

**COUNTY OF TEHAMA,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2013**

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COUNTY OF TEHAMA
Annual Financial Report
For the Year Ended June 30, 2013

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INTRODUCTORY SECTION

- **County Officials**

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COUNTY OF TEHAMA
County Officials
For the Year Ended June 30, 2013

ELECTED OFFICIALS

Supervisor, District 1.....	Greg Avilla
Supervisor, District 2.....	George Russell
Supervisor, District 3.....	Dennis Garton
Supervisor, District 4.....	Bob Williams
Supervisor, District 5.....	Ron Warner
Assessor.....	Dale Stroud
Auditor/Controller.....	LeRoy M. Anderson
Clerk & Recorder/Clerk of the Board/Elections.....	Beverly Ross
District Attorney.....	Gregg Cohen
Sheriff/Coroner.....	Dave Hencratt
Treasurer/Tax Collector.....	Dana Hollmer

DEPARTMENT DIRECTORS/ADMINISTRATORS

Chief Administration.....	Williams Goodwin
Agriculture.....	Rick J. Gurrola
Air Pollution Control.....	Alan Abbs
Building & Safety.....	John Stover
Chief Probation Officer.....	Richard Muench
Child Support Services.....	Tonya Moore
County Counsel.....	Arthur J. Wylene
Court Executive Officer.....	Gina Setter
Environmental Health.....	Tim Potonovic
Facilities Maintenance.....	Johnny Fourmet
Farm Advisor.....	Rick Buchner
Fire.....	Jeff Schori
Health Officer.....	Richard Wickenheiser, MD
Health Services Agency.....	Valerie Lucero
Library.....	Jessica Hudson
Personnel.....	Sally Hako
Planning.....	Sean M. Moore
Public Guardian.....	Melani Rodrigue
Public Works.....	Gary Antone
Social Services.....	Charlene Reid
Veterans' Service.....	William R. Johnson

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County of Tehama, California (County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10 to the financial statements, in 2013, the County implemented Governmental Accounting Standards Board (GASB) Statements No. 60, 61, 62, 63 and 66 and implemented GASB 65 in advance during the fiscal year 2013. Among these new GASB Statements, 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, have significant impact over the County of Tehama's financial statements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written over the printed name of the firm.

Smith & Newell CPAs
Yuba City, California
January 14, 2014

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

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COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

This section of the County of Tehama (County) annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2013. It should be read in conjunction with the County's basic financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$253,787,584 (net position). Of this amount, \$27,756,049 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,162,299 during the year.
- As of June 30, 2013 the County's governmental funds combined ending fund balances were \$52,881,931. This is a net decrease of \$1,191,717, from the prior year, and is comprised of \$22,685,543 in Non-spendable and/or Restricted fund balance and \$30,196,388 as Committed, Assigned or Unassigned.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

A. Financial Reporting Model

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

B. Government-Wide Financial Statements

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

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

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

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

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

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

C. Fund Financial Statements

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

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

The County maintains 19 individual governmental funds. On the financial statements for governmental funds information is presented separately for six major funds: the General Fund, Road Fund, Public Safety Fund, Public Assistance Fund, Health Services Fund and the Capital Projects Fund. Data from other governmental funds are aggregated into a single column.

Proprietary funds are of two types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Tehama County Sanitation District #1 and its Health Center operations, which currently includes only worker's compensation costs.

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

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

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

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

D. Required Supplementary Information

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

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position June 30, 2013

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 75,795,737	\$ 77,060,208	(\$ 289,344)	\$ 69,164	\$ 75,506,393	\$ 77,129,372
Capital assets	197,923,353	198,042,223	1,015,290	972,672	198,938,643	199,014,895
Total Assets	<u>273,719,090</u>	<u>275,102,431</u>	<u>725,946</u>	<u>1,041,836</u>	<u>274,445,036</u>	<u>276,144,267</u>
Current and other liabilities	11,742,014	11,673,577	7,202	7,553	11,749,216	11,681,130
Long term liabilities	10,632,533	10,251,553	438,000	424,000	11,070,533	10,675,553
Total Liabilities	<u>22,374,547</u>	<u>21,925,130</u>	<u>445,202</u>	<u>431,553</u>	<u>22,819,749</u>	<u>22,356,683</u>
Net investment in capital assets	190,980,970	191,489,267	577,290	548,672	191,558,260	192,037,939
Restricted	33,131,436	33,993,596	-	-	33,131,436	33,993,596
Unrestricted	27,232,137	27,694,438	(296,546)	61,611	26,935,591	27,756,049
Total Net Position	<u>\$251,344,543</u>	<u>\$253,177,301</u>	<u>\$ 280,744</u>	<u>\$ 610,283</u>	<u>\$251,625,287</u>	<u>\$ 253,787,584</u>

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

Restricted net position of \$33,993,596 represent resources that are subject to external restrictions on how they may be used.

Unrestricted net position of \$27,756,049 represent 10.9% of the total net position and may be used to meet the County's ongoing obligations to citizens and creditors.

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

Statement of Activities For the Year Ended June 30, 2013

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Program revenues						
Charges for services	\$ 23,641,425	\$ 22,792,516	\$ 170,740	\$152,579	\$ 23,812,165	\$ 22,945,095
Grants and Contributions	67,319,177	76,442,425	647,168	423,229	67,966,345	76,865,654
General revenues:						
Property taxes	18,283,263	17,631,945	-	-	18,283,263	17,631,945
Other taxes	3,473,122	7,057,819	-	-	3,473,122	7,057,819
Interest & Investment Earnings	608,491	454,131	270	234	608,761	454,365
Other revenue	1,189,993	956,957	422	274	1,190,415	957,231
Gain on sale	-	985,572	-	-	-	985,572
Total Revenues	<u>114,515,471</u>	<u>126,321,365</u>	<u>818,600</u>	<u>576,316</u>	<u>115,334,071</u>	<u>126,897,681</u>
Expenses:						
General government	16,633,843	16,538,359	-	-	16,633,843	16,538,359
Public protection	28,336,653	30,010,065	-	-	28,336,653	30,010,065
Public ways and facilities	8,212,429	16,760,829	-	-	8,212,429	16,760,829
Health and welfare	17,628,423	20,037,950	-	-	17,628,423	20,037,950
Public assistance	36,548,594	39,861,818	-	-	36,548,594	39,861,818
Education	650,585	634,491	-	-	650,585	634,491
Culture and recreation	290,928	315,947	-	-	290,928	315,947
Interest and fiscal charges	357,011	329,148	-	-	357,011	329,148
Health Center	-	-	116,724	67,477	116,724	67,477
Sanitation District	-	-	212,504	179,300	212,504	179,300
Total Expenses	<u>108,658,466</u>	<u>124,488,607</u>	<u>329,228</u>	<u>246,777</u>	<u>108,987,694</u>	<u>124,735,384</u>
Change in net position	5,857,005	1,832,758	489,372	329,539	5,883,978	2,162,297
Net Position - Beginning	244,751,676	251,344,543	(208,628)	280,744	244,543,048	251,625,287
Prior period adjustments	735,862	-	-	-	735,862	-
Net Position - Ending	<u>\$251,344,543</u>	<u>\$253,177,301</u>	<u>\$ 280,744</u>	<u>\$610,283</u>	<u>\$251,162,888</u>	<u>\$253,787,584</u>

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

- Governmental activities accounted for 84.7% of the \$2,162,297 increase in net position, and Business-Type activities accounted for 15.3%.
- Revenues decreased slightly in Property Tax while it more than doubled in Other Taxes. Interest and Investment Earnings decreased, as did other revenue. There was a gain on sale of land to the State Courts.
- There was a significant increase in expenditures for Public Ways and Facilities and, to a lesser degree, an increase in Public Protection, Health & Sanitation and Public Assistance expenditures.

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

IV. FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

At June 30, 2013, the County's governmental funds reported combined ending fund balances of \$52,881,931. Approximately 57.1% of this total amount, or \$30,196,388, constitutes unrestricted fund balance which may be used to meet the County's ongoing general obligation to citizens and creditors.

The General Fund is the main operating fund of the County. At June 30, 2013, unrestricted fund balance of the general fund was \$18,002,325, while total fund balance reached \$20,800,422. As a measure of the general fund's liquidity, the unrestricted fund balance represents 73.75% of \$24,408,482 in total fund expenditures, and total fund balance is 85% of that same amount.

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

The Road Fund is used to account for all revenues and expenditures associated with design, construction and maintenance of county road infrastructure. The Road Fund had a fund balance of \$3,606,591. Of this amount \$3,079,496 is available and the remaining \$527,095 is non-spendable. The overall fund balance decreased by \$2,929,142.

The Public Safety Fund is used to account for all revenues and expenditures associated with public protection programs. The Public Safety Fund has a total fund balance of \$4,427,843. Of this amount, \$4,356,874 is available and the balance of \$70,969 is non-spendable. The overall fund balance increased by \$1,941,250.

The Public Assistance Fund is used to account for all revenues and expenditures associated with the Federal and State mandates of various Health and Welfare Codes. At June 30, 2013, the total fund balance of the Public Assistance Fund was \$1,047,793. This represents an available fund balance of \$980,206 and an overall increase in fund balance of \$148,992.

The Health Services Fund is used to account for all revenues and expenditures associated with providing health services to County residents. The total fund balance of the Health Services Fund at June 30, 2013 was \$195,075. Of this amount \$170,388 is available for operations.

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

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

Revenues Classified by Source Governmental Funds

<u>Revenue sources</u>	FY 2012		FY 2013		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 20,819,051	18%	\$ 23,774,673	19%	\$ 2,955,622	14%
Licenses and permits	2,539,717	2%	2,357,081	2%	(182,636)	-7%
Fines & forfeitures	2,485,015	2%	2,298,940	2%	(186,075)	-7%
Use of money & property	578,845	1%	433,859	0%	(144,986)	-25%
Intergovernmental	66,395,723	58%	73,801,440	60%	7,405,717	11%
Charges for services	19,554,027	17%	19,051,586	15%	(502,441)	-3%
Other	1,487,458	2%	2,125,754	2%	638,296	43%
Total	\$ 113,859,836	100%	\$ 123,843,333	100%	\$ 9,983,497	

Significant changes for major revenue sources are explained below:

- **TAXES** – The inclusion of Health Services Realignment trust fund Revenue in 12/13 that was not included in prior years contributed to the increase. The Road department did not report Sales Tax revenue last year.
- **USE OF MONEY & PROPERTY** – As in prior years, continued lower cash balances and/or the falling interest rate resulted in a decrease in interest earned on most Funds and there was a slight decrease in rental revenue for Veteran's Halls.
- **INTERGOVERNMENTAL** – The Public Safety, Public Assistance and Health Services agencies received significantly more CLR 2011 Realignment revenue this year, and there was an increase in Road Department revenue due to higher project cost reimbursements.
- **OTHER** – The increase is the result of funds being reclassified during the 2012/13 Fiscal Year. Revenues in multiple governmental funds were recognized as Other Revenue in the form of Transfers In.

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

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

Expenditures by Function Governmental Funds

<u>Expenditures by Function</u>	FY 2012		FY 2013		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General government	\$ 16,241,090	15%	\$ 16,131,345	13%	(\$ 109,745)	-1%
Public protection	27,237,363	24%	28,920,010	23%	1,682,647	6%
Health and welfare	17,458,489	15%	19,810,440	16%	2,351,951	13%
Public assistance	36,250,227	33%	39,536,246	32%	3,286,019	9%
Education	621,191	1%	610,202	0%	(10,989)	-2%
Culture and recreation	247,004	0%	270,007	0%	23,003	9%
Public ways and facilities	7,702,249	7%	16,138,362	13%	8,436,113	110%
Debt Service: Principal	356,791	0%	387,454	0%	30,663	9%
Debt Service: Interest & other	360,803	0%	333,305	0%	(27,498)	-8%
Capital outlay	3,399,492	5%	2,848,208	3%	(551,284)	-16%
Total Expenditures	\$ 109,874,699	100%	\$124,985,579	100%	\$ 15,110,880	

Significant changes for major functions are explained below:

HEALTH & WELFARE – the increase was largely attributable to the increased realignment expense reported this year that was not included last year.

PUBLIC WAYS & FACILITIES – increase in Road Department operations expense.

CAPITAL OUTLAY – the change is largely a result of a decrease in Road department infrastructure expense, offset by an increase in Capital improvements to County buildings and the purchase of vehicles (Weights & Measures, Road, Public Safety) and computers (Clinic Services).

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

V. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final budget showed an increase in revenue of \$1,369,174. The increase to the final revenue budget is mostly due to increases in Sales & Use Tax, Payments in Lieu of Taxes and Penalties & Costs on Delinquent Taxes. The increase in expense budgets for General Government (Property Planning and Management), Public Protection (Public Guardian/Public Administrator), Public Assistance (Community Action) and Environmental Health contributed to a net increase of \$672,446.

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

During the year, actual revenues were more than budgetary estimates by \$2,258,317. Actual expenditures and transfers were less than budgetary estimates by \$6,939,569. The net effect of over-realization of revenues and under-utilization of appropriations resulted in a positive variance of \$9,197,886, providing fund balance carry-over to fully fund the budget gap in fiscal year 2013/14.

VI. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The County's investment in capital assets for its governmental and business type activities as of June 30, 2013 amounts to \$199,014,895 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, equipment, construction-in-progress, and some infrastructure.

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. The County has elected to use the modified approach to report its infrastructure, which includes its roads, signs and markings, bridges and culverts \$157,534,694. The infrastructure assets reported under the modified approach are not subject to depreciation per GASB Statement No. 34.

There were no significant changes in the assessed condition of the County's maintained road subsystem from the prior year. The assessed condition maintained by the County agreed with the County's policy to maintain at least 75 percent of its road system at fair or better condition. The assessment as of June 30, 2013 lists the 85% of road conditions as fair or better, 87% of bridges are listed as fair or better, and 85% of signs pass the sign reflectivity requirements.

More detailed information about the County's capital assets is presented in Note 4 of the basic financial statements and the Required Supplementary Information on pages 52-55 of this report.

B. Long-Term Debt

At June 30, 2013, the County had a total long-term debt outstanding of \$10,675,553. The debt consists of \$6,539,600 in Certificates of Participation (COP), capital lease obligations of \$13,356 and bonds payable of \$424,000. Additional long-term liability includes a compensated leave payable of \$3,698,597.

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

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

The County adopted its fiscal year 2013-14 final appropriation budget in the total amount of \$134,641,071 (net of operating transfers totaling \$16,900,032). The general fund contingency was \$1,599,796. This represents a decreased financing requirement of \$1.7 million from the prior year.

Administration made the following observations in their Budget Overview:

"For just the second time since FY 2008-09, fund balance carryover and projected revenues are sufficient to meet expenditures in the General Fund without the use of Obligated Funds" (previously referred to as Reserves and Designations). "Throughout this period, the level of Obligated Funds continued to exceed those required by Board policy. This has been accomplished by a combination of continued departmental expenditure reductions, employee concessions and a modest increase in revenue.

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

The Budget proposed is based on a variety of assumptions, the three year General Fund forecast and actual fund balance carryover from FY 2012-13. Although the local unemployment rate of 11.6% in June 2013 remains above the State Average of 8.8%, the other economic measures are showing signs of improvement. For example, Property Taxes in Tehama County are expected to increase by 2%, reflective of growth in private property values.

The passage by voters of Proposition 30, the temporary sales and income tax increase, guarantees funding for the AB109 Public Safety Realignment. Although expenditures may exceed funding in future years, the Tehama County Community Corrections Partnership has only recommended appropriations up to available allocations from the State. The success of this local effort requires ongoing cooperation between local agencies, county departments and services from local non-profit providers.

Assumptions used in preparing this Adopted Budget recommendation include:

- Sales Tax and Property Tax (revenue) will grow at a very modest rate.
- Capital Project needs over the next five years will exceed cash available, requiring a new bond issuance which will refinance the 1998 and 2002 Certificates of Participation at a lower interest rate, resulting in significant capital improvement funds utilizing the existing annual payment structure for a nominal number of additional years.
- The County will submit a proposal for SB1022 funding for a Re-Entry and Day Reporting Center based on the results of the Local Adult Detention Facility Needs Assessment Study. The location of this proposed facility may require the relocation of the main Library.
- Information Technology changes and obsolescence of specialized software programs the County has depended on for many years requires funds to be set aside for future expenditures.

Therefore, although revenues are projected to increase this year, growth in ongoing expenditures should remain minimal in order to address these long term needs”

The General Fund budget requirements were \$1,632,563 less than the prior year. Fund balance carry over from the prior year was sufficient to fill the budget gap. Therefore, \$287,215 in carryover was assigned for fixed assets. The balance was applied to the current year budget.

The Road Fund appropriations budget decreased by \$8.7 million. Most of the decrease is in Professional Services (projects).

The Public Safety appropriations budget increased by \$1.4 million primarily due to creation of a Day Reporting Center. The Center is used to process the increased number of Probation clients due to the State Prison population reductions. There were also notable increases to District Attorney, Public Defender, Jail and Jail Health Services budgets, while the Sheriff's budget decreased slightly.

The \$1.7 million Social Service budget increase was primarily in the area of Administration.

The Capital Outlay budget saw some decreases as prior year projects were completed. It also had a net increase of \$606,526 due to the increased appropriations for the Jail Roof Project and Ag Center, and the addition of the Re-Entry Day Reporting Center. The 13/14 budget included an initial General Fund contribution to Capital Outlay in the amount of \$500,000 (later increased to \$1,038,500) to partially fund the Day Reporting Center and to provide a County match for sought after State SB1022 funding.

The Health Service budget increased slightly overall with minor increases in the Clinic, Public Health, Drug & Alcohol and Jail Nurse programs, and a decrease in the Mental Health program.

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Basic Financial Statements

- **Government-Wide Financial Statements**

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COUNTY OF TEHAMA
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 55,270,385	\$ 66,833	\$ 55,337,218
Cash with fiscal agent	5,170,761	-	5,170,761
Receivables:			
Accounts	242,260	2,331	244,591
Taxes	88,193	-	88,193
Intergovernmental	14,541,278	-	14,541,278
Advances to fiduciary funds	126,500	-	126,500
Deposits with others	35,900	-	35,900
Inventory	525,891	-	525,891
Prepaid costs	1,059,040	-	1,059,040
Capital assets:			
Non-depreciable	159,545,150	38,047	159,583,197
Depreciable, net	38,497,073	934,625	39,431,698
Total capital assets	<u>198,042,223</u>	<u>972,672</u>	<u>199,014,895</u>
Total Assets	<u>275,102,431</u>	<u>1,041,836</u>	<u>276,144,267</u>
LIABILITIES			
Accounts payable	1,427,362	1,193	1,428,555
Salaries and benefits payable	1,910,702	-	1,910,702
Due to other governments	3,545	-	3,545
Accrued interest payable	77,237	6,360	83,597
Deposits payable	305,242	-	305,242
Unearned revenue	7,139,907	-	7,139,907
Accrued claims liability	809,582	-	809,582
Long-term liabilities:			
Due within one year	3,709,804	14,500	3,724,304
Due in more than one year	6,541,749	409,500	6,951,249
Total Liabilities	<u>21,925,130</u>	<u>431,553</u>	<u>22,356,683</u>
NET POSITION			
Net investment in capital assets	191,489,267	548,672	192,037,939
Restricted for:			
General government	390,406	-	390,406
Public protection	11,667,441	-	11,667,441
Health and welfare	1,668,884	-	1,668,884
Public assistance	2,218,596	-	2,218,596
Culture and recreation	979	-	979
Public ways and facilities	6,056,448	-	6,056,448
Debt service	2,809,066	-	2,809,066
Capital projects	9,181,776	-	9,181,776
Unrestricted	<u>27,694,438</u>	<u>61,611</u>	<u>27,756,049</u>
Total Net Position	<u>\$253,177,301</u>	<u>\$ 610,283</u>	<u>\$253,787,584</u>

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

COUNTY OF TEHAMA
Statement of Activities
For the Year Ended June 30, 2013

<u>Functions/Programs:</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:				
General government	\$ 16,538,359	\$ 14,510,634	\$ 1,204,858	\$ 16,975
Public protection	30,010,065	2,657,294	12,059,552	-
Health and welfare	20,037,950	4,374,428	10,895,011	-
Public assistance	39,861,818	320,308	39,305,367	-
Education	634,491	10,254	16,000	-
Culture and recreation	315,947	36,068	15,391	-
Public ways and facilities	16,760,829	883,530	5,745,529	7,183,742
Interest on long-term debt	329,148	-	-	-
Total Governmental Activities	124,488,607	22,792,516	69,241,708	7,200,717
Business-type activities:				
Health Center	67,477	-	423,229	-
Tehama County Sanitation District #1	179,300	152,579	-	-
Total Business-Type Activities	246,777	152,579	423,229	-
Total	\$124,735,384	\$ 22,945,095	\$ 69,664,937	\$ 7,200,717
General revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Franchise taxes				
Other taxes				
Interest and investment earnings				
Miscellaneous				
Gain (loss) on sale of capital assets				
Total General Revenues				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

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

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

Governmental Activities	Business- Type Activities	Total
\$ (805,892)	\$ -	\$ (805,892)
(15,293,219)	-	(15,293,219)
(4,768,511)	-	(4,768,511)
(236,143)	-	(236,143)
(608,237)	-	(608,237)
(264,488)	-	(264,488)
(2,948,028)	-	(2,948,028)
(329,148)	-	(329,148)
<u>(25,253,666)</u>	<u>-</u>	<u>(25,253,666)</u>
-	355,752	355,752
-	(26,721)	(26,721)
<u>-</u>	<u>329,031</u>	<u>329,031</u>
<u>(25,253,666)</u>	<u>329,031</u>	<u>(24,924,635)</u>
17,631,945	-	17,631,945
5,675,969	-	5,675,969
915,091	-	915,091
466,759	-	466,759
454,131	234	454,365
956,957	274	957,231
985,572	-	985,572
<u>27,086,424</u>	<u>508</u>	<u>27,086,932</u>
1,832,758	329,539	2,162,297
<u>251,344,543</u>	<u>280,744</u>	<u>251,625,287</u>
<u>\$253,177,301</u>	<u>\$ 610,283</u>	<u>\$253,787,584</u>

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Basic Financial Statements

- **Fund Financial Statements**

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COUNTY OF TEHAMA
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Road	Public Safety	Public Assistance
ASSETS				
Cash and investments	\$ 15,872,851	\$ 1,217,022	\$ 4,579,532	\$ 7,122,621
Cash with fiscal agent	-	-	-	-
Receivables:				
Accounts	104,297	1,900	6,036	81
Taxes	88,193	-	-	-
Intergovernmental	2,106,324	4,121,477	1,288,896	2,687,901
Advances to other funds	5,737,757	-	-	-
Prepaid costs	886,010	1,204	70,969	67,587
Inventory	-	525,891	-	-
Total Assets	\$ 24,795,432	\$ 5,867,494	\$ 5,945,433	\$ 9,878,190
LIABILITIES				
Accounts payable	\$ 183,813	\$ 387,554	\$ 135,171	\$ 22,397
Salaries and benefits payable	329,160	163,140	570,262	364,989
Due to other governments	-	-	2,250	-
Deposits payable	5,196	156,593	33,266	10,187
Advances from other funds	1,180,000	-	-	514,167
Unearned revenue	563,621	24,500	23,822	6,363,531
Total Liabilities	2,261,790	731,787	764,771	7,275,271
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,733,220	1,529,116	752,819	1,555,126
Total Deferred Inflows of Resources	1,733,220	1,529,116	752,819	1,555,126
FUND BALANCES				
Nonspendable	886,010	527,095	70,969	67,587
Restricted	1,912,087	2,954,411	4,296,797	980,206
Committed	7,443,760	-	-	-
Assigned	2,000,154	125,085	60,077	-
Unassigned	8,558,411	-	-	-
Total Fund Balances	20,800,422	3,606,591	4,427,843	1,047,793
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 24,795,432	\$ 5,867,494	\$ 5,945,433	\$ 9,878,190

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

Health Services	Capital Projects	Other Governmental Funds	Total
\$ 4,377,797	\$ 6,823,830	\$ 11,159,158	\$ 51,152,811
-	2,367,194	2,803,567	5,170,761
10,120	44	119,782	242,260
-	-	-	88,193
4,273,542	-	63,138	14,541,278
-	-	10,000	5,747,757
24,687	-	-	1,050,457
-	-	-	525,891
<u>\$ 8,686,146</u>	<u>\$ 9,191,068</u>	<u>\$ 14,155,645</u>	<u>\$ 78,519,408</u>
\$ 449,255	\$ 9,292	\$ 181,268	\$ 1,368,750
388,704	-	78,444	1,894,699
-	-	1,295	3,545
-	-	100,000	305,242
3,927,090	-	-	5,621,257
-	-	164,433	7,139,907
<u>4,765,049</u>	<u>9,292</u>	<u>525,440</u>	<u>16,333,400</u>
<u>3,726,022</u>	<u>-</u>	<u>7,774</u>	<u>9,304,077</u>
<u>3,726,022</u>	<u>-</u>	<u>7,774</u>	<u>9,304,077</u>
24,687	-	-	1,576,348
152,329	-	10,813,365	21,109,195
-	9,181,162	2,809,066	19,433,988
18,059	614	-	2,203,989
-	-	-	8,558,411
<u>195,075</u>	<u>9,181,776</u>	<u>13,622,431</u>	<u>52,881,931</u>
<u>\$ 8,686,146</u>	<u>\$ 9,191,068</u>	<u>\$ 14,155,645</u>	<u>\$ 78,519,408</u>

COUNTY OF TEHAMA
Reconciliation of the Governmental Funds Balance
Sheet to the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2013

Total Fund Balance - Total Governmental Funds	\$ 52,881,931
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	198,038,222
Other long term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.	9,304,077
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.	(77,237)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Certificates of participation, net of unamortized premium of \$29,600	(6,539,600)
Capital leases payable	(13,356)
Compensated absences	(3,684,575)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and equipment maintenance and operations, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	<u>3,267,839</u>
Net Position of Governmental Activities	<u><u>\$253,177,301</u></u>

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

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COUNTY OF TEHAMA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Road</u>	<u>Public Safety</u>	<u>Public Assistance</u>
REVENUES				
Taxes and assessments	\$ 16,921,504	\$ 575,030	\$ -	\$ -
Licenses and permits	1,383,797	11,222	3,084	-
Fines and forfeitures	1,731,213	-	161,604	8,326
Use of money and property	187,586	19,581	6,795	13,331
Intergovernmental	3,166,867	11,591,567	9,492,262	35,995,108
Charges for services	13,952,228	369,983	419,981	88,799
Other revenues	1,183,635	22,308	357,180	192,854
Total Revenues	<u>38,526,830</u>	<u>12,589,691</u>	<u>10,440,906</u>	<u>36,298,418</u>
EXPENDITURES				
Current:				
General government	16,110,573	-	-	-
Public protection	4,906,273	-	20,212,534	-
Health and welfare	1,341,239	-	-	-
Public assistance	731,947	-	-	37,056,164
Education	610,202	-	-	-
Culture and recreation	270,007	-	-	-
Public ways and facilities	803	14,664,496	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	15,115	-	-	-
Capital outlay	422,323	804,866	574,778	106,006
Total Expenditures	<u>24,408,482</u>	<u>15,469,362</u>	<u>20,787,312</u>	<u>37,162,170</u>
Excess of Revenues Over (Under) Expenditures	<u>14,118,348</u>	<u>(2,879,671)</u>	<u>(10,346,406)</u>	<u>(863,752)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	70,260	-	12,518,736	1,052,793
Transfers out	(16,192,829)	-	(231,080)	(40,049)
Total Other Financing Sources (Uses)	<u>(16,122,569)</u>	<u>-</u>	<u>12,287,656</u>	<u>1,012,744</u>
Net Change in Fund Balances	<u>(2,004,221)</u>	<u>(2,879,671)</u>	<u>1,941,250</u>	<u>148,992</u>
Fund Balances - Beginning	22,804,643	6,535,733	2,486,593	898,801
Change in inventory on purchases method	-	(49,471)	-	-
Fund Balances - Ending	<u>\$ 20,800,422</u>	<u>\$ 3,606,591</u>	<u>\$ 4,427,843</u>	<u>\$ 1,047,793</u>

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

Health Services	Capital Projects	Other Governmental Funds	Total
\$ 2,266,891	\$ 5,008	\$ 4,006,240	\$23,774,673
-	-	958,978	2,357,081
17,003	356,298	24,496	2,298,940
46,249	31,657	128,660	433,859
11,172,374	-	2,383,262	73,801,440
3,379,053	-	841,542	19,051,586
106,250	132	263,395	2,125,754
<u>16,987,820</u>	<u>393,095</u>	<u>8,606,573</u>	<u>123,843,333</u>
-	16,662	4,110	16,131,345
-	-	3,801,203	28,920,010
17,751,118	-	718,083	19,810,440
-	-	1,748,135	39,536,246
-	-	-	610,202
-	-	-	270,007
-	-	1,473,063	16,138,362
7,454	-	380,000	387,454
927	-	317,263	333,305
182,941	475,850	281,444	2,848,208
<u>17,942,440</u>	<u>492,512</u>	<u>8,723,301</u>	<u>124,985,579</u>
<u>(954,620)</u>	<u>(99,417)</u>	<u>(116,728)</u>	<u>(1,142,246)</u>
6,469,553	2,549,304	664,105	23,324,751
(6,505,683)	(355,110)	-	(23,324,751)
<u>(36,130)</u>	<u>2,194,194</u>	<u>664,105</u>	<u>-</u>
(990,750)	2,094,777	547,377	(1,142,246)
1,185,825	7,086,999	13,075,054	54,073,648
-	-	-	(49,471)
<u>\$ 195,075</u>	<u>\$ 9,181,776</u>	<u>\$13,622,431</u>	<u>\$52,881,931</u>

COUNTY OF TEHAMA
Reconciliation of the Statement of Revenues, Expenditures,
And Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (1,142,246)

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

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

Expenditures for capital outlay	2,848,208
Less current year depreciation	(2,559,628)
Various adjustments affecting capital assets (including contributions)	91,246

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. Proceeds from the sale of capital assets was \$1,243,068.

(257,496)

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

Principal retirements	387,454
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Some revenues reported in the statement of activities will not be collected for several months after the County's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.

Change in unavailable revenues	2,624,010
--------------------------------	-----------

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

(49,471)

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

Change in accrued interest on long-term debt	4,157
Change in compensated absences payable	(9,883)
Amortization of premium	1,973

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

(105,566)

Change in Net Position of Governmental Activities \$ 1,832,758

COUNTY OF TEHAMA
Statement of Net Position
Proprietary Funds
June 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Health</u>	<u>Other</u>	<u>Totals</u>	<u>Internal</u>
	<u>Center</u>	<u>Enterprise</u>		
		<u>Funds</u>		<u>Funds</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 1,183	\$ 65,650	\$ 66,833	\$ 4,117,574
Receivables:				
Accounts	-	2,331	2,331	-
Deposits with others	-	-	-	35,900
Prepaid costs	-	-	-	8,583
Total Current Assets	<u>1,183</u>	<u>67,981</u>	<u>69,164</u>	<u>4,162,057</u>
Noncurrent Assets:				
Capital assets:				
Non-depreciable	-	38,047	38,047	-
Depreciable, net	-	934,625	934,625	4,001
Total capital assets	-	<u>972,672</u>	<u>972,672</u>	<u>4,001</u>
Total Noncurrent Assets	<u>-</u>	<u>972,672</u>	<u>972,672</u>	<u>4,001</u>
Total Assets	<u>1,183</u>	<u>1,040,653</u>	<u>1,041,836</u>	<u>4,166,058</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	-	1,193	1,193	58,612
Salaries and benefits payable	-	-	-	16,003
Accrued interest payable	-	6,360	6,360	-
Compensated absences payable	-	-	-	12,620
Bonds payable	-	14,500	14,500	-
Estimated claims liability	-	-	-	809,582
Total Current Liabilities	<u>-</u>	<u>22,053</u>	<u>22,053</u>	<u>896,817</u>
Noncurrent Liabilities:				
Compensated absences payable	-	-	-	1,402
Bonds payable	-	409,500	409,500	-
Total Noncurrent Liabilities	<u>-</u>	<u>409,500</u>	<u>409,500</u>	<u>1,402</u>
Total Liabilities	<u>-</u>	<u>431,553</u>	<u>431,553</u>	<u>898,219</u>
NET POSITION				
Net investment in capital assets	-	548,672	548,672	4,001
Unrestricted	1,183	60,428	61,611	3,263,838
Total Net Position	<u>\$ 1,183</u>	<u>\$ 609,100</u>	<u>\$ 610,283</u>	<u>\$ 3,267,839</u>

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

COUNTY OF TEHAMA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental
	Health Center	Other Enterprise Funds	Totals	Activities Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ -	\$ 152,579	\$ 152,579	\$ 2,964,155
Other revenues	-	274	274	43,606
Total Operating Revenues	-	152,853	152,853	3,007,761
OPERATING EXPENSES				
Salaries and benefits	66,951	-	66,951	422,148
Services and supplies	-	113,700	113,700	-
Administration	-	-	-	146,638
Insurance	-	-	-	638,993
Professional services	-	3,809	3,809	140,572
Claims and judgments	-	-	-	1,781,788
Depreciation	-	42,618	42,618	3,460
Total Operating Expenses	66,951	160,127	227,078	3,133,599
Operating Income (Loss)	(66,951)	(7,274)	(74,225)	(125,838)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	5	229	234	20,272
Interest expense	(526)	(19,173)	(19,699)	-
Other non-operating revenues	423,229	-	423,229	-
Total Non-Operating Revenues (Expenses)	422,708	(18,944)	403,764	20,272
Income (Loss) Before Transfers	355,757	(26,218)	329,539	(105,566)
Transfers in	-	14,000	14,000	-
Transfers out	-	(14,000)	(14,000)	-
Change in Net Position	355,757	(26,218)	329,539	(105,566)
Total Net Position - Beginning	(354,574)	635,318	280,744	3,373,405
Total Net Position - Ending	\$ 1,183	\$ 609,100	\$ 610,283	\$ 3,267,839

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

COUNTY OF TEHAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental
	Health Center	Other Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ -	\$ 150,522	\$ 150,522	\$ 3,007,761
Payments to suppliers	-	(116,950)	(116,950)	(2,823,393)
Payments to employees	(66,951)	-	(66,951)	(420,291)
Net Cash Provided (Used) by Operating Activities	(66,951)	33,572	(33,379)	(235,923)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Interfund loans repaid	(355,751)	-	(355,751)	-
Non-operating revenues received	423,229	-	423,229	-
Net Cash Provided (Used) by Non-Capital Financing Activities	67,478	-	67,478	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	-	(14,000)	(14,000)	-
Interest paid on capital debt	(526)	(19,383)	(19,909)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(526)	(33,383)	(33,909)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	5	231	236	20,272
Net Cash Provided (Used) by Investing Activities	5	231	236	20,272
Net Increase (Decrease) in Cash and Cash Equivalents	6	420	426	(215,651)
Balances - Beginning	1,177	65,230	66,407	4,333,225
Balances - Ending	\$ 1,183	\$ 65,650	\$ 66,833	\$ 4,117,574

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

Continued (Page 1 of 2)

COUNTY OF TEHAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Health</u>	<u>Other</u>		<u>Internal</u>
	<u>Center</u>	<u>Enterprise</u>	<u>Totals</u>	<u>Service</u>
		<u>Funds</u>		<u>Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING				
ACTIVITIES				
Operating income (loss)	\$ (66,951)	\$ (7,274)	\$ (74,225)	\$ (125,838)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	42,618	42,618	3,460
Decrease (increase) in:				
Accounts receivable	-	(2,331)	(2,331)	-
Prepaid costs	-	-	-	(8,583)
Increase (decrease) in:				
Accounts payable	-	559	559	5,786
Salaries and benefits payable	-	-	-	3,293
Compensated absences payable	-	-	-	(1,436)
Estimated claims liability	-	-	-	(112,605)
Net Cash Provided (Used) by Operating Activities	<u>\$ (66,951)</u>	<u>\$ 33,572</u>	<u>\$ (33,379)</u>	<u>\$ (235,923)</u>

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

Continued (Page 2 of 2)

COUNTY OF TEHAMA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$43,943,903	\$ 19,393,509
Receivables:		
Taxes	-	6,159,186
Total Assets	<u>43,943,903</u>	<u>25,552,695</u>
LIABILITIES		
Advances from other funds	-	126,500
Agency obligations	-	25,426,195
Total Liabilities	<u>-</u>	<u>25,552,695</u>
NET POSITION		
Net position held in trust for investment pool participants	<u>\$43,943,903</u>	<u>\$ -</u>

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

COUNTY OF TEHAMA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	<u>Investment Trust Funds</u>
ADDITIONS	
Contributions:	
Contributions to investment pool	<u>\$10,118,815</u>
Total Additions	<u>10,118,815</u>
DEDUCTIONS	
Distributions from investment pool	<u>5,862,055</u>
Total Deductions	<u>5,862,055</u>
Change in Net Position	4,256,760
Net Position - Beginning	<u>39,687,143</u>
Net Position - Ending	<u><u>\$43,943,903</u></u>

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

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COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of County of Tehama (County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

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

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

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

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

Blended Component Units

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

Special Revenue Funds:

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

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Special Revenue Funds: (Continued)

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

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

Enterprise Funds:

Health Center - The Tehama County Health Center was established to provide health services to County residents.

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

Discretely Presented Component Units

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

Joint Ventures

The County is a participant in the California State Association of Counties Excess Insurance Authority (CSAC), the purpose of which is to develop and fund excess insurance programs for member counties. Complete financial information can be obtained from CSAC's office at 75 Iron Point Circle, Suite 200, Folsom, California, 95630. CSAC is under the control and direction of a board of directors consisting of representatives of fifty member counties. The County is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all of the nonfiduciary activities of the County and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

The County reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation services.
- The Road fund is a special revenue fund used to account for revenues and expenditures for streets and road expansion. Funding comes primarily from state highway users taxes and state and federal highway improvement grants.
- The Public Safety fund is a special revenue fund used to account for revenues and expenditures associated with specific public protection programs. Funding comes primarily from state and federal grant revenues.
- The Public Assistance fund is a special revenue fund used to account for revenues and expenditures associated with the Federal and State mandates of various Health and Welfare Codes. Funding comes primarily from state grant revenues.
- The Health Services fund is a special revenue fund used to account for revenues and expenditures associated with providing health care services to County residents. Funding comes primarily from state and federal grant revenues.
- The Capital Projects fund is a capital project fund used to account for revenues and expenditures used for major maintenance, acquisition and for construction of major capital facilities, other than those financed by business-type funds.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The County reports the following major proprietary funds:

- The Health Center fund is an enterprise fund that was used to account for operations involved in providing health services to County residents. There are no longer services provided through this fund. The Fund's only function is to repay outstanding liabilities.

The County reports the following additional fund types:

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

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

C. Basis of Accounting and Measurement Focus

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

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

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

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

D. Non-Current Governmental Assets/Liabilities

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

E. Cash, Cash Equivalents, and Investments

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

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents, and Investments (Continued)

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements, as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2013, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

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

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

F. Receivables

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

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

G. Other Assets

Inventory

Inventories are stated at cost (first-in, first-out basis) for governmental and proprietary funds. Inventory recorded by governmental funds includes materials and supplies for roads. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed. Unconsumed inventories in governmental funds are equally offset by nonspendable fund balance to indicate that portion of fund balance is not in spendable form. Proprietary fund inventories are recorded as expenses at the time the inventory is consumed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

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

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

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

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

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

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

I. Property Tax

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

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Tax (Continued)

The County levies, bills and collects taxes as follows:

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

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

The County is legally required to maintain a minimum balance of 1% of the annual taxes levied on properties participating in the Teeter Plan. The balance in the TLRF was \$1,354,438 at June 30, 2013. The County’s management believes that any ownership rights to the TLRF the County may have are effective only upon a Board approved transfer or to the extent of losses related to the sale of tax defaulted property. Amounts in the TLRF are considered to be held in a custodial capacity for the participants in the County’s Teeter Plan and accounted for in an agency fund.

J. Interfund Transactions

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

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

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

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

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Unearned Revenue

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

L. Compensated Absences

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2013, the County did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Estimates

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. This statement improves financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. The statement clarifies the reporting of equity interest in legally separate organizations and requires the primary government to report its equity interest in a component unit as an asset.

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement improves reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62. This statement improved accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statements No. 54 and No. 62.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Rebatable Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. At June 30, 2013, the County does not expect to incur a liability.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 3: CASH AND INVESTMENTS

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

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

The County sponsored investment pool includes both internal and external participants. The portion of the pool attributable to external pool participants, which are considered involuntary participants, are included in the primary government as an Investment Trust Fund which does not have separate financial reports. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The net position value of involuntary participation in the investment pool totaled \$43,943,903 at June 30, 2013.

A. Financial Statement Presentation

As of June 30, 2013, the County's cash and investments are reported in the financial statements as follows:

Primary government	\$ 60,507,979
Investment trust funds	43,943,903
Agency funds	<u>19,393,509</u>
Total Cash	<u>\$ 123,845,391</u>

As of June 30, 2013, the County's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 26,266
Deposits (less outstanding checks)	<u>5,158,635</u>
Total Cash in County Pool	5,184,901
Deposits with fiscal agents	<u>5,170,761</u>
Total Cash	<u>10,355,662</u>
Investments:	
In Treasurer's Pool	<u>113,489,729</u>
Total Investments	<u>113,489,729</u>
Total Cash and Investments	<u>\$ 123,845,391</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

B. Cash

At year end, the carrying amount of the County's cash deposits (including amount in checking accounts, money market accounts, certificates of deposit, and deposits with fiscal agents) was \$10,329,396 and the bank balance was \$12,141,856. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition the County had cash on hand of \$26,266.

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

C. Investments

Pursuant to Section 53646 of the Government Code, the County prepares an investment policy annually and presents it to the Board of Supervisors for review and approval.

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

- Sweep Accounts
- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund
- Mortgage Pass-Through Securities
- Medium Term Notes
- Money Market Mutual Funds
- Negotiable Certificates of Deposit and Bank Notes
- Repurchase Agreements
- Guaranteed Investment Contracts
- U.S. Treasury Notes
- U.S. Government Agencies and Instrumentalities

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations. Any investments that mature more than five years from the date of purchase cannot occur without prior approval of the Board of Supervisors.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

As of June 30, 2013, the County had the following investments, all of which had a maturity of 5 years or less:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years		
Government Agencies	.46-5.25%	\$ 3,998,670	\$62,488,090	\$ 66,486,760	3.24
Corporate Notes	0.70-5.55%	2,041,020	12,261,949	14,302,969	2.86
Negotiable CD's	0.40-1.35%	245,000	2,455,000	2,700,000	2.03
Local Agency Investment Fund (LAIF)	Variable	30,000,000	-	30,000,000	-
Total Investments		<u>\$ 36,284,690</u>	<u>\$77,205,039</u>	<u>\$113,489,729</u>	<u>2.31</u>

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

Investment Type	Minimum Legal Rating	Standard & Poor's Rating	Moody's Rating	% of Portfolio
Federal Farm Credit Bank	N/A	AA+	AAA	6.17%
Federal Home Loan Mortgage Corp	N/A	AA+	AAA	12.47%
Federal Home Loan Bank	N/A	AA+	AAA	15.22%
Federal National Mortgage Assoc.	N/A	AA+	AAA	24.72%
Corporate Notes	A	A+	A1	2.85%
Corporate Notes	A	AA	A1	0.52%
Corporate Notes	A	AA+	A1	0.96%
Corporate Notes	A	A	A2	1.82%
Corporate Notes	A	AA	AA2	0.90%
Corporate Notes	A	A+	AA3	0.90%
Corporate Notes	A	AA-	AA3	2.71%
Corporate Notes	A	AAA	AAA	1.95%
Negotiable Cd's	N/A	Unrated	Unrated	2.38%
LAIF	N/A	Unrated	Unrated	26.43%
Total				<u>100%</u>

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The County's investment policy contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) at June 30, 2013, that represent 5 percent or more of total County investments are as follows:

<u>Investment Type</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Federal Farm Credit Bank	\$ 6,999,720	6.17%
Federal Home Loan Mortgage Corporation	14,148,893	12.47%
Federal Home Loan Bank	17,269,236	15.22%
Federal National Mortgage Association	28,068,911	24.72%

D. Investment in External Investment Pools

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

Investments in LAIF are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the County's position in the pool is the same as the value of the pooled shares. At June 30, 2013 the County's investment position in LAIF was \$30,000,000. The total amount invested by all public agencies in LAIF on that day was \$58,828,474,533. Of that amount, 98.04% is invested in non-derivative financial products and 1.96% in structured notes and asset-backed securities.

E. County Investment Pool Condensed Financial Information

The following are condensed statements of net position and changes in net position for the Treasurer's Pool at June 30, 2013:

	<u>Internal Participants</u>	<u>External Participants</u>	<u>Total Pool</u>
Statement of Net Position			
Cash on hand	\$ 26,266	\$ -	\$ 26,266
Deposits (less outstanding warrants)	5,158,635	-	5,158,635
Investments	<u>69,545,826</u>	<u>43,943,903</u>	<u>113,489,729</u>
Net Position at June 30, 2013	<u>\$ 74,730,727</u>	<u>\$ 43,943,903</u>	<u>\$ 118,674,630</u>
Statement of Changes in Net Position			
Net position at July 1, 2012	\$ 76,306,771	\$ 39,687,143	\$ 115,993,914
Net changes in investments by pool participants	<u>(1,576,044)</u>	<u>4,256,760</u>	<u>2,680,716</u>
Net Position at June 30, 2013	<u>\$ 74,730,727</u>	<u>\$ 43,943,903</u>	<u>\$ 118,674,630</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Adjustments</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,545,130	\$ -	(\$ 12,000)	\$ -	\$ 1,533,130
Infrastructure	156,829,839	707,102	(2,247)	-	157,534,694
Construction in progress	<u>427,291</u>	<u>475,850</u>	<u>-</u>	<u>(425,815)</u>	<u>477,326</u>
Total Capital Assets, Not Being Depreciated	<u>158,802,260</u>	<u>1,182,952</u>	<u>(14,247)</u>	<u>(425,815)</u>	<u>159,545,150</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	50,993,856	221,243	(769,835)	425,815	50,871,079
Equipment	25,485,185	1,353,075	(453,504)	9,043	26,393,799
Software	<u>511,411</u>	<u>107,913</u>	<u>(44,659)</u>	<u>65,228</u>	<u>639,893</u>
Total Capital Assets, Being Depreciated	<u>76,990,452</u>	<u>1,682,231</u>	<u>(1,267,998)</u>	<u>500,086</u>	<u>77,904,771</u>
Less Accumulated Depreciation For:					
Buildings and improvements	(15,280,321)	(1,014,575)	544,997	-	(15,749,899)
Equipment	(22,187,012)	(1,456,941)	436,711	61,844	(23,145,398)
Software	<u>(402,026)</u>	<u>(91,572)</u>	<u>43,041</u>	<u>(61,844)</u>	<u>(512,401)</u>
Total Accumulated Depreciation	<u>(37,869,359)</u>	<u>(2,563,088)</u>	<u>1,024,749</u>	<u>-</u>	<u>(39,407,698)</u>
Total Capital Assets, Being Depreciated, Net	<u>39,121,093</u>	<u>(880,857)</u>	<u>(243,249)</u>	<u>500,086</u>	<u>38,497,073</u>
Governmental Activities Capital Assets, Net	<u>\$197,923,353</u>	<u>\$ 302,095</u>	<u>(\$ 257,496)</u>	<u>\$ 74,271</u>	<u>\$198,042,223</u>
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 38,047	\$ -	\$ -	\$ 38,047	
Total Capital Assets, Not Being Depreciated	<u>38,047</u>	<u>-</u>	<u>-</u>	<u>38,047</u>	
Capital Assets, Being Depreciated:					
Structures and improvements	<u>1,688,486</u>	<u>-</u>	<u>-</u>	<u>1,688,486</u>	
Total Capital Assets, Being Depreciated	<u>1,688,486</u>	<u>-</u>	<u>-</u>	<u>1,688,486</u>	
Less Accumulated Depreciation For:					
Structures and improvements	(711,243)	(42,618)	-	(753,861)	
Total Accumulated Depreciation	<u>(711,243)</u>	<u>(42,618)</u>	<u>-</u>	<u>(753,861)</u>	
Total Capital Assets, Being Depreciated, Net	<u>977,243</u>	<u>(42,618)</u>	<u>-</u>	<u>934,625</u>	
Business-Type Activities Capital Assets, Net	<u>\$ 1,015,290</u>	<u>(\$ 42,618)</u>	<u>\$ -</u>	<u>\$ 972,672</u>	

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 393,348
Public protection	1,034,081
Health and welfare	203,771
Public assistance	301,455
Education	22,758
Culture and recreation	44,869
Public ways and facilities	<u>559,346</u>
Subtotal Governmental Funds	2,559,628
Depreciation on capital assets held by the County's internal service funds are charged to various functions based on their usage of the assets	<u>3,460</u>
Total Depreciation Expense - Governmental Functions	<u><u>\$ 2,563,088</u></u>

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

Tehama County Sanitation District #1	<u>\$ 42,618</u>
Total Depreciation Expense – Business-Type Functions	<u><u>\$ 42,618</u></u>

Construction in Progress

Construction in progress for governmental activities at June 30, 2013 relates to work performed on various County projects.

NOTE 5: INTERFUND TRANSACTIONS

Advances To/From Other Funds

Advances to/from other funds are non-current interfund loans and are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not in spendable form. The following are advance to/from other funds as of June 30, 2013.

	Advance to Other Funds	Advance from Other Funds
General Fund	\$ 5,737,757	\$ 1,180,000
Public Assistance	-	514,167
Health Services	-	3,927,090
Other Governmental Funds	10,000	-
Agency Funds	<u>-</u>	<u>126,500</u>
Total	<u><u>\$ 5,747,757</u></u>	<u><u>\$ 5,747,757</u></u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, reimbursement of various County operations and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2013:

	Transfer <u>In</u>	Transfer <u>Out</u>
General Fund	\$ 70,260	\$ 16,192,829
Public Safety	12,518,736	231,080
Public Assistance	1,052,793	40,049
Health Services	6,469,553	6,505,683
Capital Projects	2,549,304	355,110
Nonmajor Governmental Funds	664,105	-
Nonmajor Proprietary Funds	<u>14,000</u>	<u>14,000</u>
Total	<u>\$ 23,338,751</u>	<u>\$ 23,338,751</u>

NOTE 6: UNEARNED

At June 30, 2013, components of unearned revenues were as follows:

	<u>Unearned</u>
General Fund	
2012/2013 payment in lieu of taxes revenues	\$ 426,069
Title III forest reserve revenues not recognized as earned	99,606
Other revenues received but not earned	37,946
Road	
Road project deposits received in advance	24,500
Public Safety	
Other revenues received but not earned	23,822
Public Assistance	
Social services revenues received but not earned	6,363,531
Non Major Governmental Funds	
Child support revenues received but not earned	156,539
Other revenues received but not earned	<u>7,894</u>
Total	<u>\$ 7,139,907</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

Type of Indebtedness	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities					
Certificates of participation	\$ 6,890,000	\$ -	(\$ 380,000)	\$ 6,510,000	\$ 375,000
Unamortized Premium	31,573	-	(1,973)	29,600	1,973
Certificates of Participation, net	6,921,573	-	(381,973)	6,539,600	376,973
Capital Leases Payable	20,810	-	(7,454)	13,356	4,094
Compensated Absences	3,690,150	3,149,653	(3,141,206)	3,698,597	3,328,737
Total Governmental Activities	<u>\$10,632,533</u>	<u>\$ 3,149,653</u>	<u>(\$ 3,530,633)</u>	<u>\$ 10,251,553</u>	<u>\$ 3,709,804</u>
Business-Type Activities					
Bonds	\$ 438,000	\$ -	(\$ 14,000)	\$ 424,000	\$ 14,500
Total Business-Type Activities	<u>\$ 438,000</u>	<u>\$ -</u>	<u>(\$ 14,000)</u>	<u>\$ 424,000</u>	<u>\$ 14,500</u>

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

Individual issues of debt payable outstanding at June 30, 2013, are as follows:

Governmental Activities

Certificates of Participation:

1998 Certificates of Participation, issued April 1, 1998, in the amount of \$4,530,000, payable in annual installments of \$90,000 to \$415,000, with an interest rate of 3.9% to 4.75% and maturity on October 1, 2020. The certificates were used to finance a portion of the juvenile detention facility, refund 1993 certificates of participation and finance employment center project.

\$ 1,120,000

2002 Certificates of Participation, issued December 1, 2002, in the amount of \$9,075,000, payable in annual installments of \$225,000 to \$490,000, with an interest rate of 2.20% to 4.75% and maturity on October 1, 2027. The certificates were used to refund the 1991 and 1993 certificates of participation which were used to finance capital projects.

5,390,000

Total Certificates of Participation

6,510,000

Total Governmental Activities

\$ 6,510,000

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2013, are as follows (Continued):

Business-Type Activities

Bonds:

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

	<u>\$ 424,000</u>
Total Bonds	<u>424,000</u>
Total Business-Type Activities	<u><u>\$ 424,000</u></u>

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

Governmental Activities

Year Ended <u>June 30</u>	Certificates of Participation		
	Principal	Interest	Total
2014	\$ 375,000	\$ 305,901	\$ 680,901
2015	375,000	289,141	664,141
2016	410,000	271,266	681,266
2017	430,000	252,976	682,976
2018	450,000	233,756	683,756
2019-2023	2,240,000	839,283	3,079,283
2024-2028	<u>2,230,000</u>	<u>327,751</u>	<u>2,557,751</u>
Total	<u><u>\$ 6,510,000</u></u>	<u><u>\$ 2,520,074</u></u>	<u><u>\$ 9,030,074</u></u>

Business-Type Activities

Year Ended <u>June 30</u>	Bonds		
	Principal	Interest	Total
2014	\$ 14,500	\$ 18,754	\$ 33,254
2015	15,500	18,079	33,579
2016	16,000	17,370	33,370
2017	17,000	16,628	33,628
2018	17,500	15,851	33,351
2019-2023	100,000	66,352	166,352
2024-2028	124,500	41,277	165,777
2029-2033	114,000	11,317	125,317
2034	<u>5,000</u>	<u>113</u>	<u>5,113</u>
Total	<u><u>\$ 424,000</u></u>	<u><u>\$ 205,741</u></u>	<u><u>\$ 629,741</u></u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 8: LEASES

Operating Leases

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

Capital Leases

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

	Stated Interest Rate	Present Value of Remaining Payments at June 30, 2013
Governmental activities	3.58-6.90%	\$ 13,356
Total		\$ 13,356

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

	Governmental Activities
Equipment	\$ 20,711
Less: accumulated depreciation	(7,939)
Net Value	\$ 12,772

As of June 30, 2013, capital lease annual amortization was as follows:

	Governmental Activities
Year Ending June 30:	
2014	\$ 4,709
2015	4,709
2016	4,709
2017	392
Total Requirements	14,519
Less Interest	(1,163)
Present Value of Remaining Payments	\$ 13,356

NOTE 9: NET POSITION

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

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 9: NET POSITION (CONTINUED)

- Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

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

Net Position Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$33,993,596 of restricted net position, of which \$403,217 is restricted by enabling legislation.

NOTE 10: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2013, fund balance for governmental funds are made up of the following:

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 10: FUND BALANCES (CONTINUED)

- Unassigned fund balance - the residual classification for the County's General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The fund balances for all major and nonmajor governmental funds as of June 30, 2013, were distributed as follows:

	General Fund	Road	Public Safety	Public Assistance	Health Services	Capital Projects	Other Govern- mental Funds	Total
Nonspendable:								
Prepaid costs	\$ 886,010	\$ 1,204	\$ 70,969	\$ 67,587	\$ 24,687	\$ -	\$ -	\$ 1,050,457
Inventory	-	525,891	-	-	-	-	-	525,891
Subtotal	<u>886,010</u>	<u>527,095</u>	<u>70,969</u>	<u>67,587</u>	<u>24,687</u>	<u>-</u>	<u>-</u>	<u>1,576,348</u>
Restricted:								
General	4,750	-	-	-	-	-	-	4,750
Cash Difference	150	-	-	-	-	-	-	150
Realignment	908,377	-	-	-	-	-	-	908,377
Long Term Receivable	33,872	-	-	-	-	-	-	33,872
Wrap Around	387,967	-	-	-	-	-	-	387,967
AVA County of Tehama	79,730	-	-	-	-	-	-	79,730
APSA Act AB 1130 Grant	1,198	-	-	-	-	-	-	1,198
Vital & Health Stats	65,207	-	-	-	-	-	-	65,207
Department Clearing	2	-	-	-	-	-	-	2
Recorder Micrographics	39,413	-	-	-	-	-	-	39,413
PC1463.9 Litter Control	7,674	-	-	-	-	-	-	7,674
Fair Booth Trust	979	-	-	-	-	-	-	979
Recorder Automation	216,375	-	-	-	-	-	-	216,375
Small Claim Fees Cp 116.910	23,212	-	-	-	-	-	-	23,212
Revolving Loan (24 CFR 570)	7,341	-	-	-	-	-	-	7,341
VC27360 Child Restraints	4,207	-	-	-	-	-	-	4,207
UST & HS Code 25287	84	-	-	-	-	-	-	84
Domestic Violence Program	11,833	-	-	-	-	-	-	11,833
HS 25299 Underground Tank	95,073	-	-	-	-	-	-	95,073
Housing Asst Payment	24,643	-	-	-	-	-	-	24,643
Fire	-	-	-	-	-	-	5,502,898	5,502,898
Public Safety	-	-	4,296,797	-	-	-	-	3,382,616
Public Assistance	-	-	-	980,206	-	-	-	980,206
Health Services	-	-	-	-	152,329	-	-	152,329
Air Pollution Services	-	-	-	-	-	-	886,928	886,928
Road Services	-	2,954,411	-	-	-	-	-	2,954,411
Fish and Game	-	-	-	-	-	-	155,621	155,621
Child Support	-	-	-	-	-	-	155,592	155,592
Building and Safety	-	-	-	-	-	-	150,738	150,738
Senior Nutrition	-	-	-	-	-	-	36,849	36,849
Transportation Operations	-	-	-	-	-	-	2,370,127	2,370,127
Los Molinos Lighting	-	-	-	-	-	-	68,872	68,872
Flood Control and Water Conserv	-	-	-	-	-	-	1,194,343	1,194,343
Tehama Power Authority	-	-	-	-	-	-	5,276	5,276
AB 923	-	-	-	-	-	-	124,271	124,271
TIDE	-	-	-	-	-	-	108,734	108,734
Federal Asset Seizure	-	-	-	-	-	-	53,116	53,116
Subtotal	<u>1,912,087</u>	<u>2,954,411</u>	<u>4,296,797</u>	<u>980,206</u>	<u>152,329</u>	<u>-</u>	<u>10,813,365</u>	<u>21,109,195</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 10: FUND BALANCES (CONTINUED)

The fund balances for all major and nonmajor governmental funds as of June 30, 2013, were distributed as follows: (Continued)

	General Fund	Road	Public Safety	Public Assistance	Health Services	Capital Projects	Other Govern- mental Funds	Total
Committed:								
Sun City Development	51,417	-	-	-	-	-	-	51,417
Uniform Allowance	72,500	-	-	-	-	-	-	72,500
Dept of Health Services	127,500	-	-	-	-	-	-	127,500
State loan repay	2,190,604	-	-	-	-	-	-	2,190,604
Economic Uncertainty	5,001,739	-	-	-	-	-	-	5,001,739
Debt Service	-	-	-	-	-	-	2,809,066	2,809,066
Capital projects	-	-	-	-	-	9,181,162	-	9,181,162
Subtotal	<u>7,443,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,181,162</u>	<u>2,809,066</u>	<u>19,433,988</u>
Assigned:								
Camp Tehama OPS	99,198	-	-	-	-	-	-	99,198
Departments	200,117	-	-	-	-	-	-	200,117
Veterans Halls	230,255	-	-	-	-	-	-	230,255
Capital Assets	1,100,000	-	-	-	-	-	-	1,100,000
Nuisance Abate	194,063	-	-	-	-	-	-	194,063
Antelope Sewer	23,200	-	-	-	-	-	-	23,200
Encumbrances	153,321	125,085	60,077	-	18,059	614	-	357,156
Subtotal	<u>2,000,154</u>	<u>125,085</u>	<u>60,077</u>	<u>-</u>	<u>18,059</u>	<u>614</u>	<u>-</u>	<u>2,203,989</u>
Unassigned	<u>8,558,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,558,411</u>
Total	<u>\$20,800,422</u>	<u>\$ 3,606,591</u>	<u>\$4,427,843</u>	<u>\$1,047,793</u>	<u>\$ 195,075</u>	<u>\$9,181,776</u>	<u>\$13,622,431</u>	<u>\$52,881,931</u>

Fund Balance Flow Assumption

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

Fund Balance Policy

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 11: EMPLOYEE'S RETIREMENT PLAN

A. Plan Description

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

B. Funding Policy

Miscellaneous plan members are required to contribute 7 percent of their annual covered salary. Safety plan members are required to contribute 9 percent of their annual covered salary. The County is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members using the actuarial basis adopted by the PERS Board of Administrators. The County has committed to contribute a portion of the required employee contribution in addition to their own required contributions. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2012/2013 was 12.682 percent for miscellaneous employees and 22.383 percent for safety employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS. The County is required to contribute the remaining amounts necessary to fund the benefits of its members using the actuarial basis adopted by the PERS Board of Administrators.

C. Annual Pension Cost

For fiscal year 2012/2013, the County's annual pension cost of \$3,706,861 for the miscellaneous plan and \$1,447,146 for the safety plan for PERS was equal to the County's actual contributions. The required contributions for fiscal year 2012/2013 were determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.55 percent to 14.45 percent for the miscellaneous plan and 3.55 percent to 13.15 percent for the safety plan, depending on age, service, and type of employment, (c) 3.00 percent inflation, (d) 3.25 percent payroll growth and (e) individual salary growth, based on a merit scale with assumed annual inflation of 3.00 percent and annual production growth of 0.25 percent.

The actuarial value of PERS assets was determined using techniques that smooth the effect of short term volatility in the market value of investments over a fifteen year period (smoothed market value). Initial unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20 year period. All gains or losses are tracked and amortized over a rolling 30 year period with the exception of gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011 in which each year's gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If the plan's accrued liability exceeds the actuarial value of plan assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability. The following table presents three year trend information.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 11: EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

C. Annual Pension Cost (Continued)

Miscellaneous

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 3,211,641	100%	-
June 30, 2012	3,530,273	100%	-
June 30, 2013	3,706,861	100%	-

Safety

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 1,241,647	100%	-
June 30, 2012	1,294,559	100%	-
June 30, 2013	1,447,146	100%	-

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the miscellaneous plan was 71.5 percent funded. The actuarial accrued liability for benefits was \$181,092,430, and the actuarial value of assets was \$155,069,627, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,022,803. The covered payroll (annual payroll of active employees covered by the plan) was \$28,422,997, and the ratio of the UAAL to the covered payroll was 91.6 percent.

As of June 30, 2012, the most recent actuarial valuation date, the safety plan was 65.7 percent funded. The actuarial accrued liability for benefits was \$60,245,088, and the actuarial value of assets was \$47,308,490, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,936,598. The covered payroll (annual payroll of active employees covered by the plan) was \$6,178,706, and the ratio of the UAAL to the covered payroll was 209.4 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 12: RISK MANAGEMENT

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 12: RISK MANAGEMENT (CONTINUED)

Actual claims unpaid as of June 30, 2013, including any estimates for incurred but not reported (IBNR) amounts, constitute claims payable. The claims liability at June 30, 2013, was as follows:

General Liability	\$ 703,000
Dental Insurance	<u>106,582</u>
Total	<u>\$ 809,582</u>

All funds of the County participate in the program and make payments to the Risk Management funds based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$809,582 reported in the funds at June 30, 2013, is based on the requirements of Governmental Accounting Standards Board Statements No. 10, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably determined.

Changes in the County's claims liability amount for the fiscal years 2011, 2012, and 2013 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Fiscal Year
2011	\$ 1,021,563	\$ 1,786,890	\$ 1,895,042	\$ 913,411
2012	913,411	1,789,834	1,781,058	922,187
2013	922,187	1,669,183	1,781,788	809,582

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

NOTE 13: OTHER INFORMATION

A. Commitments and Contingencies

The County had active construction projects as of June 30, 2013. The estimated costs to be incurred for these projects is \$874,691.

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

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

The County had the following encumbrances at June 30, 2013, General fund \$153,321, Road \$125,085, Public Safety \$60,077, Health Services \$18,059, and Capital Projects \$614.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

NOTE 13: OTHER INFORMATION (CONTINUED)

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2013 through January 14, 2014, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information
(Unaudited)**

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COUNTY OF TEHAMA
Required Supplementary Information
For the Year Ended June 30, 2013

1. SCHEDULE OF FUNDING PROGRESS - PENSION

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

The table below shows a three-year analysis of the most recent actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll for the County Miscellaneous Plan and Safety Plan.

Miscellaneous Plan:

Valuation Date	Entry Age Normal Accrued Liability	Unfunded Actuarial Value of Assets	Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2010	\$ 160,575,259	\$ 140,818,593	\$ 19,756,666	87.7%	68.9%	\$ 29,421,585	67.2%
June 30, 2011	172,779,664	148,584,196	24,195,468	86.0%	76.7%	29,409,675	82.3%
June 30, 2012	181,092,430	155,069,627	26,022,803	85.6%	71.5%	28,422,997	91.6%

Safety Plan:

Valuation Date	Entry Age Normal Accrued Liability	Unfunded Actuarial Value of Assets	Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2010	\$ 53,262,216	\$ 42,916,876	\$ 10,347,340	80.6%	63.5%	\$ 6,604,897	156.7%
June 30, 2011	57,967,134	45,347,019	12,620,115	78.2%	70.0%	5,887,592	214.4%
June 30, 2012	60,245,088	47,308,490	12,936,598	78.5%	65.7%	6,178,706	209.4%

2. INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

A. Roads

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

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

COUNTY OF TEHAMA
Required Supplementary Information
For the Year Ended June 30, 2013

**2. INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH
(CONTINUED)**

A. Roads (Continued)

The Department of Public Works recommends that seventy five (75) percent of the County maintained road system be maintained to a fair or better rating. Condition assessments ratings are conducted on a three-year cycle with detailed inspections occurring on an ongoing daily basis. The following is a table of the roads' condition:

<u>OCI Condition</u>	<u>Number of Miles</u>	<u>Percent</u>
Excellent	78.59	7.23%
Good	577.70	53.08%
Fair	263.74	24.23%
Poor	<u>168.26</u>	<u>15.46%</u>
Total	<u><u>1088.29</u></u>	<u><u>100.00%</u></u>

As of June 30, 2013, the County's overall maintained road system rating was 84.54% fair and above for Arterial, Collector and Local roads, including 263.05 miles of unsurfaced roads maintained at a fair condition rating. The Department of Public Works also maintains records of 0.96 miles of unconstructed/unrated right of way. The total amount of maintained roads recorded by the department is 1089.25 miles, which is unchanged from the prior year's report.

The majority of roads falling below the established rating of fair are in the Local road category were generally acquired by the County with inadequate or no structural section. Many of these roads are in rural settings with minimal traffic, requiring large fund expenditures and many years to attain one of the adopted ratings.

B. Bridges

The County of Tehama manages its maintained bridge system utilizing the Carte Graph Bridge Management Program and accounts for each using the modified approach as set forth in GASB 34. Several factors are considered to achieve the established scale of 0 to 100, which provides a rating for each structure in the County's inventory. The established scale places each bridge structure into categories ranging from poor to excellent as shown below:

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

COUNTY OF TEHAMA
Required Supplementary Information
For the Year Ended June 30, 2013

**2. INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH
(CONTINUED)**

B. Bridges (Continued)

The Department of Public Works recommends that 75 percent of its bridges be maintained at a fair or better rating. The following is a table of the bridges' condition as of June 30, 2013:

<u>Condition</u>	<u>Number of Bridges</u>	<u>Percent</u>
Excellent	131	18.82%
Good	158	22.70%
Fair	315	45.26%
Poor	<u>92</u>	<u>13.22%</u>
Total	<u><u>696</u></u>	<u><u>100.00%</u></u>

Caltrans conducts periodic inspections of all bridge structures that are 20 feet or longer. This amounts to approximately 400 County structures. Bridges generally have a useful life of 50 to 75 years with low levels of significant deterioration from year to year. County staff also conducts inspections of approximately 400 bridges and drainage structures less than 20 feet in length and 137 cattle guards that the County maintains. The cattle guard structures are not rated.

C. Signs

The County of Tehama manages its maintained sign database system using the Carte Graph Sign Management program and accounts for them using the modified approach as set forth in GASB 34. The State and Federal versions of the Manual of Uniform Traffic Control Device (MUTCD) guidelines identify sign reflectivity requirements as a crucial rating factor. Therefore, County sign reflectivity is measured using County owned equipment and assigned a "Pass or Fail" rating in keeping with industry standards.

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

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

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

COUNTY OF TEHAMA
Required Supplementary Information
For the Year Ended June 30, 2013

**2. INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH
(CONTINUED)**

D. Right of Way

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

E. Cost of Maintenance

The estimated annual amount to maintain 75% of the roads, bridges, and signs in a fair or better, or pass condition rating is \$7,550,000. The average annual expenditures over the last five years was \$9,908,125. The below totals reflect high dollar value bridge replacements and some major collector road projects that tend to skew the expenditure vs. rating analysis. The funds expended have helped to slow the facility degradation, however the overall ratings continue to decline, albeit at a slower place. The funds expended for all of the above noted facilities over the past five fiscal years are as follows:

	<u>Actual</u>
Fiscal Year 2012/2013	\$ 14,993,500
Fiscal Year 2011/2012	6,504,661
Fiscal Year 2010/2011	9,660,492
Fiscal Year 2009/2010	8,950,796
Fiscal Year 2008/2009	9,431,175

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 15,692,449	\$ 16,444,551	\$ 16,921,504	\$ 476,953
Licenses and permits	1,283,330	1,275,059	1,383,797	108,738
Fines and forfeitures	1,342,722	1,648,741	1,731,213	82,472
Use of money and property	287,381	287,381	187,586	(99,795)
Intergovernmental	3,147,167	3,262,859	3,166,867	(95,992)
Charges for services	13,018,567	13,071,743	13,952,228	880,485
Other revenues	127,723	278,179	1,183,635	905,456
Total Revenues	34,899,339	36,268,513	38,526,830	2,258,317
EXPENDITURES				
Current:				
General government	19,105,312	19,330,862	16,110,573	3,220,289
Public protection	5,114,613	5,277,678	4,906,273	371,405
Health and welfare	970,556	993,836	1,341,239	(347,403)
Public assistance	795,129	932,068	731,947	200,121
Education	636,476	661,193	610,202	50,991
Culture and recreation	301,373	305,722	270,007	35,715
Public ways and facilities	-	-	803	(803)
Debt service				
Interest and other charges	40,000	40,000	15,115	24,885
Capital outlay	441,660	536,206	422,323	113,883
Total Expenditures	27,405,119	28,077,565	24,408,482	3,669,083
Excess of Revenues Over (Under) Expenditures	7,494,220	8,190,948	14,118,348	5,927,400
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	70,260	70,260
Transfers out	(17,981,519)	(19,393,055)	(16,192,829)	3,200,226
Total Other Financing Sources (Uses)	(17,981,519)	(19,393,055)	(16,122,569)	3,270,486
Net Change in Fund Balances	(10,487,299)	(11,202,107)	(2,004,221)	9,197,886
Fund Balances - Beginning	22,804,643	22,804,643	22,804,643	-
Fund Balances - Ending	\$ 12,317,344	\$ 11,602,536	\$ 20,800,422	\$ 9,197,886

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Road - Major Special Revenue Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 450,000	\$ 450,000	\$ 575,030	\$ 125,030
Licenses and permits	20,500	20,500	11,222	(9,278)
Use of money and property	29,582	29,582	19,581	(10,001)
Intergovernmental	18,670,805	18,670,805	11,591,567	(7,079,238)
Charges for services	535,000	535,000	369,983	(165,017)
Other revenues	45,000	-	22,308	22,308
Total Revenues	<u>19,750,887</u>	<u>19,705,887</u>	<u>12,589,691</u>	<u>(7,116,196)</u>
EXPENDITURES				
Current:				
Public ways and facilities	23,861,804	24,039,325	14,664,496	9,374,829
Capital outlay	472,000	496,278	804,866	(308,588)
Total Expenditures	<u>24,333,804</u>	<u>24,535,603</u>	<u>15,469,362</u>	<u>9,066,241</u>
Net Change in Fund Balances	(4,582,917)	(4,829,716)	(2,879,671)	1,950,045
Fund Balance - Beginning	6,535,733	6,535,733	6,535,733	-
Change in inventory on purchases method	-	-	(49,471)	(49,471)
Fund Balance - Ending	<u>\$ 1,952,816</u>	<u>\$ 1,706,017</u>	<u>\$ 3,606,591</u>	<u>\$ 1,900,574</u>

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Public Safety - Major Special Revenue Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 1,250	\$ 1,250	\$ 3,084	\$ 1,834
Fines and forfeitures	18,500	18,500	161,604	143,104
Use of money and property	-	-	6,795	6,795
Intergovernmental	6,681,838	7,210,095	9,492,262	2,282,167
Charges for services	396,733	396,733	419,981	23,248
Other revenues	227,121	303,994	357,180	53,186
Total Revenues	<u>7,325,442</u>	<u>7,930,572</u>	<u>10,440,906</u>	<u>2,510,334</u>
EXPENDITURES				
Current:				
Public protection	22,279,886	22,736,594	20,212,534	2,524,060
Capital outlay	363,384	645,789	574,778	71,011
Total Expenditures	<u>22,643,270</u>	<u>23,382,383</u>	<u>20,787,312</u>	<u>2,595,071</u>
Excess of Revenues Over (Under) Expenditures	<u>(15,317,828)</u>	<u>(15,451,811)</u>	<u>(10,346,406)</u>	<u>5,105,405</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,317,828	15,365,364	12,518,736	(2,846,628)
Transfers out	-	-	(231,080)	(231,080)
Total Other Financing Sources (Uses)	<u>15,317,828</u>	<u>15,365,364</u>	<u>12,287,656</u>	<u>(3,077,708)</u>
Net Change in Fund Balances	-	(86,447)	1,941,250	2,027,697
Fund Balances - Beginning	<u>2,486,593</u>	<u>2,486,593</u>	<u>2,486,593</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,486,593</u>	<u>\$ 2,400,146</u>	<u>\$ 4,427,843</u>	<u>\$ 2,027,697</u>

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Public Assistance - Major Special Revenue Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 8,326	\$ 8,326
Use of money and property	13,152	13,152	13,331	179
Intergovernmental	35,734,876	35,887,362	35,995,108	107,746
Charges for services	126,308	126,308	88,799	(37,509)
Other revenues	184,042	134,667	192,854	58,187
Total Revenues	36,058,378	36,161,489	36,298,418	136,929
EXPENDITURES				
Current:				
Public assistance	37,099,070	37,146,254	37,056,164	90,090
Capital outlay	-	106,022	106,006	16
Total Expenditures	37,099,070	37,252,276	37,162,170	90,106
Excess of Revenues Over (Under) Expenditures	(1,040,692)	(1,090,787)	(863,752)	227,035
OTHER FINANCING SOURCES (USES)				
Transfers in	1,040,692	1,040,692	1,052,793	12,101
Transfers out	-	-	(40,049)	(40,049)
Total Other Financing Sources (Uses)	1,040,692	1,040,692	1,012,744	(27,948)
Net Change in Fund Balances	-	(50,095)	148,992	199,087
Fund Balances - Beginning	898,801	898,801	898,801	-
Fund Balances - Ending	\$ 898,801	\$ 848,706	\$ 1,047,793	\$ 199,087

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Health Services - Major Special Revenue Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ 2,266,891	\$ 2,266,891
Fines and forfeitures	-	-	17,003	17,003
Use of money and property	-	-	46,249	46,249
Intergovernmental	13,160,189	13,160,189	11,172,374	(1,987,815)
Charges for services	6,602,542	6,602,542	3,379,053	(3,223,489)
Other revenues	38,000	38,000	106,250	68,250
Total Revenues	<u>19,800,731</u>	<u>19,800,731</u>	<u>16,987,820</u>	<u>(2,812,911)</u>
EXPENDITURES				
Current:				
Health and welfare	19,243,686	19,238,931	17,751,118	1,487,813
Debt service:				
Principal	-	-	7,454	(7,454)
Interest and other charges	-	-	927	(927)
Capital outlay	685,639	690,526	182,941	507,585
Total Expenditures	<u>19,929,325</u>	<u>19,929,457</u>	<u>17,942,440</u>	<u>1,987,017</u>
Excess of Revenues Over (Under) Expenditures	<u>(128,594)</u>	<u>(128,726)</u>	<u>(954,620)</u>	<u>(825,894)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	128,700	128,700	6,469,553	6,340,853
Transfers out	-	-	(6,505,683)	(6,505,683)
Total Other Financing Sources (Uses)	<u>128,700</u>	<u>128,700</u>	<u>(36,130)</u>	<u>(164,830)</u>
Net Change in Fund Balances	106	(26)	(990,750)	(990,724)
Fund Balances - Beginning	<u>1,185,825</u>	<u>1,185,825</u>	<u>1,185,825</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,185,931</u>	<u>\$ 1,185,799</u>	<u>\$ 195,075</u>	<u>\$ (990,724)</u>

COUNTY OF TEHAMA
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2013

BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

COUNTY OF TEHAMA
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2013

BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

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Combining Nonmajor Fund Statements

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Nonmajor Governmental Funds

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COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds	Debt Service Funds	Totals
ASSETS			
Cash and investments	\$ 11,153,659	\$ 5,499	\$ 11,159,158
Cash with fiscal agent	-	2,803,567	2,803,567
Receivables:			
Accounts	119,782	-	119,782
Intergovernmental	63,138	-	63,138
Advances to other funds	10,000	-	10,000
	\$ 11,346,579	\$ 2,809,066	\$ 14,155,645
LIABILITIES			
Accounts payable	\$ 181,268	\$ -	\$ 181,268
Salaries and benefits payable	78,444	-	78,444
Due to other governments	1,295	-	1,295
Deposits payable	100,000	-	100,000
Unearned revenue	164,433	-	164,433
	525,440	-	525,440
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	7,774	-	7,774
	7,774	-	7,774
FUND BALANCES			
Restricted	10,813,365	-	10,813,365
Committed	-	2,809,066	2,809,066
	10,813,365	2,809,066	13,622,431
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,346,579	\$ 2,809,066	\$ 14,155,645

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds	Debt Service Funds	Totals
REVENUES			
Taxes and assessments	\$ 4,006,240	\$ -	\$ 4,006,240
Licenses and permits	958,978	-	958,978
Fines and forfeitures	24,496	-	24,496
Use of money and property	62,143	66,517	128,660
Intergovernmental	2,383,262	-	2,383,262
Charges for services	841,542	-	841,542
Other revenues	263,395	-	263,395
	8,540,056	66,517	8,606,573
EXPENDITURES			
Current:			
General government	-	4,110	4,110
Public protection	3,801,203	-	3,801,203
Health and welfare	718,083	-	718,083
Public assistance	1,748,135	-	1,748,135
Public ways and facilities	1,473,063	-	1,473,063
Debt service:			
Principal	-	380,000	380,000
Interest and other charges	-	317,263	317,263
Capital outlay	281,444	-	281,444
	8,021,928	701,373	8,723,301
Excess of Revenues Over (Under) Expenditures	518,128	(634,856)	(116,728)
OTHER FINANCING SOURCES (USES)			
Transfers in	23,750	640,355	664,105
Total Other Financing Sources (Uses)	23,750	640,355	664,105
Net Change in Fund Balances	541,878	5,499	547,377
Fund Balances - Beginning	10,271,487	2,803,567	13,075,054
Fund Balances - Ending	\$ 10,813,365	\$ 2,809,066	\$ 13,622,431

Nonmajor Governmental Funds

- **Special Revenue Funds**

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COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	Fish and Game	Fire	Child Support	Building and Safety
ASSETS				
Cash and investments	\$ 155,694	\$ 5,484,880	\$ 446,060	\$ 170,960
Receivables:				
Accounts	-	89,028	-	-
Intergovernmental	-	6,503	-	-
Advances to other funds	-	-	10,000	-
	Total Assets	\$ 5,580,411	\$ 456,060	\$ 170,960
LIABILITIES				
Accounts payable	\$ 73	\$ 66,750	\$ 827	\$ 3,324
Salaries and benefits payable	-	10,763	43,102	12,709
Due to other governments	-	-	-	1,295
Deposits payable	-	-	100,000	-
Unearned revenue	-	-	156,539	2,894
	Total Liabilities	77,513	300,468	20,222
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	-	-	-	-
	Total Deferred Inflows of Resources	-	-	-
FUND BALANCES				
Restricted	155,621	5,502,898	155,592	150,738
	Total Fund Balances	5,502,898	155,592	150,738
	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,580,411	\$ 456,060	\$ 170,960

Senior Nutrition	Transportation Operations	Air Pollution	Los Molinos Lighting	Tehama County Flood Control	Tehama County Flood Zone 3	Tehama Power Authority	AB 923
\$ 27,701	\$ 2,478,380	\$ 862,284	\$ 68,872	\$ 288,785	\$ 887,544	\$ 5,276	\$ 114,020
-	-	20,503	-	-	-	-	10,251
16,922	-	21,535	-	18,178	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 44,623</u>	<u>\$ 2,478,380</u>	<u>\$ 904,322</u>	<u>\$ 68,872</u>	<u>\$ 306,963</u>	<u>\$ 887,544</u>	<u>\$ 5,276</u>	<u>\$ 124,271</u>
\$ -	\$ 108,253	\$ 524	\$ -	\$ 164	\$ -	\$ -	\$ -
-	-	11,870	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,000	-	-	-	-	-
-	108,253	17,394	-	164	-	-	-
7,774	-	-	-	-	-	-	-
7,774	-	-	-	-	-	-	-
36,849	2,370,127	886,928	68,872	306,799	887,544	5,276	124,271
36,849	2,370,127	886,928	68,872	306,799	887,544	5,276	124,271
<u>\$ 44,623</u>	<u>\$ 2,478,380</u>	<u>\$ 904,322</u>	<u>\$ 68,872</u>	<u>\$ 306,963</u>	<u>\$ 887,544</u>	<u>\$ 5,276</u>	<u>\$ 124,271</u>

COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	TIDE	Total
ASSETS		
Cash and investments	\$ 163,203	\$ 11,153,659
Receivables:		
Accounts	-	119,782
Intergovernmental	-	63,138
Advances to other funds	-	10,000
	\$ 163,203	\$ 11,346,579
LIABILITIES		
Accounts payable	\$ 1,353	\$ 181,268
Salaries and benefits payable	-	78,444
Due to other governments	-	1,295
Deposits payable	-	100,000
Unearned revenue	-	164,433
	1,353	525,440
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	-	7,774
	-	7,774
FUND BALANCES		
Restricted	161,850	10,813,365
	161,850	10,813,365
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 163,203	\$ 11,346,579

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COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	Fish and Game	Fire	Child Support	Building and Safety
REVENUES				
Taxes and assessments	\$ -	\$ 2,612,828	\$ -	\$ -
License and permits	-	-	-	417,967
Fines and forfeitures	2,678	-	-	-
Use of money and property	844	30,689	2,810	872
Intergovernmental	-	120,603	1,344,662	-
Charges for services	-	625,394	-	84,358
Other revenues	-	43,918	-	2,840
Total Revenues	3,522	3,433,432	1,347,472	506,037
EXPENDITURES				
Current:				
Public protection	5,126	3,109,994	-	450,760
Health and welfare	-	-	-	-
Public assistance	-	-	1,452,237	-
Public ways and facilities	-	-	-	-
Capital outlay	-	213,333	1,967	15,430
Total Expenditures	5,126	3,323,327	1,454,204	466,190
Excess of Revenues Over (Under) Expenditures	(1,604)	110,105	(106,732)	39,847
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(1,604)	110,105	(106,732)	39,847
Fund Balances - Beginning	157,225	5,392,793	262,324	110,891
Fund Balances - Ending	\$ 155,621	\$ 5,502,898	\$ 155,592	\$ 150,738

Senior Nutrition	Transportation Operations	Air Pollution	Los Molinos Lighting	Tehama County Flood Control	Tehama County Flood Zone 3	Tehama Power Authority	AB 923
\$ -	\$ 1,163,339	\$ -	\$ 12,295	\$ 129,346	\$ 88,432	\$ -	\$ -
-	-	423,783	-	-	-	-	117,228
-	-	3,990	-	-	-	-	-
154	15,660	4,231	344	1,121	4,686	29	403
181,977	315,012	281,858	231	129,677	1,657	-	-
14,791	116,999	-	-	-	-	-	-
78,918	60	4,011	-	-	-	-	-
<u>275,840</u>	<u>1,611,070</u>	<u>717,873</u>	<u>12,870</u>	<u>260,144</u>	<u>94,775</u>	<u>29</u>	<u>117,631</u>
-	-	-	7,311	103,201	60,051	-	-
-	-	673,451	-	-	-	-	44,632
295,898	-	-	-	-	-	-	-
-	1,473,063	-	-	-	-	-	-
-	28,549	16,747	-	-	-	-	-
<u>295,898</u>	<u>1,501,612</u>	<u>690,198</u>	<u>7,311</u>	<u>103,201</u>	<u>60,051</u>	<u>-</u>	<u>44,632</u>
<u>(20,058)</u>	<u>109,458</u>	<u>27,675</u>	<u>5,559</u>	<u>156,943</u>	<u>34,724</u>	<u>29</u>	<u>72,999</u>
<u>23,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>23,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,692	109,458	27,675	5,559	156,943	34,724	29	72,999
33,157	2,260,669	859,253	63,313	149,856	852,820	5,247	51,272
<u>\$ 36,849</u>	<u>\$ 2,370,127</u>	<u>\$ 886,928</u>	<u>\$ 68,872</u>	<u>\$ 306,799</u>	<u>\$ 887,544</u>	<u>\$ 5,276</u>	<u>\$ 124,271</u>

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	TIDE	Total
REVENUES		
Taxes and assessments	\$ -	\$ 4,006,240
License and permits	-	958,978
Fines and forfeitures	17,828	24,496
Use of money and property	300	62,143
Intergovernmental	7,585	2,383,262
Charges for services	-	841,542
Other revenues	133,648	263,395
	159,361	8,540,056
 EXPENDITURES		
Current:		
Public protection	64,760	3,801,203
Health and welfare	-	718,083
Public assistance	-	1,748,135
Public ways and facilities	-	1,473,063
Capital outlay	5,418	281,444
	70,178	8,021,928
 Excess of Revenues Over (Under) Expenditures	89,183	518,128
 OTHER FINANCING SOURCES (USES)		
Transfers in	-	23,750
	-	23,750
 Net Change in Fund Balances	89,183	541,878
 Fund Balances - Beginning	72,667	10,271,487
 Fund Balances - Ending	\$ 161,850	\$ 10,813,365

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Nonmajor Governmental Funds

- **Debt Service Funds**

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**COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2013**

	Debt Service	Totals
ASSETS		
Cash and investments	\$ 5,499	\$ 5,499
Cash with fiscal agent	2,803,567	2,803,567
Total Assets	\$ 2,809,066	\$ 2,809,066
LIABILITIES		
Advances from other funds	\$ -	\$ -
Total Liabilities	-	-
FUND BALANCES		
Committed	2,809,066	2,809,066
Total Fund Balances	2,809,066	2,809,066
Total Liabilities and Fund Balances	\$ 2,809,066	\$ 2,809,066

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2013

	Debt Service	Totals
REVENUES		
Use of money and property	\$ 66,517	\$ 66,517
Total Revenues	66,517	66,517
EXPENDITURES		
Current:		
General government	4,110	4,110
Debt service:		
Principal	380,000	380,000
Interest and other charges	317,263	317,263
Total Expenditures	701,373	701,373
Excess of Revenues Over (Under) Expenditures	(634,856)	(634,856)
OTHER FINANCING SOURCES (USES)		
Transfers in	640,355	640,355
Total Other Financing Sources (Uses)	640,355	640,355
Net Change in Fund Balances	5,499	5,499
Fund Balances - Beginning	2,803,567	2,803,567
Fund Balances - Ending	\$ 2,809,066	\$ 2,809,066

Nonmajor Proprietary Funds

- **Enterprise Funds**

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COUNTY OF TEHAMA
Combining Statement of Net Position
Nonmajor Enterprise Fund
June 30, 2013

	Tehama County Sanitation District #1	Totals
ASSETS		
Current Assets:		
Cash and investments	\$ 65,650	\$ 65,650
Receivables:		
Accounts	<u>2,331</u>	<u>2,331</u>
Total Current Assets	<u>67,981</u>	<u>67,981</u>
Noncurrent Assets:		
Capital assets:		
Non-depreciable	38,047	38,047
Depreciable, net	<u>934,625</u>	<u>934,625</u>
Total capital assets	<u>972,672</u>	<u>972,672</u>
Total Noncurrent Assets	<u>972,672</u>	<u>972,672</u>
Total Assets	<u>1,040,653</u>	<u>1,040,653</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	1,193	1,193
Accrued interest payable	6,360	6,360
Bonds payable	<u>14,500</u>	<u>14,500</u>
Total Current Liabilities	<u>22,053</u>	<u>22,053</u>
Noncurrent Liabilities:		
Bonds payable	<u>409,500</u>	<u>409,500</u>
Total Noncurrent Liabilities	<u>409,500</u>	<u>409,500</u>
Total Liabilities	<u>431,553</u>	<u>431,553</u>
NET POSITION		
Net investment in capital assets	548,672	548,672
Unrestricted	<u>60,428</u>	<u>60,428</u>
Total Net Position	<u>\$ 609,100</u>	<u>\$ 609,100</u>

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Fund
For the Year Ended June 30, 2013

	Tehama County Sanitation District #1	Totals
OPERATING REVENUES		
Charges for services	\$ 152,579	\$ 152,579
Other revenues	274	274
Total Operating Revenues	<u>152,853</u>	<u>152,853</u>
OPERATING EXPENSES		
Services and supplies	113,700	113,700
Professional services	3,809	3,809
Depreciation	42,618	42,618
Total Operating Expenses	<u>160,127</u>	<u>160,127</u>
Operating Income (Loss)	<u>(7,274)</u>	<u>(7,274)</u>
NON-OPERATING REVENUE (EXPENSES)		
Interest income	229	229
Interest expense	(19,173)	(19,173)
Total Non-Operating Revenue (Expenses)	<u>(18,944)</u>	<u>(18,944)</u>
Income (Loss) Before Transfers	(26,218)	(26,218)
Transfers in	14,000	14,000
Transfers out	(14,000)	(14,000)
Change in Net Position	(26,218)	(26,218)
Total Net Position - Beginning	<u>635,318</u>	<u>635,318</u>
Total Net Position - Ending	<u>\$ 609,100</u>	<u>\$ 609,100</u>

COUNTY OF TEHAMA
Combining Statement of Cash Flows
Nonmajor Enterprise Fund
For the Year Ended June 30, 2013

	Tehama County Sanitation District #1	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 150,522	\$ 150,522
Payments to suppliers	(116,950)	(116,950)
Net Cash Provided (Used) by Operating Activities	<u>33,572</u>	<u>33,572</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(14,000)	(14,000)
Interest paid on capital debt	(19,383)	(19,383)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(33,383)</u>	<u>(33,383)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	231	231
Net Cash Provided (Used) by Investing Activities	<u>231</u>	<u>231</u>
Net Increase (Decrease) in Cash and Cash Equivalents	420	420
Balances - Beginning	<u>65,230</u>	<u>65,230</u>
Balances - Ending	<u>\$ 65,650</u>	<u>\$ 65,650</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (7,274)	\$ (7,274)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	42,618	42,618
(Increase) decrease in:		
Accounts receivable	(2,331)	(2,331)
Increase (decrease) in:		
Accounts payable	559	559
Net Cash Provided (Used) by Operating Activities	<u>\$ 33,572</u>	<u>\$ 33,572</u>

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Internal Service Funds

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COUNTY OF TEHAMA
Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	Risk Management	Dental Insurance	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 3,620,543	\$ 497,031	\$ 4,117,574
Deposits with others	-	35,900	35,900
Prepaid costs	8,583	-	8,583
Total Current Assets	3,629,126	532,931	4,162,057
Noncurrent Assets:			
Capital assets:			
Depreciable, net	4,001	-	4,001
Total capital assets	4,001	-	4,001
Total Noncurrent Assets	4,001	-	4,001
Total Assets	3,633,127	532,931	4,166,058
LIABILITIES			
Current Liabilities:			
Accounts payable	13,054	45,558	58,612
Salaries and benefits payable	16,003	-	16,003
Compensated absences payable	12,620	-	12,620
Estimated claims liability	703,000	106,582	809,582
Total Current Liabilities	744,677	152,140	896,817
Noncurrent Liabilities:			
Compensated absences payable	1,402	-	1,402
Total Noncurrent Liabilities	1,402	-	1,402
Total Liabilities	746,079	152,140	898,219
NET POSITION			
Investment in capital assets	4,001	-	4,001
Unrestricted	2,883,047	380,791	3,263,838
Total Net Position	\$ 2,887,048	\$ 380,791	\$ 3,267,839

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	Risk Management	Dental Insurance	Total
OPERATING REVENUES			
Charges for services	\$ 2,371,126	\$ 593,029	\$ 2,964,155
Other revenues	43,606	-	43,606
Total Operating Revenues	<u>2,414,732</u>	<u>593,029</u>	<u>3,007,761</u>
OPERATING EXPENSES			
Salaries and benefits	422,148	-	422,148
Administration	146,638	-	146,638
Insurance	2,107	636,886	638,993
Professional services	69,523	71,049	140,572
Claims and judgments	1,781,788	-	1,781,788
Depreciation	3,460	-	3,460
Total Operating Expenses	<u>2,425,664</u>	<u>707,935</u>	<u>3,133,599</u>
Operating Income (Loss)	<u>(10,932)</u>	<u>(114,906)</u>	<u>(125,838)</u>
NON-OPERATING REVENUE (EXPENSES)			
Interest income	16,593	3,679	20,272
Total Non-Operating Revenue (Expenses)	<u>16,593</u>	<u>3,679</u>	<u>20,272</u>
Change in Net Position	5,661	(111,227)	(105,566)
Total Net Position - Beginning	<u>2,881,387</u>	<u>492,018</u>	<u>3,373,405</u>
Total Net Position - Ending	<u>\$ 2,887,048</u>	<u>\$ 380,791</u>	<u>\$ 3,267,839</u>

COUNTY OF TEHAMA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	Risk Management	Dental Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,414,732	\$ 593,029	\$ 3,007,761
Payments to suppliers	(2,106,535)	(716,858)	(2,823,393)
Payments to employees	(420,291)	-	(420,291)
Net Cash Provided (Used) by Operating Activities	(112,094)	(123,829)	(235,923)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	16,593	3,679	20,272
Net Cash Provided (Used) by Investing Activities	16,593	3,679	20,272
Net Increase (Decrease) in Cash and Cash Equivalents	(95,501)	(120,150)	(215,651)
Balances - Beginning	3,716,044	617,181	4,333,225
Balances - Ending	\$ 3,620,543	\$ 497,031	\$ 4,117,574
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (10,932)	\$ (114,906)	\$ (125,838)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,460	-	3,460
Decrease (increase) in:			
Prepaid costs	(8,583)	-	(8,583)
Increase (decrease) in:			
Accounts payable	12,104	(6,318)	5,786
Salaries and benefits payable	3,293		3,293
Compensated absences payable	(1,436)		(1,436)
Estimated claims liability	(110,000)	(2,605)	(112,605)
Net Cash Provided (Used) by Operating Activities	\$ (112,094)	\$ (123,829)	\$ (235,923)

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Fiduciary Funds

- **Trust and Agency Funds**

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COUNTY OF TEHAMA
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2013

	Special Districts Governed by Local Boards	School Districts	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 4,634,026	\$ 39,309,877	\$ 43,943,903
Total Assets	<u>\$ 4,634,026</u>	<u>\$ 39,309,877</u>	<u>\$ 43,943,903</u>
NET POSITION			
Net position held in trust for pool participants	<u>\$ 4,634,026</u>	<u>\$ 39,309,877</u>	<u>\$ 43,943,903</u>

COUNTY OF TEHAMA
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2013

	Special Districts Governed by Local Boards	School Districts	Totals
ADDITIONS			
Contributions:			
Contributions to investment pool	\$ 293,089	\$ 9,825,726	\$10,118,815
Total Additions	293,089	9,825,726	10,118,815
DEDUCTIONS			
Distributions from investment pool	944,890	4,917,165	5,862,055
Total Deductions	944,890	4,917,165	5,862,055
Change in Net Position	(651,801)	4,908,561	4,256,760
Net Position - Beginning	5,285,827	34,401,316	39,687,143
Net Position - Ending	\$ 4,634,026	\$39,309,877	\$43,943,903

COUNTY OF TEHAMA
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2013

	County Departmental Agency Funds	Totals
ASSETS		
Cash and investments	\$ 19,393,509	\$ 19,393,509
Taxes receivable	<u>6,159,186</u>	<u>6,159,186</u>
Total Assets	<u>\$25,552,695</u>	<u>\$25,552,695</u>
LIABILITIES		
Advances from governmental funds	\$ 126,500	\$ 126,500
Agency obligations	<u>25,426,195</u>	<u>25,426,195</u>
Total Liabilities	<u>\$25,552,695</u>	<u>\$25,552,695</u>

COUNTY OF TEHAMA
Combining Statement of Changes in
Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
COUNTY DEPARTMENTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 16,722,367	\$ 4,617,798	\$ 1,946,656	\$ 19,393,509
Taxes receivable	6,157,666	6,159,186	6,157,666	6,159,186
	<u>\$22,880,033</u>	<u>\$10,776,984</u>	<u>\$ 8,104,322</u>	<u>\$25,552,695</u>
LIABILITIES				
Advances from governmental funds	\$ 117,818	\$ 126,500	\$ 117,818	\$ 126,500
Agency obligations	22,762,215	10,650,484	7,986,504	25,426,195
	<u>\$22,880,033</u>	<u>\$10,776,984</u>	<u>\$ 8,104,322</u>	<u>\$25,552,695</u>