

**COUNTY OF EL DORADO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2018**

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COUNTY OF EL DORADO

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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COUNTY OF EL DORADO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the County of El Dorado (County), California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component units' financial statements of the El Dorado County Transit Authority (EDCTA), Children and Families Commission (First 5) and El Dorado County Transportation Commission (EDCTC) which collectively represent 4.2%, 8.3% and 4.9% respectively, of total assets, net position and revenues of the primary government. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units, and remaining fund information of the County as of June 30, 2018, 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.

Change in Accounting Principal

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements and required the restatement of the net position as discussed in Note 12 and Note 15B.

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*, which became effective during the year ended June 30, 2018 and changed the Pension Required Supplementary Information.

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Supplementary Information listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
March 18, 2019

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County of El Dorado

OFFICE OF AUDITOR-CONTROLLER

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

JOE HARN
Auditor-Controller

BOB TOSCANO
Assistant Auditor-Controller

March 1, 2019

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

This **Management's Discussion and Analysis** and letter of transmittal of the County of El Dorado's (County) financial statements presents a narrative overview and analysis of the County's financial activities during the fiscal year ended June 30, 2018. Please read it in conjunction with the County's financial statements following this section.

FINANCIAL HIGHLIGHTS

- The combined assets and deferred outflows of resources of the County exceeded its combined liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$225.7 million (net position). Of this, \$132.2 million was restricted for specific purposes (restricted net position), and \$370.2 million was net investment in capital assets. Unrestricted net position was a negative \$276.7 million, primarily due to the reporting of long-term net pension liability and total other post-employment benefits (OPEB) liability as prescribed by Governmental Accounting Standards Board (GASB) Statements Nos. 68 and 75.
- The total fund balances for the County's governmental funds amounted to \$235.6 million, a decrease of \$4.0 million from the prior year. Approximately \$146.1 million of this total, or 62.0 percent, was either nonspendable or restricted for specific uses; and \$89.5 million, or 38.0 percent, was unrestricted as either committed, assigned, or unassigned and would be available to meet the County's current and future spending needs.
- At the end of the fiscal year the County's primary operating fund, the General Fund, had a fund balance of \$50.5 million. Approximately \$2.8 million was nonspendable. The remaining \$47.7 million, which approximated to 21.8 percent of the General Fund's total expenditures for the year, was unrestricted.
- The County's net investment in capital assets as of June 30, 2018 was \$370.2 million. This balance consisted of \$367.0 million for governmental activities and \$3.2 million for business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but uncollected revenues and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

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

Required Supplementary Information consists of the County's *pension plan contributions schedule, changes in net pension liability schedule*, as well as *changes in total OPEB liability schedule*. It also includes the County's *General Fund and major funds budgetary comparison schedules* to demonstrate compliance with the County's adopted budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position can serve over time as a useful indicator of whether the County's financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring the County's overall financial position. The County's combined assets and deferred outflows of resources exceeded its combined liabilities and deferred inflows of resources by \$225.7 million at June 30, 2018. A comparative analysis of government-wide data is presented below.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 320,053	\$ 311,361	\$ 305	\$ 209	\$ 320,358	\$ 311,570
Capital assets	367,016	353,626	3,182	3,458	370,198	357,084
Total assets	<u>687,069</u>	<u>664,987</u>	<u>3,487</u>	<u>3,667</u>	<u>690,556</u>	<u>668,654</u>
Deferred outflows of resources:						
Deferred pension outflows	81,746	69,950	--	--	81,746	69,950
Deferred OPEB outflows	3,321	--	--	--	3,321	--
Total deferred outflows of resources	<u>85,067</u>	<u>69,950</u>	<u>--</u>	<u>--</u>	<u>85,067</u>	<u>69,950</u>
Liabilities:						
Current and other liabilities	33,276	30,576	22	45	33,298	30,621
Long-term liabilities	501,364	446,212	15	17	501,379	446,229
Total liabilities	<u>534,640</u>	<u>476,788</u>	<u>37</u>	<u>62</u>	<u>534,677</u>	<u>476,850</u>
Deferred inflows of resources:						
Deferred pension inflows	4,330	6,704	--	--	4,330	6,704
Deferred OPEB inflows	10,966	--	--	--	10,966	--
Total deferred inflows of resources	<u>15,296</u>	<u>6,704</u>	<u>--</u>	<u>--</u>	<u>15,296</u>	<u>6,704</u>
Net Position:						
Net investment in capital assets	367,016	353,626	3,182	3,458	370,198	357,084
Restricted net position	132,179	123,333	--	--	132,179	123,333
Unrestricted net position	(276,995)	(225,514)	268	147	(276,727)	(225,367)
Total net position	<u>\$ 222,200</u>	<u>\$ 251,445</u>	<u>\$ 3,450</u>	<u>\$ 3,605</u>	<u>\$ 225,650</u>	<u>\$ 255,050</u>

Analysis of Net Position

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

An additional portion of the County's net position, \$132.2 million or 58.6 percent, represents resources that are subject to external restrictions on how they may be used.

The County's unrestricted net position balance of negative \$276.7 million is the result of reporting the net pension liability and total OPEB liability on the statements to comply with accounting standards (GASB Statements Nos. 68 and 75).

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

Change in Net Position
June 30,
(in thousands)

	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	\$ 53,382	\$ 59,581	\$ 608	\$ 566	\$ 53,990	\$ 60,147
Operating grants and contributions	168,665	158,204	--	--	168,665	158,204
Capital grants and contributions	966	1,696	27	199	993	1,895
General Revenues:						
Taxes	127,906	121,070	--	--	127,906	121,070
Use of money and property	3,400	1,753	2	1	3,402	1,754
Other revenues	4,950	5,863	10	9	4,960	5,872
Total revenues	<u>359,269</u>	<u>348,167</u>	<u>647</u>	<u>775</u>	<u>359,916</u>	<u>348,942</u>
Expenses						
General government	50,185	39,151	--	--	50,185	39,151
Public protection	132,746	123,654	--	--	132,746	123,654
Public ways and facilities	50,965	48,263	--	--	50,965	48,263
Health and sanitation	65,025	59,055	--	--	65,025	59,055
Public assistance	69,834	64,079	--	--	69,834	64,079
Education	3,742	3,577	--	--	3,742	3,577
Recreation and culture	1,210	987	--	--	1,210	987
Interest on long-term debt	136	112	--	--	136	112
Airports	--	--	899	981	899	981
Total expenses	<u>373,843</u>	<u>338,878</u>	<u>899</u>	<u>981</u>	<u>374,742</u>	<u>339,859</u>
Excess (deficiency) before special items and transfers	(14,574)	9,289	(252)	(206)	(14,826)	9,083
Transfers	<u>(97)</u>	<u>(36)</u>	<u>97</u>	<u>36</u>	<u>--</u>	<u>--</u>
Change in net position	(14,671)	9,253	(155)	(170)	(14,826)	9,083
Net position at beginning of year	251,445	242,192	3,605	3,775	255,050	245,967
Restate net position, see below	<u>(14,574)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(14,574)</u>	<u>--</u>
Net position at beginning of year – restated	<u>236,871</u>	<u>242,192</u>	<u>3,605</u>	<u>3,775</u>	<u>240,476</u>	<u>245,967</u>
Net position at end of year	<u>\$ 222,200</u>	<u>\$ 251,445</u>	<u>\$ 3,450</u>	<u>\$ 3,605</u>	<u>\$ 225,650</u>	<u>\$ 255,050</u>

Restatement of net position. The net position at the beginning of 2018 was decreased by \$14.6 million. This restatement was related to the implementation of GASB Statement No. 75 to remove \$87.4 million of GASB Statement No. 45 net OPEB obligation and to report GASB Statement No. 75 \$104.7 million of total OPEB liability and \$2.7 million of deferred OPEB outflows of resources.

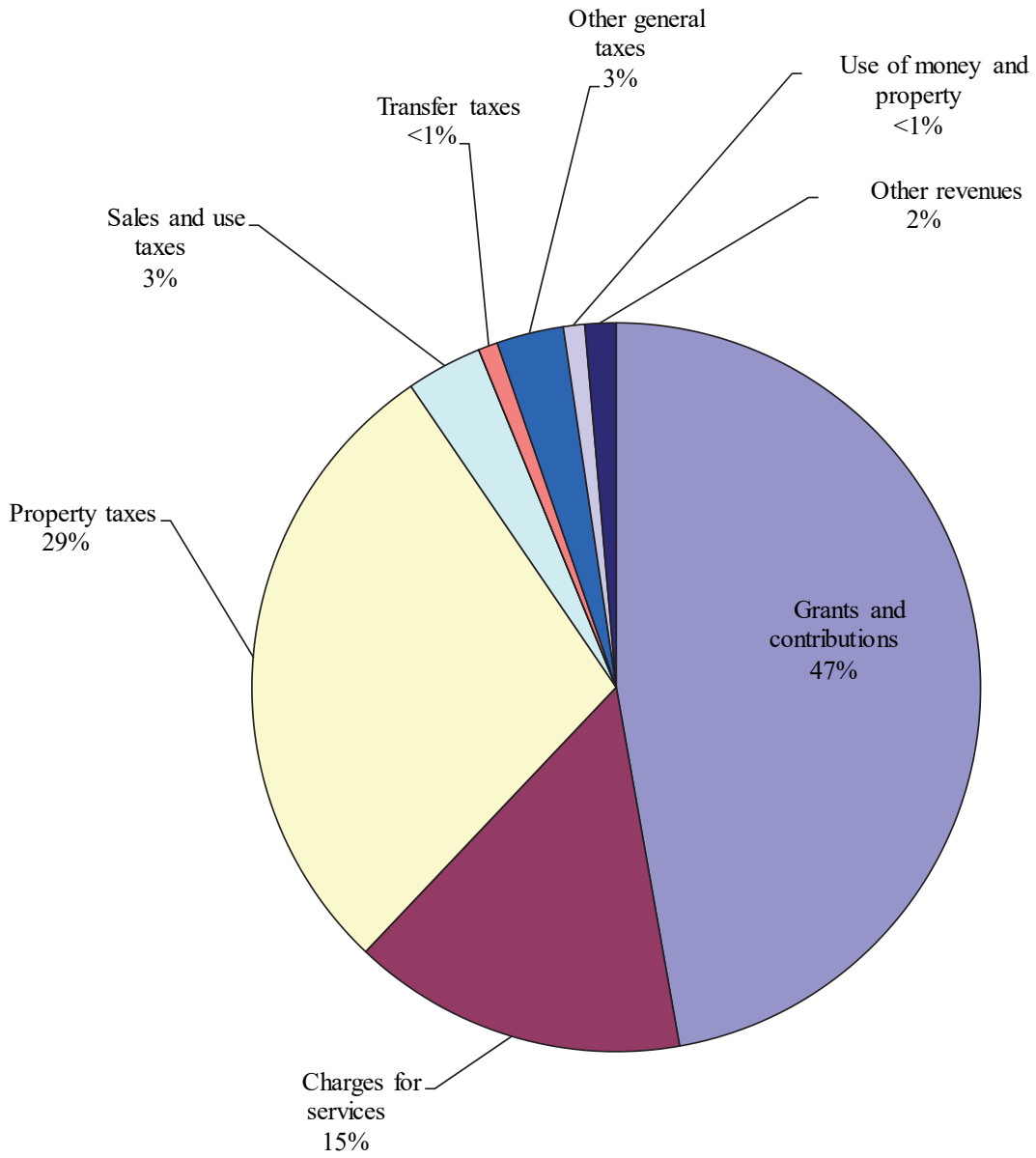
Governmental activities. The County experienced an overall decrease in net position of \$14.8 million in 2018, compared to a \$9.1 million increase in 2017. This decrease in net position was attributable almost entirely to **governmental activities**. Specifically, the \$14.8 million decrease in net position attributable to governmental activities, resulted from an \$11.1 million or 3.2 percent increase in revenues accompanied by a \$35.0 million or 10.3 percent increase in expenses. The largest revenue increase, \$10.5 million, occurred in the operating grants and contributions category, followed by a \$6.8 million increase in taxes and a \$1.6 million increase in use of money and property. These revenue increases were offset by a \$6.2 million decrease in charges for services, a \$913 thousand decrease in other revenues, and a \$730 thousand decrease in capital grants and contributions. The \$10.5 million increase in operating grants and contributions primarily resulted from \$2.8 million increase in Federal Emergency Management Agency funding, \$1.2 million increase in Federal Highway Administration funding, \$1.0 million increase in State Disaster Relief funding, \$1.2 million increase in Public Assistance programs State revenues, and \$2.7 million increase in Aid for Mental Health State revenues. The \$6.8 million increase in taxes was mainly the result of \$6.0 million increase in property taxes revenue. The \$6.2 million decrease in charges for services primarily resulted from \$3.4 million decrease in Traffic Impact Mitigation Fee revenues and \$2.0 million decrease in ambulance service revenues.

As mentioned, while total revenues increased by 3.2 percent, total expenses also increased by 10.3 percent in 2018 when compared to 2017. Further, expenses increased in all of the functional areas. While expenses increased moderately in some areas, general government, public protection, health and sanitation, public assistance, and public way and facilities expenses increased significantly, by \$11.0 million or 28.2 percent, \$9.1 million or 7.4 percent, \$6.0 million or 10.1 percent, \$5.8 million or 9.0 percent, and \$2.7 million or 5.6 percent, respectively, in 2018 when compared to 2017. The primary reason for the increase in these functional areas was the increased pension expenses and OPEB expenses. Additionally, the remaining increase in general government expenses primarily resulted from the increase of non-capitalizable capital outlay expenditures. The remaining increase in health and sanitation expenses is the result of \$1.0 million increase in Public Health expenses, \$1.2 million increase in Mental Health expenses, and \$1.2 million increase in CSA#7 expenses. The remaining increase in public assistance expenses resulted from the \$2.3 million increase in Social Services Administration expenses, and \$1.7 million increase in Social Services program expenses, offset by \$1.0 million increase of capitalized expenditures.

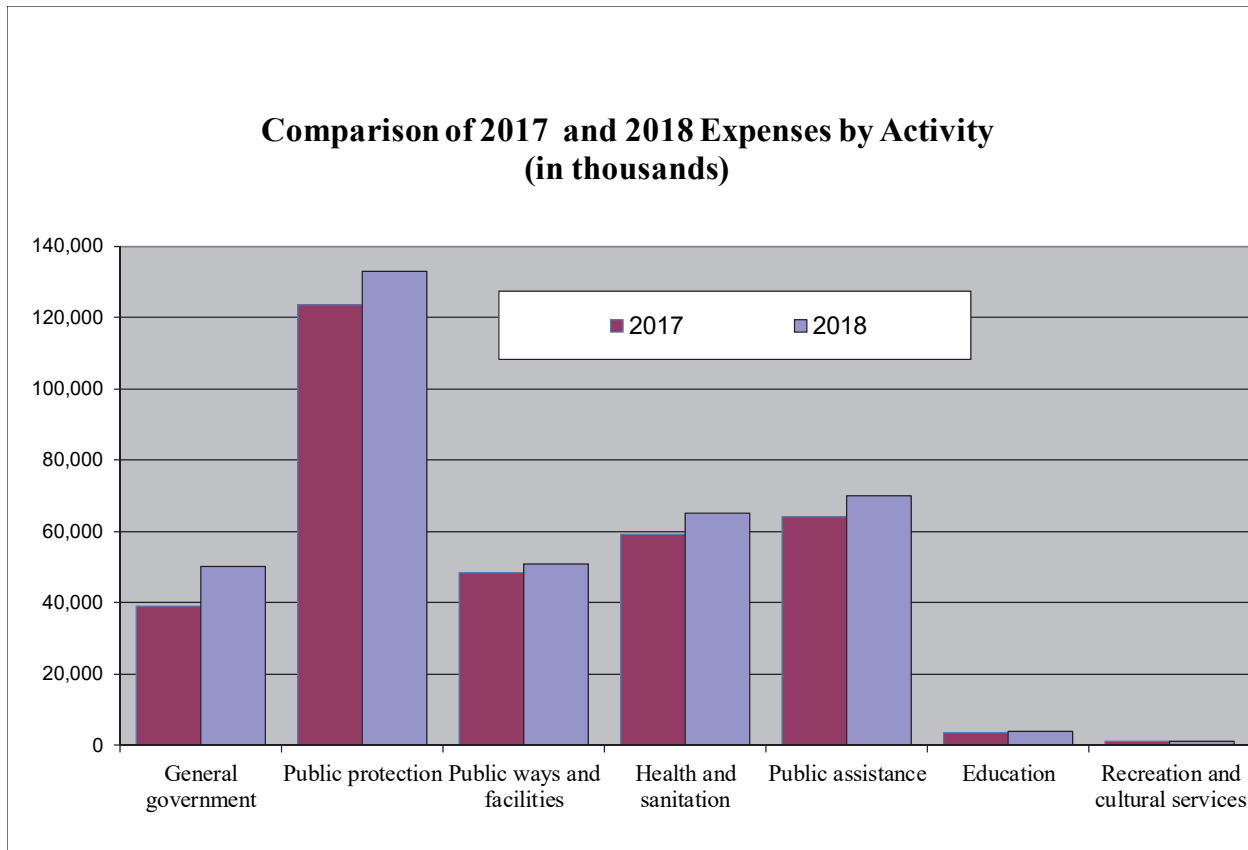
As mentioned above, all functional expenses were affected by the recognition of the total OPEB liability, the net pension liability, the deferred OPEB inflows and outflows of resources, and the deferred pension inflows and outflows of resources. The County reported total OPEB liability of \$99.0 million and annual OPEB expense of \$8.0 million in 2018. Further, the County reported net pension liability of \$345.2 million and annual pension expense of \$56.1 million in 2018.

Following is a graphical presentation of the various revenue sources at the entity-wide level. As presented, the County received most of its recognized revenues from grants and contributions (47 percent), property taxes (29 percent), and charges for services (15 percent),

Revenues by Source-Governmental Activities



Below is a graph that presents a comparison of 2018 and 2017 expenses under each of the governmental activities,



Business-type activities. Business-type activities decreased the County's net position by \$155 thousand. This net decrease was the result of \$291 thousand in operating losses, offset by \$12 thousand in non-operating revenues, \$27 thousand in capital grants contribution, and transfers in of \$97 thousand. Similar to prior years, the County Airports continued to operate at a loss, \$291 thousand in 2018 compared to \$415 thousand last year.

To help finance the operations of business-type activities in 2018, County governmental funds contributed \$97 thousand to the County Airports during the year.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental funds. Governmental activities are accounted for under the general, special revenue, capital project, debt service, and permanent funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's short-term financing requirements. In particular, the spendable and unrestricted fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of June 30, 2018, the County's governmental funds reported a combined ending fund balance of \$235.6 million, compared to the \$239.6 million fund balance of the previous year. Approximately 38.0 percent of this fund balance, or \$89.5 million, was unrestricted and thus would be available to meet the County's current and future spending needs. The remainder of the fund balance was either not spendable or restricted for specific uses.

The General Fund is the chief operating fund of the County. As of June 30, 2018, the General Fund's spendable and unrestricted fund balance was \$47.8 million; a decrease of \$4.6 million from last year's spendable and unrestricted fund balance of \$52.4 million. This decrease is primarily due to the net change or decrease in the General Fund's fund balance of \$3.3 million during the year.

The June 30, 2018 spendable and unrestricted fund balance, as compared to General Fund expenditures for the year, was approximately 21.8 percent compared to 25.3 percent in 2017. Thus, without any additional revenue inflows, this fund balance could support the General Fund's activities for approximately 80 days compared to 92 days last year.

In addition to the General Fund, the County maintains two major governmental funds, the Road Fund and the CSA #7 Fund. The Road Fund accounts for the planning, design, construction, maintenance, and administration of the County's transportation activities (public ways and facilities). The Road Fund recorded revenue of \$25.6 million in 2018, compared to \$19.9 million last year. This \$5.7 million increase was primarily due to a \$5.3 million increase in intergovernmental revenue and a \$727 thousand increase in charges for services, offset or reduced by moderate decreases in other sources of revenues. The \$5.3 million increase in intergovernmental revenue was primarily a result of the increased funding from State and Federal sources, including Federal Emergency Management Agency funding increase of \$2.8 million, Federal Highway Administration funding increase of \$1.2 million, and State Disaster Relief funding increase of \$1.0 million. Similarly, expenditures increased from \$42.4 million in 2017 to \$45.5 million in 2018. Thus, the \$5.7 million increase in revenues, coupled with the \$3.1 million increase in expenditures resulted in a \$19.9 million deficiency of revenues under expenditures compared to \$22.6 million deficit last year. With the \$13.9 million in net transfers from other funds, the relative net change in fund balance went from a \$5.2 million decrease in fiscal year 2017 to a \$6.1 million decrease in 2018.

The CSA #7 Fund is a special revenue fund used to account for special tax revenues that provide funding for ambulance services on Western Slope of El Dorado County. The CSA #7 Fund recorded revenue of \$12.3 million in 2018, comparable to the recorded revenue of \$11.9 million last year. Similarly, the expenditures recorded in 2018 totaled \$12.5 million, comparable to the \$11.3 million in 2017.

The combined governmental fund balances decreased by \$4.0 million during 2018, compared to an \$8.6 million increase last year. This \$12.6 million decrease to the net change in governmental fund balances was the result of 3.8 percent increase in revenues and 7.5 percent increase in expenditures in 2018 when compared to 2017, resulting in a \$4.9 million deficiency of revenues under expenditures in 2018, compared to a \$9.0 million excess of revenues over expenditures in 2017, with a \$903 thousand in other financing sources, compared to a \$328 thousand in other financing uses last year.

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

The internal service funds include the Fleet Management and Risk Management Authority funds. In fiscal year 2018, the Fleet Management realized a net operating income of \$269 thousand dollars and the Risk Management Authority a net operating loss of \$1.0 million, compared to a \$274 thousand of net operating income and \$4.5 million of net operating loss respectively last year. The operating loss by Risk Management was primarily attributable to the recognition of the OPEB obligation. In prior fiscal years this OPEB obligation was partially funded in addition to pay-as-you-go via the Retiree Health internal service rates charges to the various County departments and programs. In fiscal year 2010 this practice was discontinued and the County reverted back to a pay-as-you-go basis. Thus, while this pay-as-you-go funding reduced the expenditures incurred at the governmental fund level, the recognition of this liability and expense by the Risk Management Authority has resulted in \$86.3 million in deficit net position. Further, as a pay-as-you-go administered program, none of these additional costs were passed to the other funds, programs, or restricted funding sources via the internal service fund rates.

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

GENERAL FUND BUDGETARY ANALYSIS

Compared to the original budget, the final amended budgeted amounts available for appropriations (and budgeted appropriations) decreased by \$293 thousand, or 0.1 percent. The largest of the revenue budget modifications included:

- \$300 thousand decrease in other financing sources,
- \$122 thousand decrease in charges of services, and
- \$37 thousand increase in miscellaneous revenues.

The largest expenditure budget modifications included:

- \$200 thousand increase to the County Counsel for the services and supplies,
- \$782 thousand decrease to Other General appropriation, including \$821 thousand decrease in services and supplies, and \$39 thousand increase in intrafund abatement,
- \$379 thousand increase to the District Attorney appropriation, including \$220 thousand decrease in salaries and employee benefits, \$464 thousand increase in services and supplies, \$10 thousand increase in other charges, \$32 thousand increase in fixed assets, \$59 thousand increase in other financing sources, and \$34 thousand increase in intrafund transfers, and
- \$292 thousand decrease to the Contingency for the appropriation for contingencies.

The overall variances between final resources budgeted and the actual amounts available for appropriations were moderate, with a negative or deficit variance of \$5.5 million or 2.0 percent. Specifically, compared to a final resource budget of \$279.9 million, actual funding equaled \$274.4 million. This variance included the following:

- \$2.2 million over budget in taxes and assessments,
- \$3.9 million over budget in State intergovernmental revenues,
- \$3.5 million under budget in Federal intergovernmental revenues,
- \$1.9 million under budget in charges for services,
- \$1.0 million under budget in miscellaneous revenues, and
- \$6.1 million under budget in other financing sources.

The differences between the budgeted and actual expenditures, not including contingency, were significant. Specifically, expenditures fell \$26.0 million or 9.5 percent below the final budget. Variances occurred under each of the functions, whereby departments' expenditures fell below projections, the most significant of which included:

- General Government – Actual expenditures fell below final budget by \$11.9 million or 15.6 percent. While most of the general government operating units had expenditures that fell below their final budget, some showed considerable differences whereby actual expenditures fell below budget by \$400 thousand or more, including the County Promotion, Information Services and Support, Engineer, Other General, and Other General – SR Fund. The operating units that exceeded their final budget included the Annual Audit, Purchasing, and Contributions to Other Agencies.
- Public Protection – Actual expenditures fell below final budget by \$10.6 million or 8.1 percent. Most of the departments under public protection fell below their budgets, with many departments falling significantly below budget (budget exceeded actual expenditures by over \$400 thousand) including Sheriff, Jail, Probation, Building Inspector, and Planning and Zoning. The only department that exceeded its final budget was the Emergency Services.
- Health and Sanitation – Environmental Management’s actual expenditures fell below final budget by \$227 thousand or 8.6 percent, due mostly to the actual to budget variances of \$225 thousand in other charges.
- Public Assistance – Actual expenditures fell below final budget by \$2.9 million or 4.9 percent, mostly due to the Welfare Administration and Categorical Aids, which fell below budget by \$1.8 million and \$884 thousand, respectively.
- Education – County Library fell under budget by \$161 thousand or 4.5 percent, with salaries and benefits making up the majority, followed by services and supplies, and intrafund transfers.
- Recreational and Cultural Services – Actual expenditures fell below budget by \$291 thousand or 17.0 percent.

In general, both General Fund inflows and outflows fell below budget. Specifically, actual revenues, not including budgetary fund balance, fell \$5.5 million or 2.2 percent under budget while expenditures, not including contingency, fell \$26.0 million or 9.5 percent under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County’s net investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$370.2 million. The net investment in capital assets includes land and improvements, construction in progress, infrastructure, structures and improvements, and equipment. Additions to capital assets totaled \$39.4 million in 2018.

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

- \$516 thousand in additions to the land and land improvements due to the right of way purchases by the Road fund,
- \$18.0 million in additions to construction in progress,
- \$1.0 million in new road construction, including \$738 thousand for the Bass Lake Road Specific Plan Phase 1,
- \$5.9 million in road reconstruction, including \$340 thousand for Bucks Bar/North Fork Cosumnes River Bridge, \$507 thousand for Blair Road over EID Canal Bridge replacement, \$733 thousand for Silver Fork Road at South Fork American River Bridge replacement, \$1.9 million for Mosquito Road Bridge/South Fork American River Bridge replacement, and \$396 thousand for Mt. Murphy Road at South Fork American River Bridge replacement,
- \$66 thousand for signals, safety and lighting,
- \$179 thousand for pedestrian ways and bike paths, including \$71 thousand for Silva Valley Parkway Class 1 and Class 2 Bike Lanes,
- \$1.6 million for storm drains, including \$1.4 million for Meyers Stream Environment Zone/Erosion Control Project
- \$9.3 million for storm damage construction, including \$1.4 million for Fort Jim Road sinkhole culvert damage, \$1.0 million for Newtown Road slip out west of Fort Jim Road, \$558 thousand for Cable Road culvert damage, \$1.3 million for Starkes Grade Road slip out, \$514 thousand for Bucks Bar Road sinkhole, and \$702 thousand for Fallen Leaf Road washout,
- \$24 thousand in additions to the structures and improvements, and

- \$2.9 million in additions to the equipment, including \$799 thousand in general government equipment, \$786 thousand in law enforcement equipment, \$321 thousand in road construction and maintenance equipment, and \$843 thousand of new vehicle purchases by Fleet Management.

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

Debt Administration and Long-Term Debt. As of June 30, 2018 the County's outstanding long-term debt totaled \$7.7 million. The components of this obligation consisted of notes payable associated with the Housing and Urban Development (HUD) Home program (\$6 million), HUD State Community Development Block Grant (CDBG) Program (\$483 thousand), and the U.S. Department of Agriculture (USDA) Rural Development Loans (\$1.2 million).

In 2016, the County entered into six loan agreements with the USDA Rural Development Program in an aggregate amount not to exceed \$57,140,000. The purpose of the loans was to fund the development and construction of a new public safety facility in Diamond Springs. The principal outstanding at June 30, 2018 is \$1,170,529.

Additional information on the County's long-term debt can be found in note 6 in the notes to the financial statements.

OTHER LONG-TERM OBLIGATIONS

In addition to long-term debt, as of June 30, 2018, the County had other long-term liabilities of \$498.8 million associated with compensated absences (\$16.1 million), landfill closure (\$18.3 million), self-insurance (\$20.2 million), other post-employment benefits (\$99.0 million), and pension benefits (\$345.2 million). Additional information on the County's long-term obligations follows.

Post Employment Retirement Benefits.

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

The County has two pension plans: the miscellaneous plan and the safety plan. As prescribed by GASB Statement No. 68, the County reported net pension liability of \$214.7 million for its miscellaneous plan and \$130.5 million for its safety plan as of June 30, 2018.

Further, the Retiree's Health obligation has been presented as a liability on the County's financial statements as prescribed by GASB Statement No. 75. Specifically, as of June 30, 2018, the County recognized total other post-employment benefits (OPEB) liability of \$99.0 million. This liability was based on the assumption that the Board of Supervisors has enforced and will continue to enforce a cap on the County's contribution. Because the Retiree's Health benefit plan is a defined benefit plan, generally accepted accounting principles required that the County recognize its retiree's health obligation without the cap limitation until it was enforced by the Board of Supervisor's and began to impact the pattern of shared costs. The Board of Supervisors voted to enforce the cap in fiscal year 2012. The effect on benefits of the Retiree Health defined benefit plan was that the County's share of benefit costs has been reduced. The Retiree's Health plan has no assets held in a qualifying trust. However, the County has charged departments and programs to set aside cash to fund this obligation, which as of June 30, 2018 and 2017 totaled \$12,376,937 and \$12,215,522, respectively.

REQUEST FOR INFORMATION

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

Respectfully submitted,

Joe Harn
El Dorado County Auditor-Controller

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COUNTY OF EL DORADO

Statement of Net Position
June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments	\$ 257,322,670	\$ 168,761	\$ 257,491,431	\$ 7,486,224
Restricted cash and investments	2,704,837	-	2,704,837	4,453,084
Accounts receivable	11,372,968	2,874	11,375,842	35,388
Special assessments receivable	63,303	-	63,303	-
Interest receivable	502,077	-	502,077	5,749
Notes receivable	10,544,163	-	10,544,163	-
Due from other governments	31,812,641	51,688	31,864,329	4,711,535
Inventories and prepayments	5,720,158	91,393	5,811,551	225,932
Internal balances	10,000	(10,000)	-	-
Net OPEB assets	-	-	-	18,534
Capital assets				
Nondepreciable assets	86,614,309	426,769	87,041,078	909,043
Depreciable, net	280,401,514	2,755,598	283,157,112	13,081,247
Total Assets	687,068,640	3,487,083	690,555,723	30,926,736
Deferred Outflows of Resources				
Deferred outflows related to pensions	81,746,434	-	81,746,434	1,391,674
Deferred outflows related to OPEB	3,320,971	-	3,320,971	64,222
Total Deferred Outflows of Resources	85,067,405	-	85,067,405	1,455,896
Liabilities				
Accounts payable	17,836,747	17,078	17,853,825	3,687,428
Accrued expenses	-	-	-	100,111
Accrued salaries and benefits	3,503,678	4,024	3,507,702	18,118
Accrued interest payable	502,077	-	502,077	-
Due to other governments	682,180	-	682,180	1,578,005
Unearned revenue	5,313,559	-	5,313,559	3,615,381
Retainage Payable	357,415	-	357,415	5,408
Long-term liabilities:				
Other liabilities	-	-	-	46,377
Total OPEB liability				
Due beyond one year	99,019,487	-	99,019,487	-
Liability for self-insurance				
Due within one year	3,726,760	-	3,726,760	-
Due beyond one year	16,485,240	-	16,485,240	-
Liability for landfill closure and post-closure				
Due beyond one year	18,289,024	-	18,289,024	-
Net pension liability				
Due beyond one year	345,165,615	-	345,165,615	3,460,155
Long-term debt				
Due beyond one year	7,653,529	-	7,653,529	-
Compensated Absences				
Due within one year	1,353,982	1,287	1,355,269	287,115
Due beyond one year	14,751,049	14,799	14,765,848	263,187
Net OPEB liability due beyond one year	-	-	-	181,656
Total Liabilities	534,640,342	37,188	534,677,530	13,242,941
Deferred Inflows of Resources				
Deferred inflows related to pensions	4,329,715	-	4,329,715	396,990
Deferred inflows related to OPEB	10,965,633	-	10,965,633	51,805
Total Deferred Inflows of Resources	15,295,348	-	15,295,348	448,795
Net Position				
Net investment in capital assets	367,015,823	3,182,367	370,198,190	13,990,290
Restricted for				
Capital projects	29,095,250	-	29,095,250	-
Public safety	30,767,520	-	30,767,520	-
Community resources and public facilities	23,717,854	-	23,717,854	2,465,158
Health and public assistance	36,073,026	-	36,073,026	-
General government and support programs	10,961,736	-	10,961,736	-
Other purposes	1,563,858	-	1,563,858	2,263,625
Unrestricted	(276,994,712)	267,528	(276,727,184)	(28,177)
Total Net Position	\$ 222,200,355	\$ 3,449,895	\$ 225,650,250	\$ 18,690,896

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

COUNTY OF EL DORADO

Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Government activities:				
General government	\$ 50,185,099	\$ 9,178,299	\$ 12,028,963	\$ -
Public protection	132,746,253	13,996,683	34,163,536	-
Public ways and facilities	50,964,972	10,069,110	26,934,976	-
Health and sanitation	65,024,748	18,576,198	34,931,019	966,105
Public assistance	69,833,738	881,457	59,740,561	-
Education	3,741,513	414,000	287,829	-
Recreation and cultural services	1,209,817	265,834	577,319	-
Debt Service:				
Interest and fiscal charges on long-term debt	135,855	-	-	-
Total governmental activities	373,841,995	53,381,581	168,664,203	966,105
Business-type activities:				
Airports	899,128	607,666	-	27,382
Total business-type activities	899,128	607,666	-	27,382
Total Primary Government	\$ 374,741,123	\$ 53,989,247	\$ 168,664,203	\$ 993,487
Component Units:				
El Dorado County Transit Authority	\$ 9,797,158	\$ 1,517,869	\$ 6,254,181	\$ 3,678,577
Children and Families Commission	2,135,155	-	1,998,285	-
El Dorado County Transportation Commission	7,756,179	-	1,451,817	-
Total Component Units	\$ 19,688,492	\$ 1,517,869	\$ 9,704,283	\$ 3,678,577

General Revenues:

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

Total General Revenues and Transfers

Change in Net Position

Net position - July 1 (restated)

Net position - June 30

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

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

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (28,977,837)		\$ (28,977,837)	
(84,586,034)		(84,586,034)	
(13,960,886)		(13,960,886)	
(10,551,426)		(10,551,426)	
(9,211,720)		(9,211,720)	
(3,039,684)		(3,039,684)	
(366,664)		(366,664)	
(135,855)		(135,855)	
(150,830,106)		(150,830,106)	
-	\$ (264,080)	(264,080)	
-	(264,080)	(264,080)	
(150,830,106)	(264,080)	(151,094,186)	
			\$ 1,653,469
			(136,870)
			(6,304,362)
			(4,787,763)
102,024,991	-	102,024,991	-
12,110,773	-	12,110,773	6,419,307
3,085,565	-	3,085,565	-
10,684,618	-	10,684,618	-
3,400,462	1,926	3,402,388	111,955
4,950,221	10,013	4,960,234	(61,508)
(96,651)	96,651	-	-
136,159,979	108,590	136,268,569	6,469,754
(14,670,127)	(155,490)	(14,825,617)	1,681,991
236,870,482	3,605,385	240,475,867	17,008,905
\$ 222,200,355	\$ 3,449,895	\$ 225,650,250	\$ 18,690,896

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

COUNTY OF EL DORADO

Balance Sheet
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Road Fund</u>	<u>CSA #7</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and investments	\$ 40,315,586	\$ 93,214	\$ 7,185,569	\$ 167,070,240	\$ 214,664,609
Restricted cash and investments	-	83,775	-	2,621,062	2,704,837
Accounts receivable	1,827,590	547,261	6,356,553	2,641,454	11,372,858
Special assessments	-	-	43,105	20,198	63,303
Notes receivable	-	-	-	10,544,163	10,544,163
Due from other funds	4,289,852	-	-	1,538,104	5,827,956
Due from other governments	10,086,172	8,721,913	26,000	12,978,556	31,812,641
Advances to other funds	430,000	-	-	-	430,000
Inventories	-	572,726	-	89,405	662,131
Prepaid expenses	2,340,490	21,357	905	181,127	2,543,879
Total Assets	\$ 59,289,690	\$ 10,040,246	\$ 13,612,132	\$ 197,684,309	\$ 280,626,377
Liabilities					
Accounts payable	\$ 4,678,580	\$ 5,221,179	\$ 192,368	\$ 6,548,160	\$ 16,640,287
Salaries and benefits payable	2,814,313	277,639	2,411	396,774	3,491,137
Due to other funds	-	2,500,025	-	2,942,931	5,442,956
Due to other governments	680,553	1,627	-	-	682,180
Advances from other funds	-	-	-	430,000	430,000
Unearned revenue	113,777	158,127	-	5,041,655	5,313,559
Retainage payable	1,124	7,801	-	348,490	357,415
Total Liabilities	8,288,347	8,166,398	194,779	15,708,010	32,357,534
Deferred Inflows of Resources					
Unavailable revenue	477,329	2,144,943	6,399,658	3,656,575	12,678,505
Fund Balances					
Nonspendable	2,770,490	594,083	905	3,556,150	6,921,628
Restricted	-	-	7,016,790	132,144,471	139,161,261
Committed	17,089,130	-	-	22,181,266	39,270,396
Assigned	648,343	-	-	20,588,857	21,237,200
Unassigned	30,016,051	(865,178)	-	(151,020)	28,999,853
Total Fund Balances	50,524,014	(271,095)	7,017,695	178,319,724	235,590,338
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 59,289,690	\$ 10,040,246	\$ 13,612,132	\$ 197,684,309	\$ 280,626,377

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

COUNTY OF EL DORADO

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position - Governmental Activities
JUNE 30, 2018

Fund balances - total governmental funds	\$ 235,590,338
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term interest receivables are not financial resources and therefore are not reported in the governmental funds.	502,077
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	359,452,563
Unavailable revenues are not available to pay for current period expenditures, and therefore, are deferred inflows of resources in the governmental funds.	12,678,505
Deferred outflows of resources related to pensions reported in statement of net position	81,746,434
Internal service funds are used by the County to charge the cost of self-insurance risk management and management of fleet maintenance to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in governmental activities in the statement of net position. The net position of internal service funds is:	(75,792,443)
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.	(502,077)
Deferred inflows of resources related to pensions reported in statement of net position	(4,329,715)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Notes payable	(7,653,529)
Compensated Absences	(16,037,159)
Liability for landfill closure and post-closure	(18,289,024)
Net pension liability	<u>(345,165,615)</u>
Net position of governmental activities	<u>\$ 222,200,355</u>

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

COUNTY OF EL DORADO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Road Fund</u>	<u>CSA #7</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 109,721,011	\$ 14,634	\$ 4,924,570	\$ 13,249,061	\$ 127,909,276
Licenses, permits and franchises	10,960,849	609,124	-	1,133,511	12,703,484
Intergovernmental revenues	66,551,206	22,759,111	29,490	78,099,074	167,438,881
Use of money and property	901,855	-	127,190	1,913,037	2,942,082
Charges for services	9,906,274	1,855,471	6,956,270	18,096,459	36,814,474
Fines, forfeits and penalties	978,052	-	9,953	893,264	1,881,269
Miscellaneous revenues	1,827,636	362,198	283,000	1,993,654	4,466,488
Other revenues	3,250	-	-	-	3,250
Total Revenues	200,850,133	25,600,538	12,330,473	115,378,060	354,159,204
Expenditures					
Current					
General government	34,960,567	-	-	265,805	35,226,372
Public protection	119,077,782	-	-	6,218,601	125,296,383
Public ways and facilities	-	42,836,136	-	1,359,320	44,195,456
Health and sanitation	2,422,653	-	12,467,462	46,645,031	61,535,146
Public assistance	56,161,392	-	-	10,796,112	66,957,504
Education	3,388,203	-	-	-	3,388,203
Recreation and cultural services	1,413,389	-	-	-	1,413,389
Debt Service					
Interest	-	31,415	-	1,709	33,124
Capital Outlay	1,609,917	2,645,905	-	16,765,165	21,020,987
Total Expenditures	219,033,903	45,513,456	12,467,462	82,051,743	359,066,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,183,770)	(19,912,918)	(136,989)	33,326,317	(4,907,360)
Other Financing Sources (Uses)					
Issuance of notes payable	-	-	-	1,170,529	1,170,529
Transfers in	34,929,175	13,902,147	-	23,314,426	72,145,748
Transfers out	(20,070,398)	(40,278)	-	(52,303,082)	(72,413,758)
Total Other Financing Sources (Uses)	14,858,777	13,861,869	-	(27,818,127)	902,519
Net Change in Fund Balances	(3,324,993)	(6,051,049)	(136,989)	5,508,190	(4,004,841)
Fund Balances - Beginning of Year	53,849,007	5,779,954	7,154,684	172,811,534	239,595,179
Fund Balances - End of Year	\$ 50,524,014	\$ (271,095)	\$ 7,017,695	\$ 178,319,724	\$ 235,590,338

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

COUNTY OF EL DORADO

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	(4,004,841)
Amounts reported for governmental activities in the statement of activities are different because:		
Government funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$	38,578,627
Depreciation		<u>(24,877,964)</u>
		13,700,663
Disposal of capital assets: proceeds from the sale of capital assets are a financial resource in governmental funds, but only the net gain or loss is presented in the statement of activities.		
		(152,601)
Because long-term receivables will not be collected within the year, they are reported as deferred inflows of resources in the governmental funds. Unavailable revenues increased by this amount this year:		
		4,131,306
Because long-term interest receivables will not be collected within the year, they are not considered available resources and are not reported in governmental funds. Long-term interest receivables increased by this amount:		
		102,731
Resources from debt issuance are recognized as inflows in governmental funds, but are reported as increases to liabilities in the statement of net position.		
		(1,170,529)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences		(403,091)
Change in accrued interest payable		(102,731)
Change in liability for closure and post-closure		(323,382)
Change in net pension liability and deferred inflows/outflows related to pensions		(26,769,017)
Internal service funds are used by the County to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		
		<u>321,365</u>
Change in net position of governmental activities	\$	<u><u>(14,670,127)</u></u>

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

COUNTY OF EL DORADO

Statement of Net Position
Proprietary Funds
June 30, 2018

	Business - Type Activities		Governmental Activities
	County Airports	Total Enterprise Funds	Internal Service Funds
Assets			
Current Assets:			
Cash and investments	\$ 168,761	\$ 168,761	\$ 42,658,061
Accounts receivable	2,874	2,874	110
Due from other governments	51,688	51,688	-
Deposits	56,901	56,901	83,100
Inventories	32,390	32,390	39,744
Prepaid expenses	2,102	2,102	2,391,304
Total Current Assets	314,716	314,716	45,172,319
Noncurrent Assets:			
Capital Assets:			
Land	319,665	319,665	40,000
Construction in progress	107,104	107,104	-
Structures and improvements	9,516,365	9,516,365	173,128
Equipment	43,703	43,703	13,139,169
Accumulated depreciation	<u>(6,804,470)</u>	<u>(6,804,470)</u>	<u>(5,789,037)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>3,182,367</u>	<u>3,182,367</u>	<u>7,563,260</u>
Total Noncurrent Assets	<u>3,182,367</u>	<u>3,182,367</u>	<u>7,563,260</u>
Total Assets	3,497,083	3,497,083	52,735,579
Deferred Outflows of Resources			
Deferred outflows related to OPEB	-	-	3,320,971
Liabilities			
Current Liabilities			
Accounts payable	17,078	17,078	1,196,460
Salaries and benefits payable	4,024	4,024	12,541
Due to other funds	10,000	10,000	375,000
Liability for self-insurance	-	-	3,726,760
Compensated absences - due in one year	1,287	1,287	5,430
Total Current Liabilities	32,389	32,389	5,316,191
Noncurrent Liabilities			
Liability for self-insurance	-	-	16,485,240
Total OPEB liability	-	-	99,019,487
Compensated absences - due beyond one year	14,799	14,799	62,442
Total Noncurrent Liabilities	14,799	14,799	115,567,169
TOTAL LIABILITIES	47,188	47,188	120,883,360
Deferred Inflows of Resources			
Deferred inflows related to OPEB	-	-	10,965,633
Net Position			
Net investment in capital assets	3,182,367	3,182,367	7,563,260
Restricted	-	-	2,467,021
Unrestricted	267,528	267,528	(85,822,724)
Total Net Position (Deficit)	\$ 3,449,895	\$ 3,449,895	\$ (75,792,443)

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

COUNTY OF EL DORADO

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2018

	<u>Business -Type Activities</u>		<u>Governmental Activities</u>
	<u>County Airports</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Operating Revenues			
Service fees	\$ 607,666	\$ 607,666	\$ 43,205,166
Total Operating Revenues	<u>607,666</u>	<u>607,666</u>	<u>43,205,166</u>
Operating Expenses			
Salaries and benefits	153,843	153,843	1,007,804
Services and supplies	450,093	450,093	42,041,359
Depreciation	295,192	295,192	888,272
Total Operating Expenses	<u>899,128</u>	<u>899,128</u>	<u>43,937,435</u>
Operating Income (Loss)	<u>(291,462)</u>	<u>(291,462)</u>	<u>(732,269)</u>
Non-Operating Revenues (Expenses)			
Interest income	1,926	1,926	355,649
Gain (Loss) on sale of fixed assets	-	-	(24,636)
Miscellaneous nonoperating revenue	10,013	10,013	547,515
Total Non-Operating Revenues (Expenses)	<u>11,939</u>	<u>11,939</u>	<u>878,528</u>
Income (Loss) Before Transfers and Capital Contributions	<u>(279,523)</u>	<u>(279,523)</u>	<u>146,259</u>
Transfers In (Out) and Capital Contributions			
Transfers in	96,651	96,651	171,359
Capital contributions (deductions)	27,382	27,382	3,747
Total Transfers and Capital Contributions	<u>124,033</u>	<u>124,033</u>	<u>175,106</u>
Change in Net Position	<u>(155,490)</u>	<u>(155,490)</u>	<u>321,365</u>
Net Position - Beginning of Year	3,605,385	3,605,385	(61,539,365)
Restatement of Beginning Net Position	-	-	(14,574,443)
Net Position - Beginning of Year (restated)	<u>3,605,385</u>	<u>3,605,385</u>	<u>(76,113,808)</u>
Net Position - End of Year	<u>\$ 3,449,895</u>	<u>\$ 3,449,895</u>	<u>\$ (75,792,443)</u>

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

COUNTY OF EL DORADO

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Business-Type Activities</u>		<u>Governmental Activities</u>
	<u>County Airports</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 606,195	\$ 606,195	-
Cash receipts from interfund services provided	-	-	42,100,954
Cash paid to suppliers for goods and services	(494,018)	(494,018)	(36,933,104)
Cash paid to employees for salaries and benefits	(155,938)	(155,938)	(1,028,557)
Net cash provided (used) by operating activities	<u>(43,761)</u>	<u>(43,761)</u>	<u>4,139,293</u>
Cash Flows From Noncapital Financing Activities:			
Cash received from (paid to) other funds	83,426	83,426	546,359
Cash received from (paid to) other governmental agencies	-	-	1,921
Non-operating receipts	10,013	10,013	547,515
Net cash provided (used) by noncapital financing activities	<u>93,439</u>	<u>93,439</u>	<u>1,095,795</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds from sale of capital assets	-	-	92,267
Payments related to the acquisition of capital assets	(19,247)	(19,247)	(843,047)
Capital contributions	32,698	32,698	-
Net cash provided (used) by capital and related financing activities	<u>13,451</u>	<u>13,451</u>	<u>(750,780)</u>
Cash Flows From investing Activities:			
Interest received (paid)	1,926	1,926	355,649
Net cash provided (used) by investing activities	<u>1,926</u>	<u>1,926</u>	<u>355,649</u>
Net Increase (Decrease) in Cash and Cash Equivalents	65,055	65,055	4,839,957
Cash and Cash Equivalents, Beginning of Year	103,706	103,706	37,818,104
Cash and Cash Equivalents, End of year	<u>\$ 168,761</u>	<u>\$ 168,761</u>	<u>\$ 42,658,061</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and investments	\$ 168,761	\$ 168,761	\$ 42,658,061
Total Cash and Cash Equivalents	<u>\$ 168,761</u>	<u>\$ 168,761</u>	<u>\$ 42,658,061</u>

Continued

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

COUNTY OF EL DORADO

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2018

	<u>Business-Type Activities</u>		<u>Governmental Activities</u>
	<u>County Airports</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (291,462)	\$ (291,462)	\$ (732,269)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	295,192	295,192	888,272
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(1,246)	(1,246)	(110)
Inventory	9,608	9,608	7,570
Deposits and prepaid expenses	(31,307)	(31,307)	(100,625)
Deferred outflows related to OPEB	-	-	(566,725)
Increase (decrease) in:			
Accounts payable	(22,226)	(22,226)	827,248
Salaries payable	(84)	(84)	(4,449)
Unearned revenues (service fees)	(225)	(225)	(1,104,102)
Liability for compensated absences	(2,011)	(2,011)	(16,304)
Liability for self-insurance	-	-	(345,000)
Total OPEB liability	-	-	(5,679,846)
Deferred inflows related to OPEB	-	-	10,965,633
Net Cash Provided (Used) by Operating Activities	\$ (43,761)	\$ (43,761)	\$ 4,139,293

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

COUNTY OF EL DORADO

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Investment Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and investments	\$ 229,600,065	\$ 13,368,808
Interest receivable	1,662,289	79,240
Taxes receivable	-	20,238,492
	<u> </u>	<u> </u>
Total Assets	<u>231,262,354</u>	<u>33,686,540</u>
Liabilities		
Accounts payable	10,774,076	423,430
Salaries and benefits payable	623,187	-
Fiduciary liabilities	-	33,263,110
	<u> </u>	<u> </u>
Total Liabilities	<u>11,397,263</u>	<u>33,686,540</u>
Net Position		
Net position held in trust for external pool participants	<u>219,865,091</u>	<u>-</u>
	<u> </u>	<u> </u>
Total Net Position	<u><u>\$ 219,865,091</u></u>	<u><u>\$ -</u></u>

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

COUNTY OF EL DORADO

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Investment Trust Funds
Additions:	
Contributions to investment pool	\$ 1,050,425,193
Interest and investment income	<u>2,618,167</u>
Total Additions	<u><u>1,053,043,360</u></u>
Deductions:	
Distributions from investment pool	<u>1,047,557,074</u>
Total Deductions	<u><u>1,047,557,074</u></u>
Changes in Net Position	5,486,286
Net Position - Beginning	<u>214,378,805</u>
Net Position - Ending	<u><u>\$ 219,865,091</u></u>

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

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COUNTY OF EL DORADO

Notes to the Basic Financial Statements For the Year Ended June 30, 2018

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Description of the Reporting Entity**

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

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

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

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

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

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of the Reporting Entity (continued)

Blended Component Units: (continued)

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

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

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

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

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

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

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

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

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

B. **Basis of Presentation**

Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Certain indirect costs, which cannot be identified and broken down, are included in the program expenses reported for individual functions and activities. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements For the Year Ended June 30, 2018

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

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

Fund Financial Statements

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

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

The County reports the following major governmental funds:

- The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as general government, public protection, health and sanitation, public assistance, education, and recreation and cultural services.
- The Road Fund is a special revenue fund used to account for funds allocated for the planning, design, construction, maintenance and administration of County transportation activities (public ways and facilities). The Road Fund's revenues primarily come from intergovernmental sources. The State provides the allocation to the Road Fund from sources such as gas taxes, transportation planning funds and Proposition 1B. The federal government also provides funding through various federal construction funds. In addition, Road Fund receives operating transfers of local revenues generated from road improvement fees and traffic impact mitigation fees charged on new development.
- The CSA #7 Fund is a special revenue fund used to account for special tax revenues that provide funding for ambulance services on Western Slope of the County. The tax is applied to each parcel of property, improvements and uses conducted thereon. In addition, ambulance service fee revenues are accounted for through this fund.

The County reports the following nonmajor enterprise fund:

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

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

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements For the Year Ended June 30, 2018

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

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

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

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County does not give (or receive) equal value in exchange, includes property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year for which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when earned, measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within 180 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

D. Cash and Investments

The County maintains an investment pool that is managed by the County Treasurer. The County Treasury invests on behalf of most funds of the County and external participants in accordance with the California State Government Code and the County's investment policy. The State of California (State) statutes authorize the County to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

D. Cash and Investments (continued)

Participants' equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accredited discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every month. Unrealized gains or losses are not apportioned to pool participants.

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

E. Cash and Cash Equivalents

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

F. Mortgages Receivables

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

G. Inventories and Prepaid Expenses

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

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

H. Capital Assets and Depreciation

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

The estimated useful lives are as follows:

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

H. Capital Assets and Depreciation (continued)

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

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

I. Property Tax Levy, Collection and Maximum Rates

The State Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent (1%) of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value, as defined by Article XIII A, and may be adjusted by no more than two percent (2%) per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent (1%) tax levy among the County, cities, school districts, and other districts. The total 2017-2018 net assessed valuation of the County was \$31,430,426,304.

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

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

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

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements For the Year Ended June 30, 2018

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

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

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

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

K. **Interfund Transactions**

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

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

L. **Self-Insurance**

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

M. **Pensions**

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements For the Year Ended June 30, 2018

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

N. Deferred Outflows and Inflows of Resources

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position*” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”, the County recognized deferred outflows and inflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets by the County that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/ expenditure) until then. The County has two types of deferred outflows of resources. The first type is from pension activities and is reported in the government-wide statement of net position. The second type is from other post-employment benefit (OPEB) activities and is reported in both the proprietary fund statement of net position (internal service funds) and the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets by the County that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows of resources. The first type, unavailable revenue, arises under the modified accrual basis of accounting and therefore, is reported only in the governmental fund balance sheet. The second type is from pension activities and is reported in the government-wide statement of net position. The third type is from other post-employment benefit (OPEB) activities and is reported in both the proprietary fund statement of net position and the government-wide statement of net position.

O. Net Position and Fund Balances

Net Position

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

- *Net Investment in Capital Assets*: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position*: This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Included in governmental activities restricted net position at June 30, 2018, is net position restricted by enabling legislation of \$126.1 million.
- *Unrestricted Net Position*: This category represents net position of the County, not restricted for any project or other purpose.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements For the Year Ended June 30, 2018

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

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

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balances in classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources reported in those funds. As of June 30, 2018, fund balances for governmental funds comprise the following based on the relative strength of the constraints that control how specific amounts can be spent:

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

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

General Fund General Reserves and Contingency

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

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements For the Year Ended June 30, 2018

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

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

General Fund General Reserves and Contingency (continued)

For 2017-2018, the appropriation for contingencies in General Fund budget was \$5.1 million. As of June 30, 2018, the balance of General Fund General Reserves was \$8.5 million. General Fund General Reserves and Contingency are reported within unassigned fund balances because they do not meet the criteria to be reported within the restricted or committed classifications.

P. **Use of Estimates**

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

Q. **Fair Value Measurements**

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

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

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

R. **Implementation of GASB Statements**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for periods beginning after June 15, 2017. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement was implemented by the County during fiscal year ended June 30, 2018.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which is effective for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The County has determined this statement to be not applicable.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements For the Year Ended June 30, 2018

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

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

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68 and No. 73*, which is effective for periods beginning after June 15, 2016 for most provisions. Paragraph 7 of this statement is effective for the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017 if an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement was fully implemented by the County as of fiscal year ended June 30, 2018.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. There was no impact to the County's financial statements as a result of implementation of this statement.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective for periods beginning after June 15, 2017. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. The County has determined this statement to be not applicable.

S. **New Accounting Pronouncements**

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

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

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is issued in April 2018 and effective for periods beginning after June 15, 2018. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

S. New Accounting Pronouncements (continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is issued in June 2018 and effective for periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, is issued in August 2018 and effective for periods beginning after December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

NOTE 2: **CASH AND INVESTMENTS**

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

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

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

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

As of June 30, 2018, total County cash and investments were as follows:

	Pooled Treasury	External to Pool	Total
	<u> </u>	<u> </u>	<u> </u>
Cash:			
Imprest cash	\$ --	\$ 242,900	\$ 242,900
Cash on hand	500	--	500
Deposits	61,644,946	9,470,261	71,115,207
Total Cash	<u>61,645,446</u>	<u>9,713,161</u>	<u>71,358,607</u>
Investments	<u>442,534,318</u>	<u>1,211,524</u>	<u>443,745,842</u>
Total Cash and Investments	<u>\$ 504,179,764</u>	<u>\$ 10,924,685</u>	<u>\$ 515,104,449</u>

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Total cash and investments as of June 30, 2018 were presented on the County's financial statements as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
County Investment Pool:				
Unrestricted	\$ 257,248,931	\$ 240,534,811	\$ 1,833,644	\$ 499,617,386
Restricted	2,621,062	--	1,941,316	4,562,378
Total in County Investment Pool	<u>259,869,993</u>	<u>240,534,811</u>	<u>3,774,960</u>	<u>504,179,764</u>
External to Pool:				
Other restricted cash and investments	83,775	--	2,511,768	2,595,543
Other unrestricted cash and investments	--	2,434,062	5,652,180	8,086,242
Imprest cash	242,500	--	400	242,900
Total External to Pool	<u>326,275</u>	<u>2,434,062</u>	<u>8,164,348</u>	<u>10,924,685</u>
Total Cash and Investments	<u>\$ 260,196,268</u>	<u>\$ 242,968,873</u>	<u>\$ 11,939,308</u>	<u>\$ 515,104,449</u>

In the Statement of Fiduciary Net Position, the total cash and investments balance for Investment Trust and Agency Funds in the amount of \$242,968,873 includes, and is decreased by the negative cash balances maintained in certain agency funds used to allocate property taxes under the alternate method of tax apportionment (Teeter Plan). The total cash deficits of these Teeter Plan funds of \$6,988,439 is entirely offset by, and is significantly less than, the total \$11,662,473 that has been recorded by these funds as taxes receivable.

Cash and investments were restricted as of June 30, 2018, for the following purposes:

	Primary Government	Component Units	Total
Closure and post-closure costs	\$ 2,621,062	\$ --	\$ 2,621,062
Retainage held in escrow	83,775	--	83,775
Transit and transportation grant expenditures	--	4,435,292	4,435,292
Risk financing	--	17,792	17,792
	<u>\$ 2,704,837</u>	<u>\$ 4,453,084</u>	<u>\$ 7,157,921</u>

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

Investments

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

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

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

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

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

As of June 30, 2018, the County had the following investments:

	Interest Rates	Maturities	Par Value	Book Value	Fair Value	WAM (Years)
Investments in Investment Pool						
Treasury Securities - Coupon	0.750%-1.625%	07/15/18-08/31/19	\$ 397,100,000	\$ 395,540,618	\$ 395,118,442	0.50
California Local Agency Investment Fund	1.755%	On Demand	45,500,000	45,500,000	45,500,000	0.00
Money Market Account	0.200%-1.760%	On Demand	1,493,700	1,493,700	1,493,700	0.00
Total Investments in Investment Pool			\$ 444,093,700	\$ 442,534,318	\$ 442,112,142	0.45
Investments Outside Investment Pool						
Component Units:						
<i>El Dorado County Transit Authority</i>						
California Local Agency Investment Fund	1.755%	On Demand	\$ 1,211,524	\$ 1,211,524	\$ 1,211,524	--
Total Investments Outside Investment Pool			\$ 1,211,524	\$ 1,211,524	\$ 1,211,524	--

As of June 30, 2018 the difference between the carrying value and fair value of cash and investments was not material (fair value was 99.905% of carrying value). No adjustment has been recorded on the financial statements.

Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy. As of June 30, 2018, the investment pool had a weighted average maturity of 0.45 year.

Credit Risk

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

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County investment pool's fair value as of June 30, 2018.

	Standard & Poor's Rating	% of Portfolio
Treasury Securities - Coupon	AA+	89.37%
California Local Agency Investment Fund	Unrated	10.29%
Money Market Account	Unrated	0.34%
Total		100.00%

COUNTY OF EL DORADO

Notes to the Basic Financial Statements For the Year Ended June 30, 2018

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

Custodial Credit Risk

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

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

Fair Value Hierarchy

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

Treasury Securities – Coupon, valued at \$395.1 million in total, are classified in Level 1 of the fair value hierarchy, valued using quoted prices in active markets. Deposits and withdrawals in governmental investment pools, such as the State of California Local Agency Investment Fund (LAIF), are made on the basis of one dollar and not fair value. Accordingly, the fair value of the County's proportionate share in this type of investment is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. Money Market Accounts are nonparticipating interest-bearing savings accounts. They are measured using a cost-based measure, not fair value and therefore, not subject to fair value hierarchy.

Local Agency Investment Fund

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

As of June 30, 2018, the County's investment position in LAIF was \$45.5 million, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$22.5 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance as of June 30, 2018 was \$88.8 billion. Of that amount, 2.67% was invested in medium-term and short-term structured notes and asset-backed securities.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

County Investment Pool Condensed Financial Statements

The following represents a condensed statement of net position and changes in net position for the County Treasury investment pool as of June 30, 2018:

Statement of Net Position

Net position held for pool participants	\$ 504,179,764
Equity of internal pool participants	\$ 274,579,699
Equity of external pool participants	229,600,065
Total net position	<u>\$ 504,179,764</u>

Statement of Changes in Net Position

Net position, July 1, 2017	\$ 495,394,324
Investment income	6,580,419
Investment expenses	(751,807)
Net contributions (withdrawals) by pool participants	2,956,828
Net position, June 30, 2018	<u>\$ 504,179,764</u>

NOTE 3: **LONG-TERM RECEIVABLES**

The accounts receivable balances reported in the governmental funds include an allowance for uncollectible amounts of \$12,426,695. Among the accounts receivables, \$8,662,798 (net of uncollectible amount) are long-term accounts receivables. In addition, the due from other government balances reported in the governmental funds include long-term receivables of \$3,952,404. These long-term receivables are not expected to be fully collected in the next fiscal year and are therefore equally offset by the deferred inflows of resources (unavailable revenue). Similarly, the governmental funds report special assessment receivables of \$63,303 (net of uncollectible amounts of \$1,737,171), which are also not expected to be fully collected in the next fiscal year and are therefore equally offset by the deferred inflows of resources (unavailable revenue). Further, the governmental funds and the governmental activities report long-term notes receivables of \$10,544,163. The governmental activities also report long-term interest receivables of \$502,077.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2018
Governmental Activities					
Capital assets, not being depreciated					
Land and improvements	\$ 53,413,455	\$ 515,874	\$ --	\$ 2,791,900	\$ 56,721,229
Construction in progress	18,197,838	17,947,427	--	(6,252,185)	29,893,080
Total capital assets not being depreciated	71,611,293	18,463,301	--	(3,460,285)	86,614,309
Capital assets, being depreciated					
Infrastructure	488,946,740	18,042,962	--	--	506,989,702
Structures and improvements	124,765,011	24,376	--	3,460,285	128,249,672
Equipment	52,860,643	2,891,035	(2,061,501)	--	53,690,177
Total capital assets being depreciated	666,572,394	20,958,373	(2,061,501)	3,460,285	688,929,551
Less accumulated depreciation for					
Infrastructure	(302,032,456)	(19,911,074)	--	--	(321,943,530)
Structures and improvements	(49,094,125)	(2,620,678)	--	--	(51,714,803)
Equipment	(33,430,964)	(3,234,484)	1,795,744	--	(34,869,704)
Total accumulated depreciation	(384,557,545)	(25,766,236)	1,795,744	--	(408,528,037)
Total capital assets being depreciated, net	282,014,849	(4,807,863)	(265,757)	3,460,285	280,401,514
Governmental activities capital assets, net	\$ 353,626,142	\$ 13,655,438	\$ (265,757)	\$ --	\$ 367,015,823
Business Type Activities					
Capital assets, not being depreciated					
Land	\$ 319,665	\$ --	\$ --	\$ --	\$ 319,665
Construction in progress	87,857	19,247	--	--	107,104
Total capital assets not being depreciated	407,522	19,247	--	--	426,769
Capital assets, being depreciated					
Structures and improvements	9,516,365	--	--	--	9,516,365
Equipment	43,703	--	--	--	43,703
Total capital assets being depreciated	9,560,068	--	--	--	9,560,068
Less accumulated depreciation for					
Structures and improvements	(6,474,136)	(293,402)	--	--	(6,767,538)
Equipment	(35,142)	(1,790)	--	--	(36,932)
Total accumulated depreciation	(6,509,278)	(295,192)	--	--	(6,804,470)
Total capital assets being depreciated, net	3,050,790	(295,192)	--	--	2,755,598
Business type activities capital assets, net	\$ 3,458,312	\$ (275,945)	\$ --	\$ --	\$ 3,182,367

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

Depreciation

Depreciation expense was charged to governmental activities as follows:

General government	\$ 801,228
Public protection	2,213,473
Public ways and facilities	20,925,697
Health and sanitation	224,926
Public assistance	291,114
Education	250,487
Recreation and cultural services	171,039
Internal Service Funds - depreciation on capital assets held by the County's internal service funds are charged to the various functions based on their usage of service	<u>888,272</u>
Total depreciation expense governmental activities	<u><u>\$ 25,766,236</u></u>

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

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

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

Unearned Revenues

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

As of June 30, 2018, governmental funds and governmental activities report unearned revenue in connection with resources that have been received, but not yet earned. The various components of unearned revenue were reported as follows:

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

Unearned Revenues (continued)

	<u>Governmental Funds</u>	<u>Governmental Activities</u>
	Unearned Revenue	Unearned Revenue
Governmental Funds/Governmental Activities:		
General Fund:		
Various grants and charges	\$ 113,777	\$ 113,777
Road Fund:		
Various grants and charges	158,127	158,127
Other Governmental Funds:		
Various grants, charges, and special assessments	<u>5,041,655</u>	<u>5,041,655</u>
Total	<u>\$ 5,313,559</u>	<u>\$ 5,313,559</u>

Deferred Outflows and Inflows of Resources

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

The summary of the deferred outflows and inflows of resources reported for the year ended June 30, 2018, is as follows:

	<u>Governmental Funds</u> <u>(Unavailable Revenue)</u>	<u>Internal Service Funds</u>		<u>Governmental Activities</u>	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Funds:					
General Fund:					
Various grants and charges	\$ 477,329	\$ --	\$ --	\$ --	\$ --
Road Fund:					
Various grants and charges	2,144,943	--	--	--	--
CSA #7 Fund:					
Various charges and special assessments	6,399,658	--	--	--	--
Other Governmental Funds:					
Various grants, charges, and special assessments	3,656,575	--	--	--	--
Governmental Activities:					
Deferred pension outflows	--	--	--	81,746,434	--
Deferred OPEB outflows	--	3,320,971	--	3,320,971	--
Deferred pension inflows	--	--	--	--	4,329,715
Deferred OPEB inflows	--	--	10,965,633	--	10,965,633
Total	<u>\$ 12,678,505</u>	<u>\$ 3,320,971</u>	<u>\$ 10,965,633</u>	<u>\$ 85,067,405</u>	<u>\$ 15,295,348</u>

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 6: LONG-TERM LIABILITIES

Long-term debt at June 30, 2018 consisted of the following:

	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2018</u>
Governmental Activities						
Notes Payable:						
HUD HOME Program ¹⁾	2003	2058	0.00%	2)	\$ 3,000,000	\$ 3,000,000
HUD HOME Program ¹⁾	2013	2067	3.00%	2)	3,000,000	3,000,000
HUD State CDBG Program ¹⁾	2013	2068	3.00%	2)	483,000	483,000
USDA Rural Development Loans	2018	2056	2.375%	\$21,563 - \$61,735	1,170,529 ³⁾	1,170,529
Total Governmental Activities						<u>\$ 7,653,529</u>

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

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

³⁾ See below.

USDA Rural Development Loans

In 2016, the County entered into six loan agreements with the U.S. Department of Agriculture (USDA) Rural Development Program in an aggregate amount not to exceed \$57,140,000. The purpose of the loans was to fund the development and construction of a new public safety facility in Diamond Springs. The principal outstanding at June 30, 2018 is \$1,170,529.

The following is a summary of long-term liabilities transactions for the year ended June 30, 2018:

	(restated) Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities					
Notes payable:					
HUD HOME Program	\$ 6,000,000	\$ --	\$ --	\$ 6,000,000	\$ --
HUD State CDBG Program	483,000	--	--	483,000	--
USDA Rural Development Loans	--	1,170,529	--	1,170,529	--
Compensated absences	15,718,244	1,771,708	1,384,921	16,105,031	1,353,982
Landfill closure / post-closure liability	17,965,642	323,382	--	18,289,024	--
Liability for self-insurance claims	20,557,000	32,228,298	32,573,298	20,212,000	3,726,760
Other postemployment benefits	104,699,333	9,701,492	15,381,338	99,019,487	--
Net pension liability	304,225,820	150,458,486	109,518,691	345,165,615	--
	<u>\$ 469,649,039</u>	<u>\$ 195,653,895</u>	<u>\$ 158,858,248</u>	<u>\$ 506,444,686</u>	<u>\$ 5,080,742</u>
Business-Type Activities					
Compensated absences	\$ 18,097	\$ 995	\$ 3,006	\$ 16,086	\$ 1,287
	<u>\$ 18,097</u>	<u>\$ 995</u>	<u>\$ 3,006</u>	<u>\$ 16,086</u>	<u>\$ 1,287</u>

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

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

As of June 30, 2018, annual debt service requirements of governmental activities having fixed maturities are shown below. The HUD State CDBG Program note payable and both of the HUD Home Program notes payable are not included in the schedule.

Year Ending June 30:	Governmental Activities	
	Notes Payables	
	Principal	Interest
2019	\$ --	\$ --
2020	--	27,800
2021	--	27,323
2022	61,735	26,834
2023	21,563	26,334
2024-2028	115,747	123,740
2029-2033	130,160	109,326
2034-2038	146,369	93,118
2039-2043	164,595	74,891
2044-2048	185,092	54,395
2049-2053	208,141	31,346
2054-2056	137,127	6,564
	<u>\$ 1,170,529</u>	<u>\$ 601,671</u>

As of June 30, 2018, there are no annual debt service requirements of business-type activities to maturity.

NOTE 7: LIMITED OBLIGATION DEBT

Pursuant to various development agreements, the County has formed a number of community facility districts (CFDs) and has issued limited obligation bonds to finance infrastructure. The bonds are limited obligation debt repayable solely from the special taxes collected with each CFD. The only foreseeable circumstances that would make the County partially responsible for debt service payments or damages to bond investors would be if an error or omission is made by the County in the formation of the CFD, in the preparation of the offering statement, in the ongoing SEC required disclosures, or in the administration of the CFD. No adjustments were made to the County's financial statements for these limited obligation debt. As of June 30, 2018, the balances of these districts' outstanding debt were as follows:

Community Facilities District No. 1992-1 (EDH Serrano)	\$ 32,695,000
Community Facilities District No. 2001-1 (Promontory)	\$ 23,840,000
Community Facilities District No. 2005-1 (Blackstone)	\$ 27,325,000
Community Facilities District No. 2005-2 (Laurel Oaks)	\$ 3,110,000
Community Facilities District No. 2014-1 (Carson Creek)	\$ 32,720,000

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 8: **LEASES**

Operating Lease Obligations

The County leases various office space, equipment, and buildings under various operating leases. Annual rent expenditures were approximately \$3.6 million for the year ended June 30, 2018.

Future minimum operating lease commitments are as follows:

<u>Year Ending June 30</u>	
2019	\$ 2,784,182
2020	2,325,045
2021	2,291,537
2022	2,283,640
2023	2,277,649
2024-2028	<u>3,925,690</u>
	<u>\$ 15,887,743</u>

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

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

The County ceased accepting waste from the public in 1997 and 8.2 acres or 19.4 percent of the landfill's 42.3 acres remain open to waste generated onsite. The estimated landfill closure care liability of \$2,621,062 reported as of June 30, 2018, is the current cost estimate of closing the remaining 8.2 acres. Because the landfill is no longer accepting waste from the public, the additional liability of \$15,667,962 representing postclosure costs for the entire 42.3 acres has been recognized and is a cumulative amount reported to date based on County staff estimates and adjustments for CPI (Consumer Price Index) rate changes.

State and federal laws require the County to make contributions to a special fund in order to finance closure care. At June 30, 2018, cash and investments held of \$2,621,062 in this special fund are part of the pooled funds held by the County Treasury and are reported as restricted assets on the Statement of Net Position. Currently, the amount held as restricted cash is sufficient to cover the entire closure liability.

The County has filed a Pledge of Revenue with the California Integrated Waste Management Board that waives the requirement to make contributions to a special fund to finance postclosure costs. The estimated postclosure costs of \$15,667,962, to be paid over a 30-year period upon final closure, may need to be funded by charges to future landfill users and/or from future tax revenue.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 10: INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2018 is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Internal Service Fund - Risk	\$ 375,000	Advance for cash flow
	Enterprise Fund - County Airports	10,000	Advance for cash flow
	Road Fund	2,500,025	Advance for cash flow
	Other Governmental Funds	210,036	Realignment Funds
	Other Governmental Funds	656,736	Advance to Community Services Funds to cover cash shortfall
	Other Governmental Funds	135,000	Advance to Health Fund to cover cash shortfall
	Other Governmental Funds	80,000	Advance to Social Services Fund to cover cash shortfall
	Other Governmental Funds	25,000	Advance to CSA #9 Fund to cover cash shortfall
	Other Governmental Funds	238,358	Reimbursement for Insurance Fraud Program Expenditures
	Other Governmental Funds	59,697	Reimbursement for SB678 Expenditures
		<u>4,289,852</u>	
Other Governmental Funds	Other Governmental Funds	60,887	Sales Tax Realignment Funds for Health Programs
	Other Governmental Funds	270,583	Sales Tax Realignment Funds for Mental Health Programs
	Other Governmental Funds	24,224	Community Services - Grant Programs due from Non Grant Programs
	Other Governmental Funds	950,000	ACO Funds due from Public Safety Facility Loan Fund
	Other Governmental Funds	232,410	ACO Funds due from CSA#10 Solid Waste
		<u>1,538,104</u>	
	Total	<u>\$ 5,827,956</u>	

Advance To/From Other Funds:

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 10: INTERFUND TRANSACTIONS (CONTINUED)

Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 65,570	Timber Tax to Sheriff's Office Patrol, Search and Rescue
	Other Governmental Funds	306,469	County Service Area #10 Solid Waste to Environmental Management General Fund Operating and Admin
	Other Governmental Funds	1,469,674	County Service Area #10 Special Tax Revenues to Library General Fund Operating
	Other Governmental Funds	8,255	Air Quality to General Fund Operating
	Other Governmental Funds	1,637,643	ACO Fund Reimbursements to General Fund
	Other Governmental Funds	147,410	State Off-Highway Vehicle & El Dorado-SMUD Agreement Funds to Parks & Rubicon Trail
	Other Governmental Funds	95,467	El Dorado-SMUD Cooperation Agreement Funds to Sheriff OHV Rubicon
	Other Governmental Funds	13,750	BSCC Recidivism Reduction Grant Reimbursement to General Fund
	Other Governmental Funds	2,740	Veteran's House Committee Reimbursement to General Fund Maintenance
	Other Governmental Funds	185,318	Park / River Fees to Parks and Rivers General Fund Operating
	Other Governmental Funds	566,924	Time Share, Overpayment, and Redemption Fees to BOS / Auditor / TTC / Assessor
	Other Governmental Funds	2,048	Overages to Treasurer Tax Collector Operating
	Other Governmental Funds	648,620	Grant Revenues, Prop 64, Environmental & Real Estate Funds to District Attorney General Fund Operating
	Other Governmental Funds	475,503	Grant Revenues & Program Revenues to Sheriff's Operating
	Other Governmental Funds	241,072	Probation CCPIF SB678 Reimbursement to General Fund Adult Supervision
	Other Governmental Funds	80,000	Commercial Grading to Building Operating
	Other Governmental Funds	499,764	Micro, Computer System, Vital Health Statistics, Electronic Recording to Recorder Operating
	Other Governmental Funds	153,503	Planning Projects Revenues to Planning
	Other Governmental Funds	576,649	Engineer Time and Materials to DOT County Engineer
	Other Governmental Funds	23,442	License Plate Fees to Veteran Services Operating
	Other Governmental Funds	20,001	Gloria Harootunian Trust Funds and Meyers Trust Funds to Library Operating
	Other Governmental Funds	254,258	Realignment Funds to Animal Services
	Other Governmental Funds	215,141	Realignment Funds to Environmental Management
	Other Governmental Funds	10,833,411	Realignment Funds to Social Services
	Other Governmental Funds	83,350	Realignment Funds to Probation
	Other Governmental Funds	30,061	County Local Revenue Funds to DA
	Other Governmental Funds	28,530	County Local Revenue Funds to Public Defender
	Other Governmental Funds	4,233,024	County Local Revenue Funds to Sheriff
	Other Governmental Funds	2,105,438	County Local Revenue Funds to Probation
	Other Governmental Funds	9,242,053	County Local Revenue Funds to Social Services
	Other Governmental Funds	684,087	Supplemental Law Enforcement Services Fund (SLESF) to DA/Sheriff/Probation Operating
		<u>34,929,175</u>	

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 10: INTERFUND TRANSACTIONS (CONTINUED)

Transfers (continued)

Transfer to	Transfer from	Amount	Purpose
Road Fund	General Fund	\$ 211,871	General Fund Billing
	Other Governmental Funds	6,445,404	Road District Tax to Road Fund Operating
	Other Governmental Funds	159,682	EI Dorado-SMUD Cooperation Agreement Fund Billing
	Other Governmental Funds	6,990,052	Road Projects Billing and Traffic Impact Fees to Road Fund Operating
	Other Governmental Funds	15,894	Rare Plant Endowment Fund Billing
	Other Governmental Funds	<u>79,244</u>	ACO Fund Billing
		<u>13,902,147</u>	
Internal Services Fund - Fleet	General Fund	171,359	General Fund Contribution
		<u>171,359</u>	
Enterprise Fund - Airports	General Fund	73,923	General Fund Contribution
	Other Governmental Funds	20,000	Special Aviation Funding
	Other Governmental Funds	<u>2,728</u>	ACO Fund Contribution
		<u>96,651</u>	
Other Governmental Funds	General Fund	15,000	General Fund Contribution to Fish and Game
	General Fund	2,002,992	General Fund Contribution to Community Services
	General Fund	114,622	General Fund Contribution to HCED
	General Fund	3,262,771	General Fund Contribution to Public Health
	General Fund	89,663	General Fund Contribution to IHSS Public Authority Fund
	General Fund	50,000	General Fund Contribution to Housing Authority
	General Fund	15,000	General Fund Contribution For Veterans Hall
	General Fund	2,584	General Fund Transfer to Change Difference Shortage
	General Fund	720,702	General Fund Contribution to Health and Welfare
	General Fund	13,339,911	General Fund Reimbursements to ACO Fund
	Road Fund	40,278	Road Fund Reimbursements to ACO
	Other Governmental Funds	1,343,758	Health Fund to ACO Fund for Project Billing
	Other Governmental Funds	633,793	Air Quality to ACO Fund for Project Billing
	Other Governmental Funds	1,443,445	Public Safety Facility Loan Fund and Henningsen Park Fund to ACO Fund for Loan Proceeds and Billing
	Other Governmental Funds	189,099	Assessor AB1653 Fund to ACO Fund for Project Billing
	Other Governmental Funds	42,779	Sheriff Designated Fund to ACO Fund for Project Billing
	Other Governmental Funds	<u>8,029</u>	Animal Pet Aid Program to ACO Fund for Project Billing
		<u>23,314,426</u>	
Total		<u>\$ 72,413,758</u>	

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 11: PENSIONS

A. General Information about the Pension Plans

Plan Description

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

Benefits Provided

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

Below is a summary of the Plans' provisions and benefits in effect at June 30, 2018:

	Miscellaneous		
	Classic		PEPRA
	Prior to October 5, 2012	On or after October 5, 2012	On or after January 1, 2013
Hire Date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement eligibility age	50	50	52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	7% *	7% *	6.25% *
Required employer contribution - normal cost %	8.613% *	8.613% *	8.613% *
Required employer contribution - payment of unfunded accrued liability:	\$9,953,188 *		
	Safety		
	Classic		PEPRA
	Prior to October 5, 2012	On or after October 5, 2012	On or after January 1, 2013
Hire Date			
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement eligibility age	50	50	50
Monthly benefits, as a % of eligible compensation	3%	2% to 2.7%	2% to 2.7%
Required employee contribution rates	9% *	9% *	10.750% *
Required employer contribution - normal cost %	16.792% *	16.792% *	16.792% *
Required employer contribution - payment of unfunded accrued liability:	\$6,523,674 *		

* The required contribution for fiscal year 2017-2018 was determined as part of the June 30, 2015 actuarial.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 11: **PENSIONS** (CONTINUED)

A. General Information about the Pension Plans (continued)

Employees Covered

Listed below is the summary of number of employees covered by the benefit terms as of June 30, 2017, the most recent actuarial valuation date:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	1,811	396
Inactive employees entitled to but not yet receiving benefits (Transferred + Terminated)	1,402	261
Active employees	<u>1,384</u>	<u>366</u>
Total	<u><u>4,597</u></u>	<u><u>1,023</u></u>

Contribution

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date), the active employee contribution rate is 7 percent of annual pay for miscellaneous employees (6.25 percent for miscellaneous PEPRA employees hired on or after January 1, 2013), and 9 percent for safety employees (10.75 percent for safety PEPRA employees hired on or after January 1, 2013). The employer's contribution rate is 18.780 percent of annual payroll for miscellaneous employees and 36.357 percent of annual payroll for safety employees. Employer contribution rates may change if plan contracts are amended. Further, the employees pay a portion or all of their required CalPERS contribution to CalPERS depending on their labor agreements with the County. When employees are required to pay only a portion of their required contribution, the County pays the remaining portion on their behalf and for their account. Payments made by the County to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

B. Net Pension Liability

The County's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2017, using standard update procedures.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 (the measurement date) total pension liability for each Plan, based on the following actuarial methods and assumptions:

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 11: **PENSIONS** (CONTINUED)

B. Net Pension Liability (continued)

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

	<u>Miscellaneous and Safety</u>
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Mortality rate table ⁴⁾	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

⁴⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 11: **PENSIONS** (CONTINUED)

B. Net Pension Liability (continued)

Discount Rate (continued)

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

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 – 10⁵⁾	Real Return Years 11+⁶⁾
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

⁵⁾ An expected inflation of 2.5% used for this period

⁶⁾ An expected inflation of 3.0% used for this period

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 11: **PENSIONS** (CONTINUED)

C. Changes in the Net Pension Liability

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

	Miscellaneous Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/16	\$ 611,847,060	\$ 424,646,085	\$ 187,200,975
Changes for the year:			
Service cost	14,801,381	--	14,801,381
Interest	45,739,429	--	45,739,429
Changes of benefit terms	--	--	--
Changes of assumptions	35,910,002	--	35,910,002
Differences between expected and actual experience	(110,058)	--	(110,058)
Net plan to plan resource movement	--	(640,517)	640,517
Contributions - employer	--	16,577,036	(16,577,036)
Contributions - employees	--	6,205,211	(6,205,211)
Net investment income	--	47,314,474	(47,314,474)
Benefit payments, including refunds of employee contributions	(30,670,813)	(30,670,813)	--
Administrative expense	-	(626,961)	626,961
Net changes	65,669,941	38,158,430	27,511,511
Balances at 6/30/17	\$ 677,517,001	\$ 462,804,515	\$ 214,712,486

	Safety Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/16	\$ 316,836,327	\$ 199,811,482	\$ 117,024,845
Changes for the year:			
Service cost	8,491,956	--	8,491,956
Interest	23,650,313	--	23,650,313
Changes of benefit terms	--	--	--
Changes of assumptions	20,302,919	--	20,302,919
Differences between expected and actual experience	(2,828,359)	--	(2,828,359)
Net plan to plan resource movement	--	--	--
Contributions - employer	--	11,063,176	(11,063,176)
Contributions - employees	--	3,157,738	(3,157,738)
Net investment income	--	22,262,639	(22,262,639)
Benefit payments, including refunds of employee contributions	(15,566,486)	(15,566,486)	--
Administrative expense	--	(295,008)	295,008
Net changes	34,050,343	20,622,059	13,428,284
Balances at 6/30/17	\$ 350,886,670	\$ 220,433,541	\$ 130,453,129

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

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

		Miscellaneous		Safety	
		Net Pension Liability		Net Pension Liability	
1% Decrease	6.15%	\$	300,812,711	\$	180,050,754
Current Discount Rate	7.15%	\$	214,712,486	\$	130,453,129
1% Increase	8.15%	\$	142,924,917	\$	89,803,155

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 11: **PENSIONS** (CONTINUED)

C. Changes in the Net Pension Liability (continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2018, the County recognized pension expense of \$37,684,454 for its miscellaneous plan and \$18,400,588 for its safety plan. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions		
Miscellaneous	\$ 23,527,243	\$ --
Safety	15,581,310	1,951,806
Differences between expected and actual experience		
Miscellaneous	2,946,673	72,107
Safety	1,184,716	2,305,802
Net difference between projected and actual earnings on plan investments		
Miscellaneous	6,099,999	--
Safety	2,962,998	--
County contributions subsequent to the measurement date		
Miscellaneous	17,702,055	--
Safety	11,741,440	--
Total	\$ 81,746,434	\$ 4,329,715

\$29,443,495 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to pensions and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amounts
2019	\$ 18,419,560
2020	25,326,558
2021	8,092,397
2022	(3,865,291)
Total	\$ 47,973,224

COUNTY OF EL DORADO

Notes to the Basic Financial Statements For the Year Ended June 30, 2018

NOTE 11: PENSIONS (CONTINUED)

E. CalPERS Discount Rate Change

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

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description. The County of El Dorado (County) Retiree Healthcare Plan (OPEB Plan) is a single-employer defined benefit healthcare plan administered by the County. The benefit terms, and the contribution requirements of the plan members and the County are established and may be amended by the County. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The County's OPEB Plan provides healthcare insurance benefits to employees who retire from active service due to disability or after the age of 50 and are eligible to commence pension benefits.

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

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

A. General Information about the OPEB Plan (continued)

Employees Covered by Benefit Terms. At June 30, 2017, the measurement date, the following numbers of employees were covered by the benefit terms:

Inactive employees currently receiving benefits	437
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>1,479</u>
Total	<u><u>1,916</u></u>

B. Total OPEB Liability

The County's total OPEB liability of \$99,019,487 was measured as of June 30, 2017, and was determined based on an actuarial valuation as of June 30, 2016. Specifically, update procedures were used to roll forward the total OPEB liability from June 30, 2016 (the valuation date) to June 30, 2017 (the measurement date).

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2016 actuarial valuation was rolled forward to determine the June 30, 2017 (the measurement date) total OPEB liability using the following actuarial assumptions and other inputs:

Contribution policy	No pre-funding
Discount rate	3.58% at June 30, 2017 (Bond Buyer 20-bond Index) 2.85% at June 30, 2016 (Bond Buyer 20-bond Index)
General inflation	3.00% per annum
Mortality, retirement, disability, termination	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-14 with rates converging to ultimate improvement in 2022
Salary increases	Aggregate: 3.25% Merit: tables from CalPERS 1997-2011 Experience Study
Medical trend	Non-Medicare: 6.0% for 2018, decreasing to an ultimate rate of 5.0% in 2020 and later years Medicare: 6.1% for 2018, decreasing to an ultimate rate of 5.0% in 2020 and later years
Participation at retirement	Eligible for cash subsidy: medical 90%, dental 80% Not eligible for cash subsidy: 50%

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

C. Changes in the Total OPEB Liability

The change in the total OPEB liability for the OPEB Plan follows:

	Total OPEB Liability
Balances at 6/30/16	\$ 104,699,333
Changes for the year:	
Service cost	6,569,576
Interest	3,131,916
Changes of benefit terms	--
Differences between expected and actual experience	--
Changes in assumptions or other inputs	(12,627,092)
Benefit payments	(2,754,246)
Net changes	(5,679,846)
Balances at 6/30/17	\$ 99,019,487

There are no changes of benefit terms during the measurement period. Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	Discount Rate		
	1% Decrease (2.58%)	Current Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 116,958,763	\$ 99,019,487	\$ 85,066,048

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	Healthcare Trend Rate		
	1% Decrease (Non-Medicare: 5.0% decreasing to 4.0%; Medicare: 5.1% decreasing to 4.0%)	Current Rate (Non-Medicare: 6.0% decreasing to 5.0%; Medicare: 6.1% decreasing to 5.0%)	1% Increase (Non-Medicare: 7.0% decreasing to 6.0%; Medicare: 7.1% decreasing to 6.0%)
Total OPEB Liability	\$ 95,750,065	\$ 99,019,487	\$ 102,882,576

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

D. OPEB Expense and Deferred Outflows / Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the County recognized OPEB expense of \$8,040,033. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ --
Changes of assumptions or other inputs	--	10,965,633
County contributions subsequent to the measurement date	3,320,971	--
Total	\$ 3,320,971	\$ 10,965,633

\$3,320,971 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB, if any, and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amounts
2019	\$ (1,661,459)
2020	(1,661,459)
2021	(1,661,459)
2022	(1,661,459)
2023	(1,661,459)
Thereafter	(2,658,338)
Total	\$ (10,965,633)

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 13: RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. During fiscal year 2017-2018, under this program, the Risk Management Fund provided coverage for up to a maximum of \$300,000 for each workers' compensation claim, \$1,000,000 for each general liability claim, and \$25,000 for each property damage claim. The County purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. The amount of settlements did not exceed coverage provided by the Risk Management Fund in each of the last three years.

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$20,212,000 reported in the Risk Management Fund at June 30, 2018 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the County's claims liability for the fiscal years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Unpaid claims, beginning of year	\$ 20,557,000	\$ 17,971,000
Plus estimated claims incurred	32,228,298	35,357,466
Less claims payments	<u>(32,573,298)</u>	<u>(32,771,466)</u>
Unpaid claims, end of year	<u>\$ 20,212,000</u>	<u>\$ 20,557,000</u>

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 14: COMMITMENTS AND CONTINGENCIES

Grants

The County recognizes as revenue, grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Pending Litigation

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

Encumbrances

The County uses an encumbrances system to control expenditures for the year and to enhance cash management. Under this system, purchase orders and contracts are recorded in order to reserve that portion of applicable appropriations. Encumbrances still open at the end of the year are not accounted for as expenditures and liabilities but rather as part of the fund balances. As of June 30, 2018, General Fund had a total of \$648,343 in encumbrances, which were reported as part of the assigned fund balances on the governmental fund balance sheet. Road Fund had a total of \$253,019 in encumbrances, which were reported as part of the unassigned fund deficits due to the overspending for the restricted purpose. Other (nonmajor) governmental funds had a total of \$294,895 in encumbrances, which were reported as part of the restricted, committed or assigned fund balances.

Construction Commitments and Other Significant Commitments

At June 30, 2018, the County has ongoing construction commitments that totaled approximately \$45.7 million and other significant commitments that totaled \$13.3 million.

Road Improvement Reimbursement Agreements

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

Latrobe Road Connector Study	\$ 110,071
Bass Lake Road (SIA)	2,953,722
Silva Valley Interchange	10,152,368
Silver Springs Pkwy	2,139,483
US50/Bass Lake Road Signal	<u>15,000</u>
Total	<u>\$ 15,370,644</u>

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

Tax Abatement Agreement

The California Land Conservation Act of 1965 was commonly referred to as the "Williamson Act" (Act). Pursuant to the Act, the County enters into contracts with property owners for the purpose of limiting the use of specific properties to agricultural and compatible uses. To be established as an agricultural preserve, the property needs to meet all criteria, including minimum acreage, minimum capital outlay, and minimum income, set forth by the Act and the County's Board. The initial term of a contract is ten years. On each anniversary date of a contract, a year shall be automatically added to the initial term unless written notice of non-renewal is given. If the property owner or the County in any year serves written notice of non-renewal, the contract shall remain in effect for the balance of the unexpired term. During the term of the contract, the property owner pays substantially reduced property tax through a reduction of the assessed value on the property and in return agrees to limit the use of the property to agricultural and compatible uses. The assessed value of the property under the Act contract is determined by the capitalization of the property income stream. In fiscal year 2017-2018, the County's tax revenues were reduced by \$220,600 as a result of the Williamson Act contracts.

Mitigation Fee Act Litigation – The Austins

In December of 2015 Thomas and Helen Austin of El Dorado Hills filed a lawsuit against the County seeking a writ of Mandate that would force the County to refund fees collected under the Mitigation Fee Act on behalf of the El Dorado Hills Community Services District, the El Dorado Hills County Water District, the Ecological Preserve Program, and the County's Traffic Impact Mitigation Fee program. The County and the Austins sought to resolve the matter through mediation without success. The fees collected pertaining to the lawsuit total approximately \$35 million, approximately \$15 million of which have been collected on behalf of the two aforementioned special districts. It is the County's position, among other asserted arguments, that this lawsuit was not filed on a timely basis. The County filed a demurrer asserting that the lawsuit should be barred by the statute of limitations. That demurrer was overruled by the trial court. The County petitioned the Court of Appeals for an Extraordinary Writ of Mandate seeking to reverse the trial court's decision. The matter is presently on appeal. However, not all indispensable parties have been served. The ultimate resolution of this matter is not determinable at this time; regardless, the County's cost of defense will likely be material.

Mitigation Fee Act Litigation – Lunsmann

In January 2017, Jeffrey Lunsmann filed a complaint for recovery of impact fees collected seeking a refund of \$35,470 collected from Mr. Lunsmann by the County and other agencies. The complaint alleges that the fees were collected and retained illegally because the County failed to make specific findings required by the Mitigation Fee Act. Since the complaint was filed, it has been voluntarily amended to conform in substance to that in Sheetz as a Complaint for Declaratory and Injunctive Relief, and to add a Verified Petition for Writ of Mandate. The Petitioner has now filed a Third Amended Complaint. No hearing is presently set in this matter. The ultimate resolution of this matter is not determinable at this time; regardless, the County's cost of defense could be material.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

Mitigation Fee Act Litigation – Sheetz/Friends of El Dorado

In June 2017, George Sheetz filed a lawsuit against the County seeking a writ of Mandate that would force the County to refund fees collected under the Mitigation Fee Act on behalf of the County. The complaint alleges that the fees were collected and retained illegally because the County failed to make specific findings required by the Mitigation Fee Act. The Complaint further alleges that portions of Measure Y, the General Plan and the TIM Fee program are unlawful. A demurrer was filed in response and the trial court sustained the demurrer to all causes of action other than the First Cause of Action for return of the Petitioner's fees. The parties are preparing the Administrative Record, which is due to the court March 29, 2019. However, not all indispensable parties have been served. The ultimate resolution of this matter is not determinable at this time; regardless, the County's cost of defense could be material.

Rural Communities United Litigation

In January of 2016 Rural Communities United filed a lawsuit against the County challenging the Board of Supervisors' approval of the Targeted General Plan Amendment/Zoning Ordinance Update. The County's defense has been referred to outside counsel and the attorney's fees and other costs may be material. Judgment in this matter was entered on or about May 16, 2018. The Petitioners have appealed the judgment. The appeal is pending. Subsequent to judgment being entered by the trial court, the trial court awarded Petitioners approximately \$62,000 in attorney's fees. No liability or allowance has been recognized in the financial statements related to this matter.

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

The State Department of Health Care Services (DHCS) issued a preliminarily settlement letter for the County's FY 2015/16 MAA/TCM cost report. The letter stated that the County was overpaid by \$181,736. This overpayment was paid back to the State through revenue offsets of State's payments to the County. Further, DHCS also performed a FY 2014/15 TCM program site visit review resulting in an initial request for the County to pay back \$47,000 of invoice payments. As a result of the County's response to the initial pay back request, the pay back has been reduced to \$36,716. The County has recently been invoiced for the TCM Program site visit, and a budget transfer has been requested to pay back the settlement using the designated audit reserves. Specifically, an audit reserve in the amount of \$240,000 was established in 2016-2017 to mitigate the impact of these audits to the General Fund. No liability or allowance has been recognized in the financial statements for any potential future revenue offsets.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 15: FUND BALANCES / NET POSITION

A. Fund Balances

Fund balances for all the major and nonmajor governmental funds as of June 30, 2018, were presented as follows:

	General	Road Fund	CSA #7 Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Advances	\$ 430,000	\$ --	\$ --	\$ --	\$ 430,000
Inventory	--	572,726	--	89,405	662,131
Prepaid expenses	2,340,490	21,357	905	181,127	2,543,879
Permanent fund principal	--	--	--	3,285,618	3,285,618
Subtotal	<u>2,770,490</u>	<u>594,083</u>	<u>905</u>	<u>3,556,150</u>	<u>6,921,628</u>
Restricted for:					
Capital projects	--	--	--	29,095,250	29,095,250
Public protection	--	--	--	30,696,999	30,696,999
Public ways and facilities	--	--	--	20,969,912	20,969,912
Health and sanitation	--	--	7,016,790	31,726,175	38,742,965
Public assistance	--	--	--	12,815,575	12,815,575
General government	--	--	--	5,292,702	5,292,702
Education	--	--	--	1,403,105	1,403,105
Recreation & cultural services	--	--	--	144,753	144,753
Subtotal	<u>--</u>	<u>--</u>	<u>7,016,790</u>	<u>132,144,471</u>	<u>139,161,261</u>
Committed to:					
Capital projects	8,500,000	--	--	11,623,450	20,123,450
Debt service	7,544,366	--	--	--	7,544,366
Public protection	--	--	--	323,028	323,028
Public ways and facilities	--	--	--	10,204,425	10,204,425
Public assistance	--	--	--	30,363	30,363
General government	1,044,764	--	--	--	1,044,764
Subtotal	<u>17,089,130</u>	<u>--</u>	<u>--</u>	<u>22,181,266</u>	<u>39,270,396</u>
Assigned to:					
Debt service	--	--	--	1,845,358	1,845,358
Public protection	--	--	--	2,505,278	2,505,278
Public ways and facilities	--	--	--	153	153
Health and sanitation	--	--	--	14,126,319	14,126,319
Public assistance	--	--	--	1,274,342	1,274,342
General government	648,343	--	--	199,223	847,566
Education	--	--	--	1,244	1,244
Recreation & cultural services	--	--	--	636,940	636,940
Subtotal	<u>648,343</u>	<u>--</u>	<u>--</u>	<u>20,588,857</u>	<u>21,237,200</u>
Unassigned	30,016,051	(865,178)	--	(151,020)	28,999,853
Total	<u>\$ 50,524,014</u>	<u>\$ (271,095)</u>	<u>\$ 7,017,695</u>	<u>\$ 178,319,724</u>	<u>\$ 235,590,338</u>

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 15: FUND BALANCES / NET POSITION (CONTINUED)

B. Prior Period Adjustments

Adjustments resulting from errors or changes to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the County reports these changes as restatements of beginning fund balances and/or net position.

The impact of the restatements on the fund balances and/or net position as previously reported is presented below:

	Primary Government		Component Units		
	Governmental Activities				
	Fund Financial	Government-Wide	Statement of Net Position		
	Statements	Statement of Net Position	El Dorado County	El Dorado County	Total
Internal	Total	Transit	Transportation	Component	
Service	Governmental	Authority	Commission	Units	
Funds	Activities				
Net Position, June 30, 2017, as previously reported	\$ (61,539,365)	\$ 251,444,925	\$ 12,642,593	\$ 2,232,570	\$ 17,176,540
Restatements:					
Implementation of GASB 75:					
Deferred OPEB outflows - beginning balance	2,754,246	2,754,246	55,642	--	55,642
Remove GASB 45 net OPEB obligation	87,370,644	87,370,644	--	--	--
Total OPEB liability - beginning balance	(104,699,333)	(104,699,333)	--	--	--
Net OPEB Asset (liability) - beginning balance	--	--	(246,645)	23,368	(223,277)
Total restatements	(14,574,443)	(14,574,443)	(191,003)	23,368	(167,635)
Net Position, June 30, 2017, as restated	\$ (76,113,808)	\$ 236,870,482	\$ 12,451,590	\$ 2,255,938	\$ 17,008,905

C. Deficit Fund Balances / Net Position

The following funds had deficit fund balances or net position as of June 30, 2018:

Major Governmental Fund:	
Road Fund	\$ 271,095
Nonmajor Governmental Funds:	
Erosion Control	16,854
MSSP	16,822
BSCC – Recidivism Reduction Grant	58,750
Zone Administration	24,719
Internal Service Fund:	
Risk Management Authority	86,273,538

The deficits in the Road fund and the nonmajor governmental funds are expected to be eliminated in future years through future revenues and/or transfers from other funds. The deficit in the internal service fund is expected to be eliminated in future years through either a reduction of the benefits or an increase in charges to other funds.

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 16: CONDENSED SEGMENT INFORMATION ON COMPONENT UNITS

The County has three Discretely Presented Component Units. Condensed Segment information as of and for the year ended June 30, 2018, is as follows:

**Component Units Statement of Net Position
June 30, 2018**

	Children and Families Commission	El Dorado County Transit Authority	El Dorado County Transportation Commission	Total
<u>ASSETS</u>				
Current and other assets	\$ 2,487,138	\$ 8,114,666	\$ 1,863,024	\$ 12,464,828
Capital assets	40,280	13,930,806	19,204	13,990,290
Restricted cash	--	1,526,719	2,926,365	4,453,084
Other long-term assets	--	--	18,534	18,534
Total Assets	2,527,418	23,572,191	4,827,127	30,926,736
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred pension outflows	--	1,163,240	228,434	1,391,674
Deferred OPEB outflows	--	59,503	4,719	64,222
Total Deferred Outflows of Resources	--	1,222,743	233,153	1,455,896
<u>LIABILITIES</u>				
Current liabilities	340,081	6,794,295	2,157,190	9,291,566
Long-term liabilities	--	3,472,359	479,016	3,951,375
Total Liabilities	340,081	10,266,654	2,636,206	13,242,941
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred pension inflows	--	375,851	21,139	396,990
Deferred OPEB inflows	--	51,805	--	51,805
Total Deferred Inflows of Resources	--	427,656	21,139	448,795
<u>NET POSITION</u>				
Net investment in capital assets	40,280	13,930,806	19,204	13,990,290
Restricted	2,147,057	116,568	2,465,158	4,728,783
Unrestricted	--	53,250	(81,427)	(28,177)
Total Net Position	\$ 2,187,337	\$ 14,100,624	\$ 2,402,935	\$ 18,690,896

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

**Component Units Statement of Activities
For the Year Ended June 30, 2018**

	<u>Children and Families Commission</u>	<u>El Dorado County Transit Authority</u>	<u>El Dorado County Transportation Commission</u>	<u>Total</u>
Revenues:				
Program Revenues:				
Charges for current services	\$ --	\$ 1,517,869	\$ --	\$ 1,517,869
Operating grants and contributions	1,998,285	6,254,181	1,451,817	9,704,283
Capital grants and contributions	--	3,678,577	--	3,678,577
General Revenues:				
Taxes	--	--	6,419,307	6,419,307
Interest and investment earnings	22,830	59,712	29,413	111,955
Other revenues (expenses)	--	(64,147)	2,639	(61,508)
Total Revenues	<u>2,021,115</u>	<u>11,446,192</u>	<u>7,903,176</u>	<u>21,370,483</u>
Expenses:				
Health and sanitation	2,135,155	--	--	2,135,155
Public ways and facilities	--	9,797,158	7,756,179	17,553,337
Total Expenses	<u>2,135,155</u>	<u>9,797,158</u>	<u>7,756,179</u>	<u>19,688,492</u>
Change in net position	(114,040)	1,649,034	146,997	1,681,991
Net Position - Beginning of Year (restated)	<u>2,301,377</u>	<u>12,451,590</u>	<u>2,255,938</u>	<u>17,008,905</u>
Net Position - End of Year	<u>\$ 2,187,337</u>	<u>\$ 14,100,624</u>	<u>\$ 2,402,935</u>	<u>\$ 18,690,896</u>

NOTE 17: **SUBSEQUENT EVENTS**

CalPERS Inflation Rate Change

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

Fee Refund Authorized

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

COUNTY OF EL DORADO

Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 17: **SUBSEQUENT EVENTS** (CONTINUED)

Placerville Jail Expansion Project

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

Placerville Juvenile Hall Replacement Project

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

Workers' Compensation

On August 28, 2018, the Board of Supervisors adopted Resolution 178-2018 to allow the County to purchase first-dollar workers' compensation insurance coverage through CSAC-EIA's Primary Workers' Compensation (PWC) Program and eliminate the current \$300,000 self-insurance retention for workers' compensation.

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COUNTY OF EL DORADO

Required Supplementary Information
For the Year Ended June 30, 2018

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

Last 10 Fiscal Years

Measurement period	2016-2017	2015-2016	2014-2015	2013-2014
TOTAL PENSION LIABILITY				
Service cost	\$ 14,801,381	\$ 12,811,520	\$ 12,078,733	\$ 11,725,418
Interest	45,739,429	44,067,819	41,382,955	39,506,575
Changes of benefit terms	-	-	-	-
Changes of assumptions	35,910,002	-	(9,496,499)	-
Differences between expected and actual experience	(110,058)	9,494,835	(1,425,729)	-
Benefit payments, including refunds of employee contributions	(30,670,813)	(29,352,908)	(27,100,337)	(25,473,913)
Net change in total pension liability	65,669,941	37,021,266	15,439,123	25,758,080
Total pension liability - beginning	611,847,060	574,825,794	559,386,671	533,628,591
Total pension liability - ending (a)	\$ 677,517,001	\$ 611,847,060	\$ 574,825,794	\$ 559,386,671
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 16,577,036	\$ 15,708,862	\$ 13,708,979	\$ 11,938,552
Contributions - employee	6,205,211	6,021,392	6,127,135	5,440,632
Net investment income	47,314,474	2,206,776	9,597,580	64,244,763 *
Benefit payments, including refunds of employee contributions	(30,670,813)	(29,352,908)	(27,100,337)	(25,473,913)
Net plan to plan resource movement	(640,517)	-	-	-
Administrative expense	(626,961)	(262,260)	(484,087)	-
Other miscellaneous income	-	-	-	-
Net change in plan fiduciary net position	38,158,430	(5,678,138)	1,849,270	56,150,034
Plan fiduciary net position - beginning	424,646,085	430,324,223	428,474,953	372,324,919
Plan fiduciary net position - ending (b)	\$ 462,804,515	\$ 424,646,085	\$ 430,324,223	\$ 428,474,953
Plan net pension liability (asset) - ending (a) - (b)	\$ 214,712,486	\$ 187,200,975	\$ 144,501,571	\$ 130,911,718
Plan fiduciary net position as a percentage of the total pension liability	68.31%	69.40%	74.86%	76.60%
Covered payroll	\$ 88,269,627	\$ 86,583,597	\$ 82,336,210	\$ 76,231,096
Plan net pension liability as a percentage of covered payroll	243.25%	216.21%	175.50%	171.73%

* Net of administrative expenses

Notes to Schedule For the Year Ended June 30, 2018:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

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

COUNTY OF EL DORADO

Required Supplementary Information
For the Year Ended June 30, 2018

SCHEDULE OF PLAN CONTRIBUTIONS - MISCELLANEOUS PLAN

Last 10 Fiscal Years	(restated)				
Fiscal year	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Actuarially determined contribution	\$ 17,702,055	\$ 16,577,036	\$ 15,708,862	\$ 13,708,979	\$ 11,938,552
Contributions in relation to the actuarially determined contribution	(17,702,055)	(16,577,036)	(15,708,862)	(13,708,979)	(11,938,552)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 89,965,916	\$ 88,269,627	\$ 86,583,597	\$ 82,336,210	\$ 76,231,096
Contributions as a percentage of covered payroll	19.676%	18.780%	18.143%	16.650%	15.661%

Notes to Schedule For the Year Ended June 30, 2018:

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

Valuation date: 6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2014 CalPERS experience study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS experience study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

COUNTY OF EL DORADO

Required Supplementary Information
For the Year Ended June 30, 2018

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

Last 10 Fiscal Years

Measurement period	2016-2017	2015-2016	2014-2015	2013-2014
TOTAL PENSION LIABILITY				
Service cost	\$ 8,491,956	\$ 7,236,448	\$ 7,200,973	\$ 7,156,945
Interest	23,650,313	22,782,825	21,518,049	20,468,275
Changes of benefit terms	-	-	-	-
Changes of assumptions	20,302,919	-	(5,396,169)	-
Differences between expected and actual experience	(2,828,359)	2,171,978	(373,791)	-
Benefit payments, including refunds of employee contributions	(15,566,486)	(14,758,855)	(13,992,567)	(13,019,302)
Net change in total pension liability	<u>34,050,343</u>	<u>17,432,396</u>	<u>8,956,495</u>	<u>14,605,918</u>
Total pension liability - beginning	<u>316,836,327</u>	<u>299,403,931</u>	<u>290,447,436</u>	<u>275,841,518</u>
Total pension liability - ending (a)	<u>\$ 350,886,670</u>	<u>\$ 316,836,327</u>	<u>\$ 299,403,931</u>	<u>\$ 290,447,436</u>
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 11,063,176	\$ 9,978,939	\$ 9,161,922	\$ 8,185,724
Contributions - employee	3,157,738	2,976,868	2,655,620	2,581,344
Net investment income	22,262,639	986,537	4,431,631	29,611,782 *
Benefit payments, including refunds of employee contributions	(15,566,486)	(14,758,855)	(13,992,567)	(13,019,302)
Net plan to plan resource movement	-	(23,001)	23,897	-
Administrative expense	(295,008)	(122,361)	(225,994)	-
Other miscellaneous income	-	-	-	-
Net change in plan fiduciary net position	<u>20,622,059</u>	<u>(961,873)</u>	<u>2,054,509</u>	<u>27,359,548</u>
Plan fiduciary net position - beginning	<u>199,811,482</u>	<u>200,773,355</u>	<u>198,718,846</u>	<u>171,359,298</u>
Plan fiduciary net position - ending (b)	<u>\$ 220,433,541</u>	<u>\$ 199,811,482</u>	<u>\$ 200,773,355</u>	<u>\$ 198,718,846</u>
Plan net pension liability (asset) - ending (a) - (b)	<u>\$ 130,453,129</u>	<u>\$ 117,024,845</u>	<u>\$ 98,630,576</u>	<u>\$ 91,728,590</u>
Plan fiduciary net position as a percentage of the total pension liability	62.82%	63.06%	67.06%	68.42%
Covered payroll	\$ 30,429,287	\$ 29,868,120	\$ 28,517,826	\$ 27,344,994
Plan net pension liability as a percentage of covered payroll	428.71%	391.81%	345.86%	335.45%

* Net of administrative expenses

Notes to Schedule For the Year Ended June 30, 2018:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

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

COUNTY OF EL DORADO

Required Supplementary Information
For the Year Ended June 30, 2018

SCHEDULE OF PLAN CONTRIBUTIONS - SAFETY PLAN

Last 10 Fiscal Years	(restated)				
Fiscal year	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>
Actuarially determined contribution	\$ 11,741,440	\$ 11,063,176	\$ 9,978,939	\$ 9,161,922	\$ 8,185,724
Contributions in relation to the actuarially determined contribution	<u>(11,741,440)</u>	<u>(11,063,176)</u>	<u>(9,978,939)</u>	<u>(9,161,922)</u>	<u>(8,185,724)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 31,072,925	\$ 30,429,287	\$ 29,868,120	\$ 28,517,826	\$ 27,344,994
Contributions as a percentage of covered payroll	37.787%	36.357%	33.410%	32.127%	29.935%

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

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

Valuation date: 6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2014 CalPERS experience study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS experience study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

COUNTY OF EL DORADO

Required Supplementary Information
For the Year Ended June 30, 2018

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

Measurement period	2016-2017
TOTAL OPEB LIABILITY	
Service cost	\$ 6,569,576
Interest	3,131,916
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(12,627,092)
Benefit payments	(2,754,246)
Net change in total OPEB liability	(5,679,846)
Total OPEB liability - beginning	104,699,333
Total OPEB liability - ending (a)	\$ 99,019,487
 Covered-employee payroll	 \$ 177,352,019
 Total OPEB liability as a percentage of covered-employee payroll	 55.832%

Notes to Schedule For the Year Ended June 30, 2018:

There were no changes of benefit terms.

Changes of assumptions and other inputs: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each measurement period:

2016-2017	3.58%
2015-2016	2.85%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

GASB Statement No. 75 was first implemented during the year ended June 30, 2018.

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COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, July 1	\$ 28,834,122	\$ 28,892,692	\$ 28,892,692	\$ -
Resources (inflows):				
Taxes and assessments	107,503,438	107,503,438	109,721,011	2,217,573
Licenses, permits and franchises	10,843,567	10,843,567	10,960,849	117,282
Fines, forfeitures and penalties	832,324	832,324	978,052	145,728
Revenue from use of money and property	347,550	347,550	901,855	554,305
Intergovernmental revenues-State	26,392,672	26,426,362	30,298,991	3,872,629
Intergovernmental revenues-Federal	30,959,170	30,959,170	27,444,499	(3,514,671)
Revenue other governmental agencies	8,689,897	8,689,897	8,807,716	117,819
Charges for services	21,639,756	21,517,826	19,581,972	(1,935,854)
Miscellaneous revenues	2,810,791	2,848,197	1,827,636	(1,020,561)
Other financing sources	41,336,940	41,036,535	34,932,425	(6,104,110)
	<u>251,356,105</u>	<u>251,004,866</u>	<u>245,455,006</u>	<u>(5,549,860)</u>
Amounts available for appropriations	<u>280,190,227</u>	<u>279,897,558</u>	<u>274,347,698</u>	<u>(5,549,860)</u>
Charges to appropriations (outflows):				
<u>General Government</u>				
Board of Supervisors				
Salaries and employee benefits	1,433,574	1,433,574	1,361,911	71,663
Services and supplies	132,622	130,822	100,880	29,942
Interfund transfers	8,880	10,680	10,675	5
	<u>1,575,076</u>	<u>1,575,076</u>	<u>1,473,466</u>	<u>101,610</u>
County Administrative Office				
Salaries and employee benefits	1,569,284	1,569,284	1,708,503	(139,219)
Services and supplies	166,778	166,778	139,668	27,110
Interfund transfers	62,166	62,166	19,840	42,326
Interfund abatement	(62,415)	(62,415)	(209,719)	147,304
	<u>1,735,813</u>	<u>1,735,813</u>	<u>1,658,292</u>	<u>77,521</u>
Annual Audit				
Services and supplies	65,000	65,000	70,251	(5,251)
	<u>65,000</u>	<u>65,000</u>	<u>70,251</u>	<u>(5,251)</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Auditor-Controller				
Salaries and employee benefits	3,447,916	3,445,916	3,444,608	1,308
Services and supplies	79,737	81,737	73,253	8,484
Interfund transfers	10,462	10,462	10,414	48
Interfund abatement	(40,750)	(40,750)	(55,381)	14,631
	<u>3,497,365</u>	<u>3,497,365</u>	<u>3,472,894</u>	<u>24,471</u>
Treasurer/Tax Collector				
Salaries and employee benefits	2,546,201	2,546,201	2,459,474	86,727
Services and supplies	506,942	506,942	458,089	48,853
Fixed assets	12,000	8,000	-	8,000
Other financing uses	3,600	3,600	2,584	1,016
Interfund transfers	34,992	38,992	38,513	479
Interfund abatement	(11,700)	(11,700)	(13,158)	1,458
	<u>3,092,035</u>	<u>3,092,035</u>	<u>2,945,502</u>	<u>146,533</u>
Assessor				
Salaries and employee benefits	4,028,137	4,027,887	3,970,880	57,007
Services and supplies	134,854	159,656	137,346	22,310
Other charges	500	500	-	500
Fixed assets	28,000	3,198	-	3,198
Other financing uses	198,000	198,000	-	198,000
Interfund transfers	11,401	11,651	11,429	222
	<u>4,400,892</u>	<u>4,400,892</u>	<u>4,119,655</u>	<u>281,237</u>
Purchasing				
Salaries and employee benefits	701,628	701,628	747,705	(46,077)
Services and supplies	182,164	182,164	153,791	28,373
Services and supplies abatements	(150,000)	(150,000)	(134,869)	(15,131)
Interfund transfers	209	209	409	(200)
Interfund abatement	(53,615)	(53,615)	(53,545)	(70)
	<u>680,386</u>	<u>680,386</u>	<u>713,491</u>	<u>(33,105)</u>
Revenue Recovery				
Salaries and employee benefits	48,275	48,275	58,648	(10,373)
Services and supplies	9,817	9,817	6,340	3,477
Interfund abatement	-	-	(9,980)	9,980
	<u>58,092</u>	<u>58,092</u>	<u>55,008</u>	<u>3,084</u>
County Counsel				
Salaries and employee benefits	2,944,699	2,944,699	2,842,118	102,581
Services and supplies	318,125	518,125	386,112	132,013
Interfund transfers	6,787	6,787	5,727	1,060
Interfund abatement	-	-	(5,527)	5,527
	<u>3,269,611</u>	<u>3,469,611</u>	<u>3,228,430</u>	<u>241,181</u>

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Personnel				
Salaries and employee benefits	1,506,556	1,456,556	1,235,023	221,533
Services and supplies	287,565	337,565	231,384	106,181
Interfund transfers	10,345	10,345	5,542	4,803
	<u>1,804,466</u>	<u>1,804,466</u>	<u>1,471,949</u>	<u>332,517</u>
Elections				
Salaries and employee benefits	835,299	835,299	802,471	32,828
Services and supplies	609,919	609,724	339,338	270,386
Fixed assets	14,547	14,547	-	14,547
Interfund transfers	3,001	3,196	3,196	-
	<u>1,462,766</u>	<u>1,462,766</u>	<u>1,145,005</u>	<u>317,761</u>
Courier and Messenger				
Salaries and employee benefits	184,000	184,000	130,923	53,077
Services and supplies	376,321	376,321	207,358	168,963
Services and supplies abatements	(350,000)	(350,000)	(189,564)	(160,436)
Interfund abatement	(167,772)	(167,772)	(164,922)	(2,850)
	<u>42,549</u>	<u>42,549</u>	<u>(16,205)</u>	<u>58,754</u>
Building and Grounds				
Salaries and employee benefits	3,772,319	3,772,319	3,746,242	26,077
Services and supplies	2,473,300	2,530,572	2,573,574	(43,002)
Other charges	31,000	31,000	14,020	16,980
Fixed assets	20,000	20,000	-	20,000
Interfund transfers	-	-	25	(25)
Interfund abatement	(245,761)	(303,033)	(351,774)	48,741
	<u>6,050,858</u>	<u>6,050,858</u>	<u>5,982,087</u>	<u>68,771</u>
County Promotion				
Salaries and employee benefits	212,718	212,718	61,305	151,413
Services and supplies	1,517,815	1,422,815	976,415	446,400
Other charges	25,000	25,000	4,748	20,252
Interfund transfers	77,045	172,045	213,936	(41,891)
Interfund abatement	(22,933)	(22,933)	-	(22,933)
	<u>1,809,645</u>	<u>1,809,645</u>	<u>1,256,404</u>	<u>553,241</u>
Information Services & Support				
Salaries and employee benefits	5,452,231	5,452,231	5,207,430	244,801
Services and supplies	4,067,566	4,069,366	2,841,112	1,228,254
Fixed assets	778,000	778,000	597,298	180,702
Interfund transfers	11,082	11,082	4,402	6,680
Interfund abatement	(214,126)	(215,926)	(147,834)	(68,092)
	<u>10,094,753</u>	<u>10,094,753</u>	<u>8,502,408</u>	<u>1,592,345</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Surveyor				
Salaries and employee benefits	1,594,067	1,594,067	1,553,464	40,603
Services and supplies	116,229	115,729	89,160	26,569
Other charges	-	500	207	293
Interfund transfers	12,936	12,936	2,936	10,000
Interfund abatement	(160,000)	(160,000)	(186,151)	26,151
	<u>1,563,232</u>	<u>1,563,232</u>	<u>1,459,616</u>	<u>103,616</u>
Central Service Fiscal				
Salaries and employee benefits	1,286,035	1,286,035	1,204,047	81,988
Services and supplies	91,067	91,067	96,682	(5,615)
Interfund abatement	(14,630)	(14,630)	(4,585)	(10,045)
	<u>1,362,472</u>	<u>1,362,472</u>	<u>1,296,144</u>	<u>66,328</u>
Engineer				
Services and supplies	641,385	641,385	317,553	323,832
Other charges	1,325,606	1,325,606	1,167,257	158,349
Interfund transfers	52,261	52,261	11,603	40,658
Interfund abatement	-	-	(17,853)	17,853
	<u>2,019,252</u>	<u>2,019,252</u>	<u>1,478,560</u>	<u>540,692</u>
Contributions to Other Funds				
Other financing uses	720,702	720,702	720,702	-
	<u>720,702</u>	<u>720,702</u>	<u>720,702</u>	<u>-</u>
Contributions to Other Agencies				
Other charges	150,374	150,374	164,864	(14,490)
	<u>150,374</u>	<u>150,374</u>	<u>164,864</u>	<u>(14,490)</u>
Other General				
Salaries and employee benefits	10,708,596	10,708,596	9,989,933	718,663
Services and supplies	3,380,824	2,559,603	1,997,524	562,079
Services and supplies abatements	(660,000)	(660,000)	(552,421)	(107,579)
Fixed assets	47,000	47,000	-	47,000
Interfund transfers	899,239	899,239	895,063	4,176
Interfund abatement	(11,754,197)	(11,714,888)	(11,362,628)	(352,260)
	<u>2,621,462</u>	<u>1,839,550</u>	<u>967,471</u>	<u>872,079</u>
Other General - SR Fund				
Services and supplies	798,062	601,915	35,580	566,335
Other charges	3,444,992	3,444,992	3,424,992	20,000
Other financing uses	24,652,959	24,720,959	18,774,601	5,946,358
	<u>28,896,013</u>	<u>28,767,866</u>	<u>22,235,173</u>	<u>6,532,693</u>
General Government	<u>76,972,814</u>	<u>76,262,755</u>	<u>64,401,167</u>	<u>11,861,588</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Public Protection</u>				
Superior Court				
Services and supplies	1,178,725	1,328,725	1,327,043	1,682
Other charges	1,275,000	1,175,000	1,093,524	81,476
	<u>2,453,725</u>	<u>2,503,725</u>	<u>2,420,567</u>	<u>83,158</u>
Grand Jury				
Services and supplies	80,612	80,487	66,841	13,646
Interfund transfers	2,474	2,599	2,599	-
	<u>83,086</u>	<u>83,086</u>	<u>69,440</u>	<u>13,646</u>
District Attorney				
Salaries and employee benefits	9,252,219	9,032,219	8,849,985	182,234
Services and supplies	842,312	1,306,659	1,198,206	108,453
Other charges	2,500	12,500	6,984	5,516
Fixed assets	-	32,000	27,187	4,813
Other financing uses	25,000	84,000	74,484	9,516
Interfund transfers	26,380	60,380	43,230	17,150
Interfund abatement	(498,761)	(498,761)	(435,979)	(62,782)
	<u>9,649,650</u>	<u>10,028,997</u>	<u>9,764,097</u>	<u>264,900</u>
Child Support Services				
Salaries and employee benefits	4,118,610	4,183,610	4,167,600	16,010
Services and supplies	640,035	570,035	513,562	56,473
Interfund transfers	284,924	289,924	286,520	3,404
	<u>5,043,569</u>	<u>5,043,569</u>	<u>4,967,682</u>	<u>75,887</u>
Public Defender				
Salaries and employee benefits	3,308,035	3,294,335	3,108,327	186,008
Services and supplies	379,436	379,436	319,549	59,887
Fixed assets	12,000	12,000	9,767	2,233
Interfund transfers	45,240	58,940	58,045	895
	<u>3,744,711</u>	<u>3,744,711</u>	<u>3,495,688</u>	<u>249,023</u>
Sheriff - Bailiff				
Salaries and employee benefits	3,025,746	3,025,746	2,777,199	248,547
Services and supplies	65,858	65,858	40,836	25,022
Interfund transfers	-	-	75	(75)
	<u>3,091,604</u>	<u>3,091,604</u>	<u>2,818,110</u>	<u>273,494</u>
Sheriff				
Salaries and employee benefits	36,183,408	36,183,408	35,250,808	932,600
Services and supplies	6,587,596	6,593,526	5,299,250	1,294,276
Other charges	92,950	115,950	118,884	(2,934)
Fixed assets	1,121,576	1,150,076	627,120	522,956
Other financing uses	50,000	62,500	-	62,500
Interfund transfers	40,684	41,184	44,452	(3,268)
Interfund abatement	(38,602)	(38,602)	(27,160)	(11,442)
	<u>44,037,612</u>	<u>44,108,042</u>	<u>41,313,354</u>	<u>2,794,688</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Central Dispatch				
Salaries and employee benefits	427,057	427,057	433,573	(6,516)
Services and supplies	159,882	159,882	123,445	36,437
Fixed assets	200,000	200,000	201,924	(1,924)
Interfund abatement	(3,000)	(3,000)	(2,593)	(407)
	<u>783,939</u>	<u>783,939</u>	<u>756,349</u>	<u>27,590</u>
Jail				
Salaries and employee benefits	13,747,342	13,747,342	13,465,613	281,729
Services and supplies	2,761,103	2,761,103	2,191,341	569,762
Other charges	2,000	2,000	365	1,635
Fixed assets	395,791	417,791	21,669	396,122
Other financing uses	245,600	245,600	277,438	(31,838)
Interfund transfers	102,700	140,700	136,427	4,273
	<u>17,254,536</u>	<u>17,314,536</u>	<u>16,092,853</u>	<u>1,221,683</u>
Juvenile Hall				
Salaries and employee benefits	5,842,857	5,709,857	5,539,731	170,126
Services and supplies	860,538	860,538	769,495	91,043
Other charges	-	-	80	(80)
Fixed assets	52,873	52,873	25,013	27,860
Other financing uses	42,272	(15,000)	-	(15,000)
Interfund transfers	21,337	78,609	48,370	30,239
	<u>6,819,877</u>	<u>6,686,877</u>	<u>6,382,689</u>	<u>304,188</u>
Probation				
Salaries and employee benefits	9,229,822	9,229,822	8,823,479	406,343
Services and supplies	2,147,154	2,255,154	1,625,965	629,189
Other charges	79,625	79,625	37,436	42,189
Fixed assets	-	-	21,458	(21,458)
Other financing uses	195,000	220,000	170,471	49,529
Interfund transfers	17,900	17,900	44,882	(26,982)
	<u>11,669,501</u>	<u>11,802,501</u>	<u>10,723,691</u>	<u>1,078,810</u>
Agricultural Commissioner				
Salaries and employee benefits	1,188,594	1,188,594	1,179,692	8,902
Services and supplies	211,517	210,017	170,132	39,885
Other charges	1,250	2,750	2,079	671
Interfund transfers	3,565	3,565	3,065	500
	<u>1,404,926</u>	<u>1,404,926</u>	<u>1,354,968</u>	<u>49,958</u>
Building Inspector				
Salaries and employee benefits	5,107,951	5,107,951	4,807,659	300,292
Services and supplies	546,963	546,963	396,887	150,076
Other financing uses	26,000	26,000	24,623	1,377
Interfund transfers	3,086,215	3,086,215	3,072,211	14,004
Interfund abatement	(1,688,749)	(1,688,749)	(1,672,111)	(16,638)
	<u>7,078,380</u>	<u>7,078,380</u>	<u>6,629,269</u>	<u>449,111</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Coroner				
Salaries and employee benefits	1,104,184	1,104,184	1,110,873	(6,689)
Services and supplies	543,320	543,320	389,676	153,644
	<u>1,647,504</u>	<u>1,647,504</u>	<u>1,500,549</u>	<u>146,955</u>
Emergency Services				
Salaries and employee benefits	847,005	847,005	879,018	(32,013)
Services and supplies	121,825	121,825	121,963	(138)
Other charges	2,500	2,500	280	2,220
	<u>971,330</u>	<u>971,330</u>	<u>1,001,261</u>	<u>(29,931)</u>
Recorder - Clerk				
Salaries and employee benefits	1,391,473	1,391,473	1,230,687	160,786
Services and supplies	198,829	198,829	145,921	52,908
Interfund transfers	10,828	10,828	10,594	234
	<u>1,601,130</u>	<u>1,601,130</u>	<u>1,387,202</u>	<u>213,928</u>
Planning and Zoning				
Salaries and employee benefits	2,797,124	2,797,124	2,171,310	625,814
Services and supplies	3,564,781	3,119,781	851,340	2,268,441
Other charges	258,869	703,869	702,585	1,284
Interfund transfers	937,349	937,349	779,562	157,787
Interfund abatement	(49,761)	(49,761)	(8,272)	(41,489)
	<u>7,508,362</u>	<u>7,508,362</u>	<u>4,496,525</u>	<u>3,011,837</u>
Animal Control				
Salaries and employee benefits	1,725,254	1,699,824	1,682,381	17,443
Services and supplies	621,534	601,534	428,375	173,159
Other charges	117,690	117,690	88,797	28,893
Fixed assets	139,500	119,000	72,351	46,649
Other financing uses	-	20,500	20,495	5
Interfund transfers	1,185,698	1,185,698	1,168,359	17,339
	<u>3,789,676</u>	<u>3,744,246</u>	<u>3,460,758</u>	<u>283,488</u>
Public Guardian				
Salaries and employee benefits	1,446,964	1,356,964	1,341,387	15,577
Services and supplies	220,912	459,912	444,508	15,404
Other charges	50,000	25,000	12,124	12,876
Interfund transfers	491,648	471,648	464,716	6,932
	<u>2,209,524</u>	<u>2,313,524</u>	<u>2,262,735</u>	<u>50,789</u>
Cemeteries				
Salaries and employee benefits	63,915	63,915	65,658	(1,743)
Services and supplies	48,027	48,027	8,768	39,259
Other charges	240	240	-	240
Interfund transfers	20,517	20,517	9,851	10,666
	<u>132,699</u>	<u>132,699</u>	<u>84,277</u>	<u>48,422</u>
Public Protection	<u>130,975,341</u>	<u>131,593,688</u>	<u>120,982,064</u>	<u>10,611,624</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Health and Sanitation</u>				
Environmental Management				
Salaries and employee benefits	1,977,332	2,016,641	2,014,814	1,827
Services and supplies	179,379	179,379	160,562	18,817
Other charges	225,668	225,668	316	225,352
Interfund transfers	306,048	266,739	246,961	19,778
Interfund abatement	(39,172)	(39,172)	-	(39,172)
	<u>2,649,255</u>	<u>2,649,255</u>	<u>2,422,653</u>	<u>226,602</u>
Health and Sanitation	<u>2,649,255</u>	<u>2,649,255</u>	<u>2,422,653</u>	<u>226,602</u>
<u>Public Assistance</u>				
Welfare Administration				
Salaries and employee benefits	21,392,530	21,392,530	20,728,617	663,913
Services and supplies	2,788,878	2,788,878	1,756,863	1,032,015
Other charges	2,658,338	2,658,338	2,851,644	(193,306)
Interfund transfers	7,156,851	7,156,851	6,901,056	255,795
	<u>33,996,597</u>	<u>33,996,597</u>	<u>32,238,180</u>	<u>1,758,417</u>
Social Services Programs				
Salaries and employee benefits	139,580	139,580	88,816	50,764
Services and supplies	33,292	33,292	16,752	16,540
Other charges	2,778,511	2,778,511	2,776,569	1,942
Interfund transfers	99,108	99,108	86,580	12,528
	<u>3,050,491</u>	<u>3,050,491</u>	<u>2,968,717</u>	<u>81,774</u>
Categorical Aids				
Other charges	21,251,359	21,251,359	20,367,525	883,834
	<u>21,251,359</u>	<u>21,251,359</u>	<u>20,367,525</u>	<u>883,834</u>
Aid to Indigents				
Services and supplies	5,600	5,600	3,938	1,662
Other charges	210,100	210,100	157,669	52,431
	<u>215,700</u>	<u>215,700</u>	<u>161,607</u>	<u>54,093</u>
Veterans' Services				
Salaries and employee benefits	422,242	409,242	341,681	67,561
Services and supplies	81,906	81,906	66,784	15,122
Interfund transfers	4,719	17,719	16,898	821
	<u>508,867</u>	<u>508,867</u>	<u>425,363</u>	<u>83,504</u>
Public Assistance	<u>59,023,014</u>	<u>59,023,014</u>	<u>56,161,392</u>	<u>2,861,622</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Education</u>				
County Library				
Salaries and employee benefits	2,673,865	2,677,215	2,593,302	83,913
Services and supplies	762,765	831,779	760,309	71,470
Other charges	2,000	2,450	2,410	40
Other financing uses	-	5,000	5,000	-
Interfund transfers	24,713	38,105	32,182	5,923
	<u>3,463,343</u>	<u>3,554,549</u>	<u>3,393,203</u>	<u>161,346</u>
 Education	 <u>3,463,343</u>	 <u>3,554,549</u>	 <u>3,393,203</u>	 <u>161,346</u>
<u>Recreation and Cultural Services</u>				
Recreation				
Salaries and employee benefits	615,357	615,357	550,942	64,415
Services and supplies	727,246	727,246	589,736	137,510
Other charges	68,792	68,792	52,886	15,906
Fixed assets	12,480	12,480	6,131	6,349
Interfund transfers	83,714	83,714	38,214	45,500
	<u>1,507,589</u>	<u>1,507,589</u>	<u>1,237,909</u>	<u>269,680</u>
 Historical Museum				
Salaries and employee benefits	103,260	103,260	105,414	(2,154)
Services and supplies	97,985	97,985	76,022	21,963
Interfund transfers	2,000	2,000	175	1,825
	<u>203,245</u>	<u>203,245</u>	<u>181,611</u>	<u>21,634</u>
 Recreation and Cultural Services	 <u>1,710,834</u>	 <u>1,710,834</u>	 <u>1,419,520</u>	 <u>291,314</u>
<u>Contingency</u>				
Contingency				
Appropriation for contingencies	5,395,626	5,103,463	-	5,103,463
	<u>5,395,626</u>	<u>5,103,463</u>	<u>-</u>	<u>5,103,463</u>
 Contingency	 <u>5,395,626</u>	 <u>5,103,463</u>	 <u>-</u>	 <u>5,103,463</u>
 Total charges to appropriations	 <u>280,190,227</u>	 <u>279,897,558</u>	 <u>248,779,999</u>	 <u>31,117,559</u>
 Budgetary fund balance, June 30	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 25,567,699</u>	 <u>\$ 25,567,699</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund (Continued)
 For the Year Ended June 30, 2018

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

Sources/inflows of resources:

Actual amount (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 274,347,698
Difference budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(28,892,692)
Transfers in from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(34,929,175)
Interfund revenues from other governmental funds are inflows of budgetary resources, but are eliminated for financial reporting purposes	(9,675,698)
Proceeds from the issuance of notes payable are not revenues for financial reporting purposes	-
Proceeds from the issuance of capital leases are not revenues for financial reporting purposes	-
	<hr/>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	<u>\$ 200,850,133</u>

Uses/outflows of resources:

Actual amount (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 248,779,999
Difference budget to GAAP	
Transfers out to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(20,070,398)
Interfund expenditures to other governmental funds are outflows of budgetary resources, but are eliminated for financial reporting purposes	(9,675,698)
	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	<u>\$ 219,033,903</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 Road Fund
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, July 1	\$ 2,828,643	\$ 2,828,643	\$ 2,828,643	\$ -
Resources (inflows):				
Taxes and assessments	5,000	5,000	14,634	9,634
Licenses, permits and franchises	764,909	764,909	609,124	(155,785)
Fines, forfeitures and penalties			-	-
Revenue from use of money and property	39,401	(28,599)	-	28,599
Intergovernmental revenues-State	14,398,227	14,398,227	10,944,359	(3,453,868)
Intergovernmental revenues-Federal	32,648,435	32,648,435	11,814,752	(20,833,683)
Charges for services	4,627,033	4,677,033	4,012,441	(664,592)
Miscellaneous revenues	958,348	958,348	362,198	(596,150)
Other financing sources	23,038,740	23,126,740	13,902,147	(9,224,593)
	<hr/>	<hr/>	<hr/>	<hr/>
	76,480,093	76,550,093	41,659,655	(34,890,438)
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts available for appropriations	79,308,736	79,378,736	44,488,298	(34,890,438)
	<hr/>	<hr/>	<hr/>	<hr/>
Charges to appropriations (outflows):				
<u>Public ways and facilities</u>				
Salaries and employee benefits	17,649,158	17,649,158	16,646,187	1,002,971
Services and supplies	51,242,898	51,295,898	24,468,706	26,827,192
Other charges	8,403,309	8,403,309	4,305,651	4,097,658
Fixed assets	2,773,510	2,790,510	2,645,905	144,605
Other financing uses	185,000	185,000	40,278	144,722
Interfund transfers	6,045,404	6,045,404	-	6,045,404
Interfund abatement	(6,990,543)	(6,990,543)	(396,023)	(6,594,520)
	<hr/>	<hr/>	<hr/>	<hr/>
Public ways and facilities	79,308,736	79,378,736	47,710,704	31,668,032
	<hr/>	<hr/>	<hr/>	<hr/>
Total charges to appropriations	79,308,736	79,378,736	47,710,704	31,668,032
	<hr/>	<hr/>	<hr/>	<hr/>
Budgetary fund balance, June 30	\$ -	\$ -	\$ (3,222,406)	\$ (3,222,406)
	<hr/>	<hr/>	<hr/>	<hr/>

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
Road Fund (Continued)
For the Year Ended June 30, 2018

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

Sources/inflows of resources:

Actual amount (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$	44,488,298
Difference budget to GAAP		
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes		(2,828,643)
Transfers in from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes		(13,902,147)
Interfund revenues from other governmental funds are inflows of budgetary resources, but are eliminated for financial reporting purposes		<u>(2,156,970)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	\$	<u>25,600,538</u>

Uses/outflows of resources:

Actual amount (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$	47,710,704
Difference budget to GAAP		
Transfers out to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(40,278)
Interfund expenditures to other governmental funds are outflows of budgetary resources, but are eliminated for financial reporting purposes		<u>(2,156,970)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	\$	<u>45,513,456</u>

COUNTY OF EL DORADO

Required Supplementary Information
 Budgetary Comparison Schedule
 CSA #7 Fund
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances, July 1	\$ 7,154,660	\$ 7,154,660	\$ 7,154,660	\$ -
Resources (inflows):				
Taxes and assessments	4,744,300	4,744,300	4,924,570	180,270
Fines, forfeitures and penalties	13,000	13,000	9,953	(3,047)
Revenue from use of money and property	30,000	30,000	127,190	97,190
Intergovernmental revenues-State	29,000	29,000	29,490	490
Charges for services	7,274,900	7,274,900	6,956,270	(318,630)
Miscellaneous revenues	300,000	300,000	283,000	(17,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	12,391,200	12,391,200	12,330,473	(60,727)
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts available for appropriations	19,545,860	19,545,860	19,485,133	(60,727)
	<hr/>	<hr/>	<hr/>	<hr/>
Charges to appropriations (outflows):				
<u>Public ways and facilities</u>				
Salaries and employee benefits	182,546	182,546	175,640	6,906
Services and supplies	896,187	896,187	486,314	409,873
Other charges	12,584,350	12,584,350	11,971,676	612,674
Interfund transfers	755,151	755,151	55,323	699,828
Interfund abatement	(938,135)	(938,135)	(221,491)	(716,644)
Appropriations for contingencies	6,065,761	6,065,761	-	6,065,761
	<hr/>	<hr/>	<hr/>	<hr/>
Public ways and facilities	19,545,860	19,545,860	12,467,462	7,078,398
	<hr/>	<hr/>	<hr/>	<hr/>
Total charges to appropriations	19,545,860	19,545,860	12,467,462	7,078,398
	<hr/>	<hr/>	<hr/>	<hr/>
Budgetary fund balance, June 30	\$ -	\$ -	\$ 7,017,671	\$ 7,017,671
	<hr/>	<hr/>	<hr/>	<hr/>

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
CSA #7 Fund (Continued)
For the Year Ended June 30, 2018

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

Sources/inflows of resources:

Actual amount (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 19,485,133
Difference budget to GAAP The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(7,154,660)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	<u>\$ 12,330,473</u>

Uses/outflows of resources:

Actual amount (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 12,467,462</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	<u>\$ 12,467,462</u>

COUNTY OF EL DORADO

Required Supplementary Information Notes to the Budgetary Comparison Schedule For the Year Ended June 30, 2018

BUDGETARY BASIS OF ACCOUNTING

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares a budget for each fiscal year on or before October 2. Budgeted expenditures are enacted into law through the passage of an Appropriation Resolution. This resolution mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors.

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may legally not exceed appropriations. The County Administrator approves any budget amendments transferring appropriation within object categories such as salaries and benefits or services and supplies. In addition, the County Administrator also approves budget amendments transferring appropriations between object categories. The Board of Supervisors approves budget amendments transferring appropriations between budget units, departments, or funds. The Board of Supervisors also approves appropriations from unappropriated reserves and unanticipated revenues received during the year. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year.

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

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

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

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COUNTY OF EL DORADO

Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Fleet Management	Risk Management Authority	Total
Assets			
Current Assets:			
Cash and investments	\$ 3,663,568	\$ 38,994,493	\$ 42,658,061
Accounts receivable	110	-	110
Deposits	-	83,100	83,100
Inventories	39,744	-	39,744
Prepaid expenses	1,026	2,390,278	2,391,304
Total Current Assets	3,704,448	41,467,871	45,172,319
Capital Assets:			
Land	40,000	-	40,000
Structures and improvements	173,128	-	173,128
Equipment	13,127,153	12,016	13,139,169
Accumulated depreciation	(5,780,342)	(8,695)	(5,789,037)
Total Capital Assets, net of accumulated depreciation	7,559,939	3,321	7,563,260
Total Assets	11,264,387	41,471,192	52,735,579
Deferred Outflows of Resources			
Deferred outflows related to OPEB	-	3,320,971	3,320,971
Liabilities			
Current Liabilities:			
Accounts payable	740,010	456,450	1,196,460
Salaries and benefits payable	6,247	6,294	12,541
Due to other funds	-	375,000	375,000
Liability for self-insurance	-	3,726,760	3,726,760
Compensated absences - due within one year	2,963	2,467	5,430
Total Current Liabilities	749,220	4,566,971	5,316,191
Long-Term Liabilities:			
Liability for self-insurance	-	16,485,240	16,485,240
Total OPEB liability	-	99,019,487	99,019,487
Compensated absences - due beyond one year	34,072	28,370	62,442
Total Long-Term Liabilities	34,072	115,533,097	115,567,169
Total Liabilities	783,292	120,100,068	120,883,360
Deferred Inflows of Resources			
Deferred inflows related to OPEB	-	10,965,633	10,965,633
Net Position			
Net investment in capital assets	7,559,939	3,321	7,563,260
Restricted for general government and support programs	2,467,021	-	2,467,021
Unrestricted	454,135	(86,276,859)	(85,822,724)
Total Net Position	\$ 10,481,095	\$ (86,273,538)	\$ (75,792,443)

COUNTY OF EL DORADO

Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	<u>Fleet Management</u>	<u>Risk Management Authority</u>	<u>Total</u>
Operating Revenues:			
Service fees	\$ 2,193,803	\$ 41,011,363	\$ 43,205,166
Total Operating Revenues	<u>2,193,803</u>	<u>41,011,363</u>	<u>43,205,166</u>
Operating Expenses:			
Salaries and benefits	357,822	649,982	1,007,804
Services and supplies	681,114	41,360,245	42,041,359
Depreciation	885,445	2,827	888,272
Total Operating Expenses	<u>1,924,381</u>	<u>42,013,054</u>	<u>43,937,435</u>
Operating Income (Loss)	<u>269,422</u>	<u>(1,001,691)</u>	<u>(732,269)</u>
Non-Operating Revenues (Expenses):			
Interest income	26,342	329,307	355,649
Gain (loss) on sale of capital assets	(16,631)	(8,005)	(24,636)
Miscellaneous nonoperating revenues	102,943	444,572	547,515
Total Nonoperating Revenues (Expenses)	<u>112,654</u>	<u>765,874</u>	<u>878,528</u>
Income (Loss) Before Transfers and Capital Contributions	<u>382,076</u>	<u>(235,817)</u>	<u>146,259</u>
Transfers In (Out) and Capital Contributions			
Transfers in	171,359	-	171,359
Capital contributions	-	3,747	3,747
Total Transfers and Capital Contributions	<u>171,359</u>	<u>3,747</u>	<u>175,106</u>
Change in Net Position	553,435	(232,070)	321,365
Net Position - Beginning of Year	9,927,660	(71,467,025)	(61,539,365)
Restatement of Beginning Net Position	-	(14,574,443)	(14,574,443)
Net Position - Beginning of Year	<u>9,927,660</u>	<u>(86,041,468)</u>	<u>(76,113,808)</u>
Net Position - End of Year	<u>\$ 10,481,095</u>	<u>\$ (86,273,538)</u>	<u>\$ (75,792,443)</u>

COUNTY OF EL DORADO

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	<u>Fleet Management</u>	<u>Risk Management Authority</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash receipts from internal fund services provided	\$ 2,193,693	\$ 39,907,261	\$ 42,100,954
Cash paid to suppliers for goods and services	50,183	(36,983,287)	(36,933,104)
Cash paid to employees for services	<u>(350,357)</u>	<u>(678,200)</u>	<u>(1,028,557)</u>
Net cash provided (used) by operating activities	<u>1,893,519</u>	<u>2,245,774</u>	<u>4,139,293</u>
Cash Flows From Noncapital Financing Activities:			
Cash received from (paid to) other funds	171,359	375,000	546,359
Cash received from (paid to) other governmental agencies	1,921	-	1,921
Non operating receipts	<u>102,943</u>	<u>444,572</u>	<u>547,515</u>
Net cash provided (used) by noncapital financing activities	<u>276,223</u>	<u>819,572</u>	<u>1,095,795</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds from sale of capital assets	92,267	-	92,267
Payments related to the acquisition of capital assets	<u>(843,047)</u>	<u>-</u>	<u>(843,047)</u>
Net cash provided (used) by capital and related financing activities	<u>(750,780)</u>	<u>-</u>	<u>(750,780)</u>
Cash Flows From investing Activities:			
Interest received	<u>26,342</u>	<u>329,307</u>	<u>355,649</u>
Net cash provided (used) by investing activities	<u>26,342</u>	<u>329,307</u>	<u>355,649</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,445,304	3,394,653	4,839,957
Cash and Cash Equivalents, Beginning of Year	<u>2,218,264</u>	<u>35,599,840</u>	<u>37,818,104</u>
Cash and Cash Equivalents, End of year	<u>\$ 3,663,568</u>	<u>\$ 38,994,493</u>	<u>\$ 42,658,061</u>

Continued

COUNTY OF EL DORADO

Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2018

	<u>Fleet Management</u>	<u>Risk Management Authority</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 269,422	\$ (1,001,691)	\$ (732,269)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	885,445	2,827	888,272
Changes in assets, liabilities and deferred outflows/inflows:			
(Increase) decrease in:			
Accounts receivable	(110)	-	(110)
Inventory	7,570	-	7,570
Deposits and prepaid expenses	3	(100,628)	(100,625)
Deferred outflows related to OPEB	-	(566,725)	(566,725)
Increase (decrease) in:			
Accounts payable	723,724	103,524	827,248
Salaries payable	113	(4,562)	(4,449)
Unearned revenue	-	(1,104,102)	(1,104,102)
Liability for compensated absences	7,352	(23,656)	(16,304)
Liability for self-insurance	-	(345,000)	(345,000)
Total OPEB liability	-	(5,679,846)	(5,679,846)
Deferred inflows related to OPEB	-	10,965,633	10,965,633
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,893,519</u>	<u>\$ 2,245,774</u>	<u>\$ 4,139,293</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the County of El Dorado (County), California, as of and for the year ended June 30, 2018, and have issued our report thereon dated March 18, 2019. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles. Our report also includes a reference to other auditors who audited the discretely presented component unit financial statements of the El Dorado Transit Authority (EDCTA), Children & Families Commission (First 5), and the El Dorado County Transportation Commission (EDCTC) as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated March 18, 2019 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze + Associates

Pleasant Hill, California
March 18, 2019