,753,655	1,753,655	1,653,832	99,823
Services and supplies	602,990	593,490	412,042	181,448
Other charges	107,587	107,587	40,504	67,083
Fixed assets	60,000	69,500	-	69,500
Intrafund transfers	979,426	979,426	952,057	27,369
	<u>3,503,658</u>	<u>3,503,658</u>	<u>3,058,435</u>	<u>445,223</u>
Public Guardian				
Salaries and employee benefits	1,539,422	1,381,812	1,214,739	167,073
Services and supplies	143,809	126,423	165,444	(39,021)
Other charges	-	-	2,958	(2,958)
Other financing uses	-	-	86,518	(86,518)
Intrafund transfers	568,348	542,077	512,054	30,023
	<u>2,251,579</u>	<u>2,050,312</u>	<u>1,981,713</u>	<u>68,599</u>
Cemeteries				
Salaries and employee benefits	63,206	63,206	58,654	4,552
Services and supplies	109,482	97,482	5,945	91,537
Other charges	240	240	-	240
Intrafund transfers	12,362	24,362	22,268	2,094
	<u>185,290</u>	<u>185,290</u>	<u>86,867</u>	<u>98,423</u>
Public Protection	<u>130,762,396</u>	<u>131,110,624</u>	<u>117,308,675</u>	<u>13,801,949</u>
Health and Sanitation				
Environmental Management				
Salaries and employee benefits	1,851,026	1,881,026	1,804,965	76,061
Services and supplies	222,381	222,381	147,361	75,020
Other charges	288,104	288,104	69,556	218,548
Intrafund transfers	357,635	357,635	290,830	66,805
Intrafund abatement	(66,005)	(66,005)	(1,167)	(64,838)
	<u>2,653,141</u>	<u>2,683,141</u>	<u>2,311,545</u>	<u>371,596</u>
Health and Sanitation	<u>2,653,141</u>	<u>2,683,141</u>	<u>2,311,545</u>	<u>371,596</u>
Public Assistance				
Social Services Administration				
Salaries and employee benefits	14,473,901	14,473,901	13,120,048	1,353,853
Services and supplies	1,794,432	1,781,200	1,337,058	444,142
Other charges	1,389,492	1,389,492	692,902	696,590
Intrafund transfers	7,539,657	7,539,657	7,080,938	458,719
	<u>25,197,482</u>	<u>25,184,250</u>	<u>22,230,946</u>	<u>2,953,304</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Social Services Programs				
Salaries and employee benefits	6,946,966	7,069,544	6,438,990	630,554
Services and supplies	781,752	781,752	255,093	526,659
Other charges	3,600,749	3,600,749	3,216,080	384,669
Intrafund transfers	92,513	113,130	45,553	67,577
	<u>11,421,980</u>	<u>11,565,175</u>	<u>9,955,716</u>	<u>1,609,459</u>
Categorical Aids				
Other charges	19,408,403	19,408,403	18,679,143	729,260
	<u>19,408,403</u>	<u>19,408,403</u>	<u>18,679,143</u>	<u>729,260</u>
Aid to Indigents				
Services and supplies	4,600	4,600	4,624	(24)
Other charges	187,100	187,100	184,219	2,881
	<u>191,700</u>	<u>191,700</u>	<u>188,843</u>	<u>2,857</u>
Veterans' Services				
Salaries and employee benefits	451,035	471,003	340,849	130,154
Services and supplies	83,415	83,415	70,568	12,847
Other financing uses	-	17,000	-	17,000
Intrafund transfers	15,408	15,408	9,159	6,249
	<u>549,858</u>	<u>586,826</u>	<u>420,576</u>	<u>166,250</u>
Public Assistance	<u>56,769,423</u>	<u>56,936,354</u>	<u>51,475,224</u>	<u>5,461,130</u>
Education				
<u>County Library</u>				
Salaries and employee benefits	2,797,753	2,786,679	2,475,980	310,699
Services and supplies	875,793	921,766	745,046	176,720
Other charges	2,000	5,100	5,083	17
Fixed assets	-	11,500	-	11,500
Intrafund transfers	22,347	42,347	29,044	13,303
	<u>3,697,893</u>	<u>3,767,392</u>	<u>3,255,153</u>	<u>512,239</u>
Education	<u>3,697,893</u>	<u>3,767,392</u>	<u>3,255,153</u>	<u>512,239</u>
Recreation and Cultural Services				
<u>Recreation</u>				
Salaries and employee benefits	573,078	573,078	507,076	66,002
Services and supplies	565,151	530,251	208,382	321,869
Other charges	158,661	142,261	50,733	91,528
Fixed assets	74,000	86,400	64,765	21,635
Intrafund transfers	4,900	46,300	49,940	(3,640)
	<u>1,375,790</u>	<u>1,378,290</u>	<u>880,896</u>	<u>497,394</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Historical Museum				
Salaries and employee benefits	102,737	102,737	103,754	(1,017)
Services and supplies	121,543	121,543	69,494	52,049
Intrafund transfers	500	500	1,976	(1,476)
	<u>224,780</u>	<u>224,780</u>	<u>175,224</u>	<u>49,556</u>
Recreation and Cultural Services	<u>1,600,570</u>	<u>1,603,070</u>	<u>1,056,120</u>	<u>546,950</u>
<u>Contingency</u>				
Contingency				
Appropriation for contingencies	4,561,000	4,735,863	-	4,735,863
	<u>4,561,000</u>	<u>4,735,863</u>	<u>-</u>	<u>4,735,863</u>
Contingency	<u>4,561,000</u>	<u>4,735,863</u>	<u>-</u>	<u>4,735,863</u>
Total charges to appropriations	<u>277,793,893</u>	<u>280,294,230</u>	<u>232,077,893</u>	<u>48,216,337</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,602,563</u>	<u>\$ 39,602,563</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2017

An explanation of the differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

Sources/inflows of resources:

Actual amount (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$	271,680,456
Difference budget to GAAP		
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes		(33,755,332)
Transfers in from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes		(34,558,266)
Interfund revenues from other governmental funds are inflows of budgetary resources, but are eliminated for financial reporting purposes		<u>(10,737,220)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	\$	<u><u>192,629,638</u></u>

Uses/outflows of resources:

Actual amount (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$	232,077,893
Difference budget to GAAP		
Transfers out to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(14,578,965)
Interfund expenditures to other governmental funds are outflows of budgetary resources, but are eliminated for financial reporting purposes		<u>(10,737,220)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	\$	<u><u>206,761,708</u></u>

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COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 Road Fund
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, July 1	\$ 4,591,169	\$ 4,571,169	\$ 4,571,169	\$ -
Resources (inflows):				
Taxes and assessments	59,499	59,499	35,513	(23,986)
Licenses, permits and franchises	676,637	676,637	749,450	72,813
Revenue from use of money and property	36,401	36,401	41,597	5,196
Intergovernmental revenues-State	8,662,537	8,662,537	7,368,750	(1,293,787)
Intergovernmental revenues-Federal	22,512,601	22,512,601	10,072,011	(12,440,590)
Charges for services	7,332,803	5,352,803	3,270,571	(2,082,232)
Miscellaneous revenues	1,329,185	1,329,185	386,156	(943,029)
Other financing sources	25,878,023	25,878,023	17,573,881	(8,304,142)
	<hr/>	<hr/>	<hr/>	<hr/>
	66,487,686	64,507,686	39,497,929	(25,009,757)
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts available for appropriations	71,078,855	69,078,855	44,069,098	(25,009,757)
	<hr/>	<hr/>	<hr/>	<hr/>
Charges to appropriations (outflows):				
<u>Public ways and facilities</u>				
Salaries and employee benefits	18,178,243	18,150,443	16,869,686	1,280,757
Services and supplies	38,078,103	36,078,103	17,504,424	18,573,679
Other charges	8,526,514	8,526,514	4,927,615	3,598,899
Fixed assets	7,219,567	7,247,367	6,018,782	1,228,585
Other financing uses	95,000	95,000	74,071	20,929
Intrafund transfers	6,100,859	6,200,859	6,157,080	43,779
Intrafund abatement	(7,119,431)	(7,219,431)	(6,890,931)	(328,500)
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Public ways and facilities	71,078,855	69,078,855	44,660,727	24,418,128
	<hr/>	<hr/>	<hr/>	<hr/>
Total charges to appropriations	71,078,855	69,078,855	44,660,727	24,418,128
	<hr/>	<hr/>	<hr/>	<hr/>
Budgetary fund balance, June 30	\$ -	\$ -	\$ (591,629)	\$ (591,629)
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COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
Road Fund (Continued)
For the Year Ended June 30, 2017

An explanation of the differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

Sources/inflows of resources:

Actual amount (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$	44,069,098
Difference budget to GAAP		
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes		(4,571,169)
Transfers in from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes		(17,498,623)
Interfund revenues from other governmental funds are inflows of budgetary resources, but are eliminated for financial reporting purposes		<u>(2,141,797)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	\$	<u>19,857,509</u>

Uses/outflows of resources:

Actual amount (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$	44,660,727
Difference budget to GAAP		
Transfers out to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(74,071)
Interfund expenditures to other governmental funds are outflows of budgetary resources, but are eliminated for financial reporting purposes		<u>(2,141,797)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	\$	<u>42,444,859</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 CSA #7 Fund
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, July 1	\$ 6,527,039	\$ 6,527,039	\$ 6,527,039	\$ -
Resources (inflows):				
Taxes and assessments	4,605,378	4,605,378	4,694,012	88,634
Fines, forfeitures and penalties	13,000	13,000	9,388	(3,612)
Revenue from use of money and property	30,000	30,000	55,320	25,320
Intergovernmental revenues-State	29,000	29,000	28,966	(34)
Charges for services	6,882,020	6,882,020	6,796,239	(85,781)
Miscellaneous revenues	300,000	300,000	314,000	14,000
Other financing sources	-	-	1,900	1,900
	<u>11,859,398</u>	<u>11,859,398</u>	<u>11,899,825</u>	<u>40,427</u>
Amounts available for appropriations	<u>18,386,437</u>	<u>18,386,437</u>	<u>18,426,864</u>	<u>40,427</u>
Charges to appropriations (outflows):				
<u>Public ways and facilities</u>				
Salaries and employee benefits	188,678	188,678	138,116	50,562
Services and supplies	896,487	896,487	477,985	418,502
Other charges	12,185,705	12,185,705	10,811,791	1,373,914
Intrafund transfers	621,872	621,872	467,278	154,594
Intrafund abatement	(812,419)	(812,419)	(622,965)	(189,454)
Appropriations for contingencies	5,306,114	5,306,114	-	5,306,114
Public ways and facilities	<u>18,386,437</u>	<u>18,386,437</u>	<u>11,272,205</u>	<u>7,114,232</u>
Total charges to appropriations	<u>18,386,437</u>	<u>18,386,437</u>	<u>11,272,205</u>	<u>7,114,232</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,154,659</u>	<u>\$ 7,154,659</u>

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
CSA #7 Fund (Continued)
For the Year Ended June 30, 2017

An explanation of the differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

Sources/inflows of resources:

Actual amount (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 18,426,864
Difference budget to GAAP The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(6,527,039)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	<u>\$ 11,899,825</u>

Uses/outflows of resources:

Actual amount (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 11,272,205</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	<u>\$ 11,272,205</u>

COUNTY OF EL DORADO

Required Supplementary Information Notes to the Budgetary Comparison Schedule For the Year Ended June 30, 2017

BUDGETARY BASIS OF ACCOUNTING

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 October 2. 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.

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 legally not exceed appropriations. The County Administrator approves any budget amendments transferring appropriation within object categories such as salaries and benefits or services and supplies. In addition, the County Administrator also approves budget amendments transferring appropriations between object categories. The Board of Supervisors approves budget amendments transferring appropriations between budget units, departments, or funds. The Board of Supervisors also approves appropriations from unappropriated reserves and unanticipated revenues received during the year. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year.

The County uses an encumbrances 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 reported as part of the restricted, committed, or assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriation lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

The budgets for governmental funds may include an object level known as "intrafund transfers" in the charges for appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund (an example would be the General Fund).

The amounts reported in the budgetary basis differ from the basis used to present the basic financial statements in accordance with generally accepted accounting principles (GAAP). Annual budgets are prepared on the modified accrual basis of accounting except that current year encumbrances are budgeted as expenditures.

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COUNTY OF EL DORADO

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

	<u>Fleet Management</u>	<u>Risk Management Authority</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and investments	\$ 2,218,264	\$ 35,599,840	\$ 37,818,104
Deposits	-	83,100	83,100
Due from other governments	1,921	-	1,921
Inventories	47,314	-	47,314
Prepaid expenses	<u>1,029</u>	<u>2,289,650</u>	<u>2,290,679</u>
Total Current Assets	<u>2,268,528</u>	<u>37,972,590</u>	<u>40,241,118</u>
Capital Assets:			
Land	40,000	-	40,000
Structures and improvements	173,128	-	173,128
Equipment	13,100,785	40,595	13,141,380
Accumulated depreciation	<u>(5,602,678)</u>	<u>(30,189)</u>	<u>(5,632,867)</u>
Total Capital Assets, net of accumulated depreciation	<u>7,711,235</u>	<u>10,406</u>	<u>7,721,641</u>
Total Assets	<u>9,979,763</u>	<u>37,982,996</u>	<u>47,962,759</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 16,286	\$ 352,926	\$ 369,212
Salaries and benefits payable	6,134	10,856	16,990
Unearned revenue	-	1,104,102	1,104,102
Liability for self-insurance	-	4,712,796	4,712,796
Compensated absences - due within one year	<u>2,671</u>	<u>4,904</u>	<u>7,575</u>
Total Current Liabilities	<u>25,091</u>	<u>6,185,584</u>	<u>6,210,675</u>
Long-Term Liabilities:			
Liability for self-insurance	-	15,844,204	15,844,204
Other post employment benefits (OPEB)	-	87,370,644	87,370,644
Compensated absences - due beyond one year	<u>27,012</u>	<u>49,589</u>	<u>76,601</u>
Total Long-Term Liabilities	<u>27,012</u>	<u>103,264,437</u>	<u>103,291,449</u>
Total Liabilities	<u>52,103</u>	<u>109,450,021</u>	<u>109,502,124</u>
Net Position			
Net investment in capital assets	7,711,235	10,406	7,721,641
Restricted for general government and support programs	2,149,816	-	2,149,816
Unrestricted	<u>66,609</u>	<u>(71,477,431)</u>	<u>(71,410,822)</u>
Total Net Position	<u>\$ 9,927,660</u>	<u>\$ (71,467,025)</u>	<u>\$ (61,539,365)</u>

COUNTY OF EL DORADO

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

	<u>Fleet Management</u>	<u>Risk Management Authority</u>	<u>Total</u>
Operating Revenues:			
Service fees	\$ 2,141,110	\$ 41,791,405	\$ 43,932,515
Total Operating Revenues	<u>2,141,110</u>	<u>41,791,405</u>	<u>43,932,515</u>
Operating Expenses:			
Salaries and benefits	338,136	687,412	1,025,548
Services and supplies	687,648	45,571,114	46,258,762
Depreciation	841,486	2,402	843,888
Total Operating Expenses	<u>1,867,270</u>	<u>46,260,928</u>	<u>48,128,198</u>
Operating Income (Loss)	<u>273,840</u>	<u>(4,469,523)</u>	<u>(4,195,683)</u>
Non-Operating Revenues (Expenses):			
Interest income	12,143	156,030	168,173
Gain (loss) on sale of capital assets	(29,501)	-	(29,501)
Miscellaneous nonoperating revenues	6,134	619,614	625,748
Total NonOperating Revenues (Expenses)	<u>(11,224)</u>	<u>775,644</u>	<u>764,420</u>
Income (Loss) Before Transfers and Capital Contributions	<u>262,616</u>	<u>(3,693,879)</u>	<u>(3,431,263)</u>
Transfers In (Out) and Capital Contributions			
Transfers in	344,547	-	344,547
Transfers out	(52,763)	-	(52,763)
Capital contributions	92,922	-	92,922
Total Transfers and Capital Contributions	<u>384,706</u>	<u>-</u>	<u>384,706</u>
Change in Net Position	647,322	(3,693,879)	(3,046,557)
Net Position - Beginning of Year	<u>9,280,338</u>	<u>(67,773,146)</u>	<u>(58,492,808)</u>
Net Position - End of Year	<u>\$ 9,927,660</u>	<u>\$ (71,467,025)</u>	<u>\$ (61,539,365)</u>

COUNTY OF EL DORADO

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

	<u>Fleet Management</u>	<u>Risk Management Authority</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash receipts from internal fund services provided	\$ 2,141,132	\$ 42,895,507	\$ 45,036,639
Cash paid to suppliers for goods and services	(718,524)	(37,470,733)	(38,189,257)
Cash paid to employees for services	<u>(346,884)</u>	<u>(697,526)</u>	<u>(1,044,410)</u>
Net cash provided (used) by operating activities	<u>1,075,724</u>	<u>4,727,248</u>	<u>5,802,972</u>
Cash Flows From Noncapital Financing Activities:			
Cash received from (paid to) other funds	291,784	(904,000)	(612,216)
Cash received from (paid to) other governmental agencies	(1,921)	-	(1,921)
Non operating receipts	<u>6,134</u>	<u>619,614</u>	<u>625,748</u>
Net cash provided (used) by noncapital financing activities	<u>295,997</u>	<u>(284,386)</u>	<u>11,611</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds from sale of capital assets	55,043	-	55,043
Payments related to the acquisition of capital assets	<u>(1,292,655)</u>	<u>-</u>	<u>(1,292,655)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,237,612)</u>	<u>-</u>	<u>(1,237,612)</u>
Cash Flows From investing Activities:			
Interest received	<u>12,143</u>	<u>156,030</u>	<u>168,173</u>
Net cash provided (used) by investing activities	<u>12,143</u>	<u>156,030</u>	<u>168,173</u>
Net Increase (Decrease) in Cash and Cash Equivalents	146,252	4,598,892	4,745,144
Cash and Cash Equivalents, Beginning of Year	<u>2,072,012</u>	<u>31,000,948</u>	<u>33,072,960</u>
Cash and Cash Equivalents, End of year	<u>\$ 2,218,264</u>	<u>\$ 35,599,840</u>	<u>\$ 37,818,104</u>

(Continued)

COUNTY OF EL DORADO

Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2017

	<u>Fleet Management</u>	<u>Risk Management Authority</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 273,840	\$ (4,469,523)	\$ (4,195,683)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	841,486	2,402	843,888
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	22	-	22
Inventory	(11,948)	-	(11,948)
Deposits and prepaid expenses	(1,029)	6,139	5,110
Increase (decrease) in:			
Accounts payable	(17,899)	(368,176)	(386,075)
Salaries payable	(11,214)	(20,550)	(31,764)
Unearned revenue	-	1,104,102	1,104,102
Liability for compensensated absences	2,466	10,436	12,902
Liability for self-insurance	-	2,586,000	2,586,000
Liability for other post employment benefits (OPEB)	-	5,876,418	5,876,418
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,075,724</u>	<u>\$ 4,727,248</u>	<u>\$ 5,802,972</u>

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

To the Board of Supervisors of
The County of El Dorado
Placerville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the County of El Dorado (County), California, as of and for the year ended June 30, 2017, and have issued our report thereon dated March 28, 2018. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles. Our report also includes a reference to other auditors who audited the component unit financial statements of the El Dorado Transit Authority (EDCTA), Children & Families Commission (First 5), and the El Dorado County Transportation Commission (EDCTC) as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control March 28, 2018, which is an integral part of our audit and should be read in conjunction with this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are listed as finding 2017-01 in our separately issued Memorandum on Internal Control dated March 28, which is an integral part of our audit and should be read in conjunction with this report.

County's Response to Findings

The County's response to the findings identified in our audit is described in our separately issued Memorandum on Internal Control dated March 28, 2018, which is an integral part of our audit and should be read in conjunction with this report. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Maze + Associates

Pleasant Hill, California
March 28, 2018