COUNTY OF EL DORADO

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2016

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors of
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 remaining fund information of the County of El Dorado (County), California, as of and for the year ended June 30, 2016, 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 unit financial statements of the Children & Families Commission, the El Dorado County Transportation Commission (EDCTC) and the El Dorado County Transportation Authority (EDCTA), which collectively represent 4.32%, 5.51% and 4.32% of the assets, net position and revenues, respectively, of the primary government. These component unit financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, 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.

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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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016, that changed fair value disclosures as discussed in Note 1Q and 2 to the financial statements.

The emphasis of this matter 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 Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental 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 Supplemental 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 23, 2017, 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 23, 2017

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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

February 22, 2017

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, 2016. 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 $246.0 million (net position). Of this, $117.2 million was restricted for specific purposes (restricted net position), and $352.0 million was net investment in capital assets. Unrestricted net position was a negative $223.2 million, primarily due to the reporting of long-term net pension liability as prescribed by Governmental Accounting Standards Board (GASB) Statements Nos. 68 and 71.

- The total fund balances for the County's governmental funds amounted to $231.0 million, an increase of $2.1 million from the prior year. Approximately $138.2 million of this total, or 59.8 percent, was either nonspendable or restricted for specific uses; and $92.8 million, or 40.2 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 $48.0 million. Approximately $1.2 million was nonspendable. The remaining $46.8 million, which approximated to 23.4 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, 2016 was $352.0 million. This balance consisted of $348.3 million for governmental activities and $3.7 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 <u>statement of net position</u> 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* and the *Road Fund.* All other non-major governmental funds are presented in aggregate as *Other Governmental Funds.*

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position can serve over time as a useful indicator of whether the County's financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring the County's overall financial position. The County's combined assets and deferred outflows of resources exceeded its combined liabilities and deferred inflows of resources by $246.0 million at June 30, 2016. A comparative analysis of government-wide data is presented below.

Net Position
June 30,
(in thousands)

Assets:	Governmental Activities 2016	Governmental Activities 2015	Business-Type Activities 2016	Business-Type Activities 2015	Total 2016	Total 2015
Current and other assets	$ 297,830	$ 295,311	$ 480	$ 222	$ 298,310	$ 295,533
Capital assets	348,364	337,997	3,662	3,721	352,026	341,718
Total assets	646,194	633,308	4,142	3,943	650,336	637,251
Deferred outflows of resources:						
Deferred pension outflows	25,796	22,089	--	--	25,796	22,089
Total deferred outflows of resources	25,796	22,089	--	--	25,796	22,089
Liabilities:						
Current and other liabilities	36,428	35,581	329	72	36,757	35,653
Long-term liabilities	376,260	347,633	38	33	376,298	347,666
Total liabilities	412,688	383,214	367	105	413,055	383,319
Deferred inflows of resources:						
Deferred pension inflows	17,110	42,879	--	--	17,110	42,879
Total deferred inflows of resources	17,110	42,879	--	--	17,110	42,879
Net Position:						
Net investment in capital assets	348,365	337,997	3,661	3,721	352,026	341,718
Restricted net position	117,187	116,750	--	--	117,187	116,750
Unrestricted net position	(223,360)	(225,443)	114	117	(223,246)	(225,326)
Total net position	$ 242,192	$ 229,304	$ 3,775	$ 3,838	$ 245,967	$ 233,142

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, $117.2 million or 47.6 percent, represents resources that are subject to external restrictions on how they may be used.

The County's unrestricted net position balance of negative $223.2 million is the result of reporting the net pension liability on the statements to comply with accounting standards (GASB Statements Nos. 68 and 71).

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

Change in Net Position
June 30,
(in thousands)

	Governmental Activities		**Business-Type Activities**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues						
Program Revenues:						
Charges for services	$ 52,288	$ 44,081	$ 537	$ 681	$ 52,825	$ 44,762
Operating grants and contributions	158,850	151,336	--	5	158,850	151,341
Capital grants and contributions	509	2,862	344	24	853	2,886
General Revenues:						
Taxes	114,990	108,925	--	--	114,990	108,925
Use of money and property	1,294	924	--	--	1,294	924
Other revenues	6,134	6,225	70	5	6,204	6,230
Total revenues	334,065	314,353	951	715	335,016	315,068
Expenses						
General government	40,814	38,575	--	--	40,814	38,575
Public protection	110,470	112,449	--	--	110,470	112,449
Public ways and facilities	50,961	57,214	--	--	50,961	57,214
Health and sanitation	56,925	55,704	--	--	56,925	55,704
Public assistance	57,475	55,759	--	--	57,475	55,759
Education	3,256	3,498	--	--	3,256	3,498
Recreation and culture	1,085	1,036	--	--	1,085	1,036
Interest on long-term debt	90	114	--	--	90	114
Airports	--	--	1,115	1,111	1,115	1,111
Total expenses	321,076	324,349	1,115	1,111	322,191	325,460
Excess (deficiency) before special items and transfers	12,989	(9,996)	(164)	(396)	12,825	(10,392)
Transfers	(101)	(125)	101	125	--	--
Change in net position	12,888	(10,121)	(63)	(271)	12,825	(10,392)
Net position at beginning of year	229,304	485,087	3,838	4,109	233,142	489,196
Restate net position, see below	--	(245,662)	--	--	--	(245,662)
Net position at beginning of year – restated	229,304	239,425	3,838	4,109	233,142	243,534
Net position at end of year	$ 242,192	$ 229,304	$ 3,775	$ 3,838	$ 245,967	$ 233,142

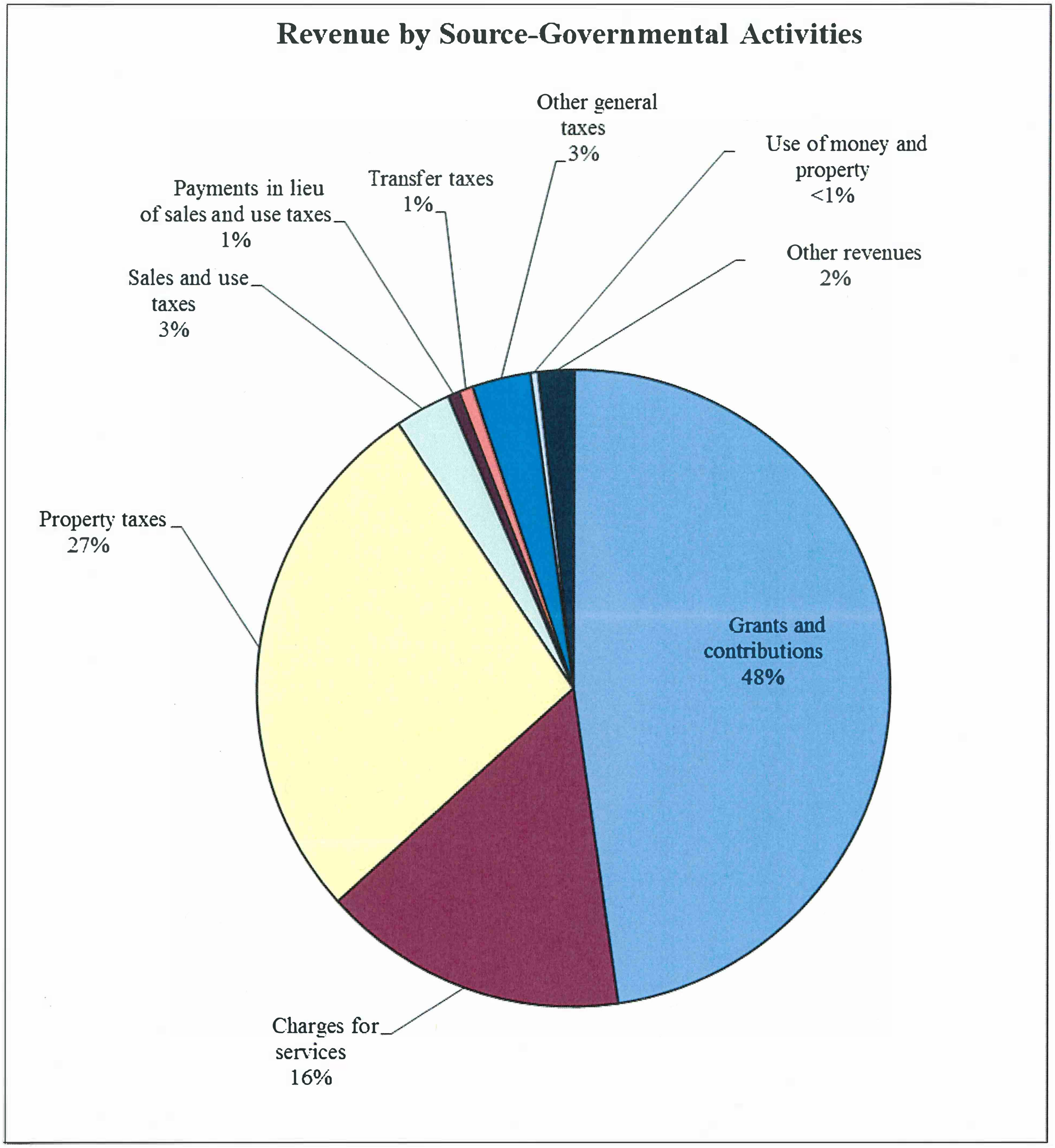
Restatement of net position. The net position at the beginning of 2015 was decreased by $245.7 million. This restatement was related to the reporting of net pension liability in the amount of $265.8 million and deferred pension outflows of resources in the amount of $20.1 million as prescribed by GASB Statements Nos. 68 and 71.

Governmental activities. The County experienced an overall increase in net position of $12.9 million in 2016, compared to a $10.4 million decrease in 2015. This increase in net position was attributable entirely to ***governmental activities***. Specifically, the $12.9 million increase in net position attributable to governmental activities, resulted from a $19.7 million or 6.3 percent increase in revenues accompanied by a less significant $3.3 million or 1.0 percent decrease in expenses. The largest revenue increase, $8.2 million, occurred in the charges for services category, followed by a $7.5 million increase in operating grants and contributions, and a $6.1 million increase in taxes. These revenue increases were offset by a $2.4 million decrease in capital grants and contributions. The $8.2 million increase in charges for services resulted from $3.8 million increase in Traffic Impact Mitigation fee charges, $2.1 million increase in ambulance service revenues, $775 thousand increase in Assessment and Tax Collection fees, $500 thousand increase in County Engineer's Time and Materials charges, and $500 thousand increase in Erosion Control service revenues. The $7.5 million increase in operating grants and contributions was the result of $4.0 million increase in Federal Highway Bridge Program revenue, $3.5 million increase in State Local Revenue funding, $1.7 million increase in Public Assistance Administration funding, $1.3 million increase in Medi-Cal funding, and $600 thousand increase in Federal Emergency Services funding, offset by $3 million decrease in State Mandated Reimbursements. The $6.1 million increase in taxes was primarily due to a $4.4 million increase in the property tax and $1.6 million increase in the sales and use tax. The $2.4 million decrease in capital grants and contributions was primarily attributable to the $2.9 million decrease in the infrastructure contributed by other governmental agencies and private parties.

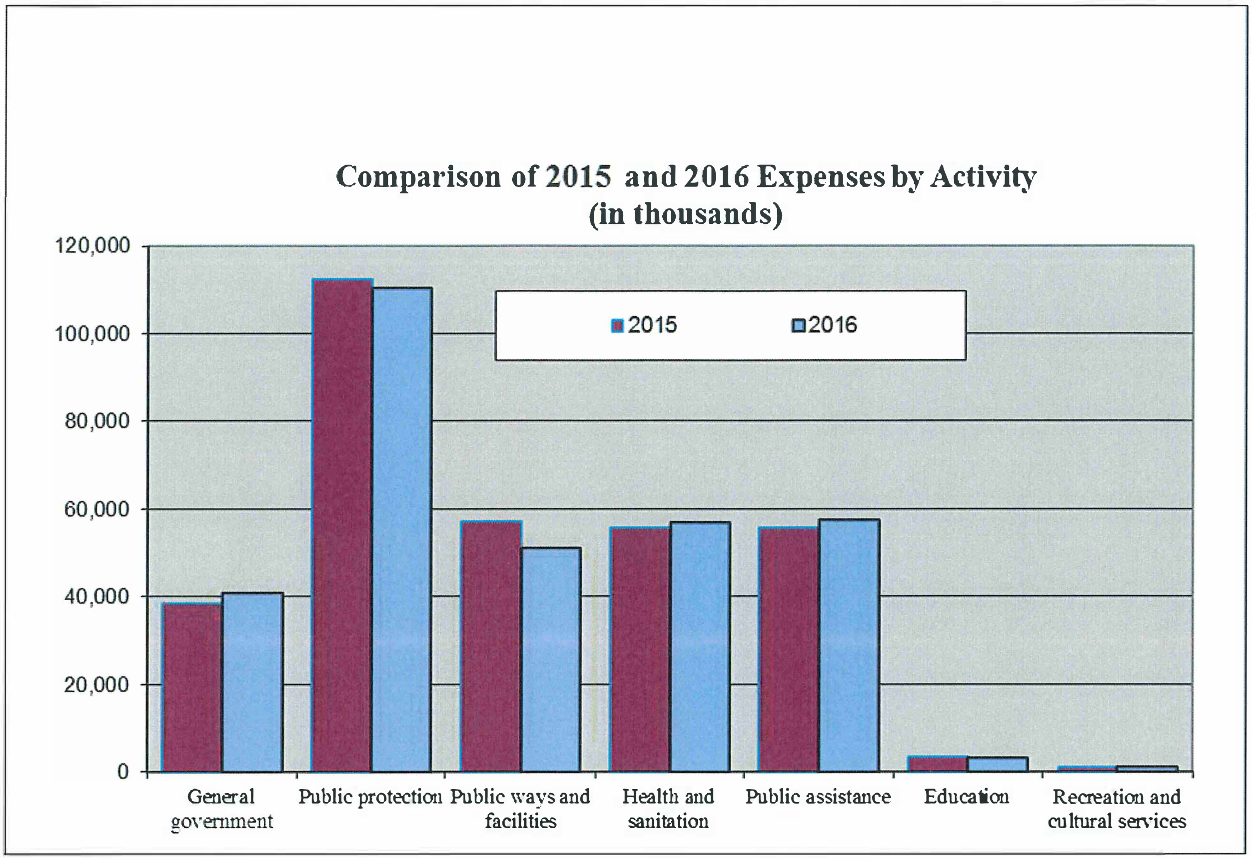
As mentioned, while total revenues increased by 6.3 percent, total expenses decreased by only 1.0 percent in 2016 when compared to 2015. Further, and while expenses decreased moderately in some of the functional areas, public ways and facilities expenses decreased significantly, by $6.3 million or 10.9 percent, in 2016 when compared to 2015. The majority of the decrease in public ways and facilities expenses is entirely attributable to Road Fund's activities. Specifically, capital expenditures in 2016 increased $6.4 million in project spending which was capitalized. These and other decreases in expenses by governmental activities have been offset by increases in general government, health and sanitation, public assistance, and recreation and cultural services expenses, up by $2.2 million or 5.8 percent, $1.2 million or 2.2 percent, $1.7 million or 3.1 percent, and $49 thousand or 4.7 percent, respectively, in 2016 when compared to 2015. The increase in general government expenses primarily resulted from the decrease of capitalized expenditures.

All functional expenses were affected by the recognition of the other post-employment benefits (OPEB) Retiree Health obligation (Retiree Health), the net pension liability, and the deferred pension inflows and outflows of resources. With the continued enforcement of the County's cap on the aggregate cost of the County's share of benefit costs and other modifications to those employees entitled to receive these benefits, the annual Retiree Health cost was $8.5 million in 2016 compared to $6.9 million in 2015. The Retiree Health liability increased by $5.9 million in 2016 compared to $4.6 million in 2015. The effect of the cap on benefits of the Retiree Health defined benefit plan was that the County's share of benefit costs was reduced by 16.5 percent in 2016 and 30 percent in 2015. Further, the County reported total net pension liability of $243.1 million and annual pension expense of $17.6 million in 2016.

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 (48 percent), property taxes (27 percent), and charges for services (16 percent),


Revenue by Source-Governmental Activities
Other general taxes 3%
Use of money and property <1%
Transfer taxes 1%
Payments in lieu of sales and use taxes 1%
Other revenues 2%
Sales and use taxes 3%
Property taxes 27%
Grants and contributions 48%
Charges for services 16%

Below is a graph that presents a comparison of 2016 and 2015 expenses under each of the governmental activities,



Business-type activities. Business-type activities decreased the County's net position by $63 thousand. This net decrease was the result of $578 thousand in operating losses offset by $69 thousand in non-operating revenues, $344 thousand in capital grants contribution, and transfers in of $102 thousand. Similar to prior years, the County Airports continued to operate at a loss, $578 thousand in 2016 compared to $430 thousand last year.

To help finance the operations of business-type activities in 2016, County governmental funds contributed $102 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, 2016, the County's governmental funds reported a combined ending fund balance of $231.0 million, compared to the $228.9 million fund balance of the previous year. Approximately 40.2 percent of this fund balance, or $92.8 million, was unrestricted and thus would be available to meet the County's current and future spending needs. The remainder of the fund balance was either not spendable or restricted for specific uses.

The General Fund is the chief operating fund of the County. As of June 30, 2016, the General Fund's spendable and unrestricted fund balance was $46.8 million; an increase of $1.5 million from last year's spendable and unrestricted fund balance of $45.3 million. This increase is entirely due to the net change or increase in the General Fund's fund balance of $1.6 million during the year.

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

In addition to the General Fund, the County maintains one major governmental fund, the Road 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 $26.0 million in 2016, compared to $23.2 million last year. This $2.8 million increase was primarily due to a $3.2 million increase in intergovernmental revenue, offset or reduced by a moderate decrease in charges for services. The $3.2 million increase in intergovernmental revenue was primarily due to the increased funding of the Federal Highway Bridge Program of $4 million. Similarly, expenditures increased from $52.2 million in 2015 to $53.9 million in 2016. Thus, the $2.8 million increase in revenues, coupled with the $1.7 million increase in expenditures resulted in a $27.9 million deficiency of revenues to expenditures compared to $29.0 million deficit last year. With the $23.7 million in net transfers from other funds, the relative net change in fund balance went from a $3.2 million decrease in fiscal year 2015 to a $4.2 million decrease in 2016.

The combined governmental fund balances increased by $2.1 million during 2016, compared to a $13.1 million decrease last year. This $15.2 million increase to the net change in governmental fund balances was the result of 7.7 percent increase in revenues and 2.6 percent increase in expenditures in 2016 when compared to 2015, resulting in a $2.4 million excess of revenues to expenditures in 2016, compared to a deficiency of revenues under expenditures of $12.9 million in 2015, with $266 thousand in other financing uses, compared to $125 thousand last year.

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

The internal service funds include the Fleet Management and Risk Management Authority funds. In fiscal year 2016, the Fleet Management realized a net operating income of $381 thousand dollars and the Risk Management Authority a net operating loss of $5.8 million, compared to a $413 thousand of net operating income and $3.4 million of net operating loss respectively last year. The operating loss by Risk Management was primarily attributable to the recognition of the OPEB Retiree Health obligation. In prior fiscal years this OPEB obligation was partially funded in addition to pay-as-you-go via the Retiree Health internal service rates charges to the various County departments and programs. In fiscal year 2010 this practice was discontinued and the County reverted back to a pay-as-you-go basis. Thus, while this pay-as-you-go funding reduced the expenditures incurred at the governmental fund level, the recognition of this liability and expense by the Risk Management Authority has resulted in $67.8 million in deficit net position. Further, as a pay-as-you-go administered program, none of these additional costs were passed to the other funds, programs, or restricted funding sources via the internal service fund rates.

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

GENERAL FUND BUDGETARY ANALYSIS

The original and the final amended budgeted amounts available for appropriations (and budgeted appropriations) increased by $5.4 million, or 2.1 percent. The largest of the revenue budget modifications included:

- $3.3 million increase in State intergovernmental revenue,
- $756 thousand increase in Federal intergovernmental revenue, and
- $743 thousand increase in other financing sources.

The largest expenditure budget modifications included:

- $205 thousand increase to the Engineer appropriation, including $195 thousand increase in other charges, and $10 thousand increase in intrafund transfers,
- $3.2 million increase to the Contributions to Other Funds appropriation, including $518 thousand increase in other charges, and $2.7 million increase in other financing uses,
- $287 thousand decrease to the Other General due to increased intrafund abatement,
- $435 thousand increase to the Planning and Zoning appropriation, including $49 thousand decrease in salaries and employee benefits, $336 thousand increase in services and supplies, $35 thousand increase in other charges, $143 thousand increase in other financing uses, $17 thousand increase in intrafund transfers, and $47 thousand decrease from increased intrafund abatement,
- $287 thousand increase to the Public Guardian for intrafund transfers,
- $1.0 million increase to the Social Services Administration appropriation, including $94 thousand increase in salaries and employee benefits, $407 thousand increase in services and supplies, $331 thousand increase in other charges, $190 thousand increase in intrafund transfers,
- $642 thousand increase to the Social Services Programs appropriation, including $428 thousand increase in salaries and employee benefits, $140 thousand increase in services and supplies, $37 thousand increase in other charges, $37 thousand increase in intrafund transfers, and
- $597 thousand decrease to the appropriations for contingency budget.

The overall variances between final resources budgeted and the actual amounts available for appropriations were moderate, with a negative or deficit variance of $8.5 million or 3.2 percent. Specifically, compared to a final resource budget of $270.1 million, actual funding equaled $261.5 million. This variance included the following:

- $1.9 million over budget in taxes and assessments,
- $1.5 million under budget in State intergovernmental revenues,
- $2.1 million under budget in Federal intergovernmental revenues, and
- $7.1 million under budget in other financing sources.

The differences between the budgeted and actual expenditures, not including contingency, were significant. Specifically, expenditures fell $33.6 million or 12.7 percent below the final budget. Variances occurred under each of the governmental activities, whereby departments' expenditures fell below projections, the most significant of which included:

- General Government – Actual expenditures fell below final budget by $16.7 million or 21.3 percent. While all 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 Counsel, Human Resources, Information Technologies, Contributions to Other Funds, and Other General.

- Public Protection – Actual expenditures fell below final budget by $8.4 million or 6.9 percent. Most of the departments under public protection fell below their budgets, with many departments falling significantly below budget (budget exceeded actual expenditures by over $400 thousand) including Public Defender, Sheriff, Jail, Juvenile Hall, Probation, and Planning and Zoning. The departments that exceeded their final budget included Sheriff-Bailiff, Central Dispatch, Coroner, and Emergency Services.
- Health and Sanitation Environmental Management – Actual expenditures fell below final budget by $1.4 million or 42.4 percent, due mostly to the actual to budget variances of $1.1 million in other charges.
- Public Assistance – Actual expenditures fell below final budget by $6.5 million or 12.0 percent, mostly due to the Social Services Administration, Social Services Programs, and Categorical Aids, which fell below budget by $2.4 million, $1.2 million, and $2.9 million, respectively. However, Aid to Indigents exceeded its final budget by $41 thousand.
- Education – County library fell under budget by $366 thousand or 10.1 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 $326 thousand or 18.6 percent.

In general, both General Fund inflows and outflows fell below budget. Specifically, actual revenues, not including budgetary fund balance, fell $8.5 million or 3.6 percent under budget while expenditures, not including contingency, fell $33.6 million or 12.7 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, 2016 amounts to $352.0 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 $35.5 million in 2016.

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

- $1.5 million in additions to the land and land improvements, including $1.0 million of right of way purchases by the Road fund,
- $8.4 million in additions to construction in progress
- $3.8 million in new road construction, including $3.3 million for the US 50 Silva Valley Road Interchange,
- $14.4 million in road reconstruction, including $2.8 million for Ice House Road rehabilitation, $703 thousand for Overlay Blackbart Avenue, Barbara Avenue, and Martin Avenue, $741 thousand for Overlay Bass Lake Road, $504 thousand for White Rock Road West County Line to Windfield, $747 thousand for Pleasant Valley Road and Oak Hill Road intersection improvement, $519 thousand for Salmon Falls at Glenesk Lane realignment, $5.3 million for Green Valley Road at Weber Creek-Bridge replacement, and $546 thousand for Mosquito Road Bridge/South Fork American River Bridge replacement,
- $260 thousand for signals, safety and lighting, including $235 thousand for Green Valley traffic signal interconnection,
- $450 thousand for pedestrian ways and bike paths, including $294 thousand for Class II Bikeway on Green Valley Road from Loch Way to signalized entrance to Pleasant Grove Middle School,
- $1.7 million for storm drains,
- $91 thousand in additions to the structures and improvements, and
- $4.9 million in additions to the equipment, including $1.3 million in road construction and maintenance equipment, $1.3 million in law enforcement equipment, and $1.8 million of new vehicle purchases by Fleet Management.

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

Debt Administration and Long-Term Debt. As of June 30, 2016 the County's outstanding long-term debt totaled $6.5 million. The components of this obligation consisted of notes payable associated with the Housing and Urban Development (HUD) Home program ($6 million), and HUD State Community Development Block Grant (CDBG) Program ($483 thousand). Additional information on the County's long-term debt can be found in note 6 in the notes to the financial statements.

OTHER LONG-TERM OBLIGATIONS

In addition to long-term debt, as of June 30, 2016, the County had long-term liabilities of $375.6 million associated with compensated absences ($15.3 million), landfill closure ($17.7 million), self-insurance ($18.0 million), other post-employment benefits ($81.5 million), and pension benefits ($243.1 million). Additional information on the County's long-term obligations follows.

Post Employment Retirement Benefits.

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

The Retiree's Health obligation has been partially presented, in year nine of a 20-year amortization, as a liability on the County's financial statements. As of June 30, 2016 the County recognized Retiree's Health liability at $81.5 million. This liability was based on the assumption that the Board of Supervisors has enforced and will continue to enforce a cap on the County's contribution. Because the Retiree's Health benefit plan is a defined benefit plan, generally accepted accounting principles required that the County recognize its retiree's health obligation without the cap limitation until it was enforced by the Board of Supervisor's and began to impact the pattern of shared costs. The Board of Supervisors voted to enforce the cap in fiscal year 2012. The effect on benefits of the Retiree Health defined benefit plan was that the County's share of benefit costs was reduced by 16.5 percent in 2016 and 30 percent in 2015. 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, 2016 and 2015 totaled $12,237,669 and $12,903,273, respectively.

Further, the County has two pension plans: the miscellaneous plan and the safety plan. As prescribed by GASB Statement Nos. 68 and 71, the County reported net pension liability of $144.5 million for its miscellaneous plan and $98.6 million for its safety plan as of June 30, 2016.

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

BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS

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COUNTY OF EL DORADO

Statement of Net Position
June 30, 2016

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and investments	$ 250,324,308	$ 127,316	$ 250,451,624	$ 9,307,445
Restricted cash and investments	2,541,675	-	2,541,675	6,646,216
Accounts receivable	3,736,551	3,169	3,739,720	71,230
Special assessments receivable	70,008	-	70,008	-
Interest receivable	288,153	-	288,153	1,619
Notes receivable	11,366,506	-	11,366,506	
Due from other governments	25,226,814	334,618	25,561,432	3,047,770
Inventories and prepayments	4,223,254	67,669	4,290,923	214,360
Internal balances	52,414	(52,414)	-	-
Capital assets				
Nondepreciable assets	61,662,408	322,105	61,984,513	951,371
Depreciable, net	286,702,284	3,339,235	290,041,519	7,827,252
TOTAL ASSETS	646,194,375	4,141,698	650,336,073	28,067,263
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	25,795,624	-	25,795,624	539,424
LIABILITIES				
Accounts payable	14,230,006	309,482	14,539,488	567,380
Accrued expenses	-	-	-	98,277
Accrued salaries and benefits	10,120,336	15,224	10,135,560	19,883
Accrued interest payable	288,026	-	288,026	-
Due to other governments	710,634	-	710,634	1,188,160
Unearned revenue	5,306,004	-	5,306,004	9,865,353
Long-term liabilities:				
Other liabilities	-	-	-	53,685
Liability for other post employment benefits (OPEB)				
Due beyond one year	81,494,226	-	81,494,226	-
Liability for self-insurance				
Due within one year	4,384,634	-	4,384,634	-
Due beyond one year	13,586,366	-	13,586,366	9,833
Liability for landfill closure and post-closure				
Due beyond one year	17,735,086		17,735,086	-
Net pension liability				
Due beyond one year	243,132,147	-	243,132,147	2,309,300
Long-term debt				
Due beyond one year	6,483,000	-	6,483,000	-
Compensated Absences				
Due within one year	1,388,254	4,205	1,392,459	250,000
Due beyond one year	13,829,612	37,846	13,867,458	228,959
TOTAL LIABILITIES	412,688,331	366,757	413,055,088	14,590,830
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	17,109,760	-	17,109,760	470,819
NET POSITION				
Net investment in capital assets	348,364,692	3,661,340	352,026,032	8,778,623
Restricted for				
Capital projects	11,115,046	-	11,115,046	-
Public safety	26,859,735	-	26,859,735	-
Community resources and public facilities	39,891,857	-	39,891,857	1,972,079
Health and public assistance	28,244,091	-	28,244,091	-
General government and support programs	9,952,128	-	9,952,128	-
Other purposes	1,124,314	-	1,124,314	2,143,280
Unrestricted	(223,359,955)	113,601	(223,246,354)	651,056
TOTAL NET POSITION	$ 242,191,908	$ 3,774,941	$ 245,966,849	$ 13,545,038

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

COUNTY OF EL DORADO

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Government activities:				
General government	$ 40,813,676	$ 9,527,714	$ 9,583,394	$ -
Public protection	110,469,808	12,894,268	34,423,824	332,475
Public ways and facilities	50,960,654	11,235,092	26,289,086	-
Health and sanitation	56,924,546	17,133,037	30,592,970	-
Public assistance	57,475,140	812,150	57,180,574	-
Education	3,256,097	423,663	236,248	-
Recreation and Cultural Services	1,084,669	261,608	543,917	176,440
Debt Service:				
Interest and fiscal charges on long-term debt	91,416	-	-	-
Total governmental activities	321,076,006	52,287,532	158,850,013	508,915
Business-type activities:				
Airports	1,115,863	537,294	-	344,366
Total business-type activities	1,115,863	537,294	-	344,366
Total Primary Government	$ 322,191,869	$ 52,824,826	$ 158,850,013	$ 853,281
Component Units:				
El Dorado County Transit Authority	$ 7,469,570	$ 1,598,753	$ 4,511,849	$ 269,334
Children and Families Commission	1,956,742	-	1,272,691	-
El Dorado County Transportation Commission	6,772,079	-	1,667,783	-
Total Component Units	$ 16,198,391	$ 1,598,753	$ 7,452,323	$ 269,334

General Revenues:
Taxes:
Property
Sales and use
Payments in lieu of sales and use taxes
Transfer taxes
Other general taxes
Unrestricted interest and investment earnings
Other revenues
Transfers

Total General Revenues and Transfers

Change in net position

Net position - July 1

Net position - June 30

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (21,702,568)	$ -	$ (21,702,568)	
(62,819,241)	-	(62,819,241)	
(13,436,476)	-	(13,436,476)	
(9,198,539)	-	(9,198,539)	
517,584	-	517,584	
(2,596,186)	-	(2,596,186)	
(102,704)	-	(102,704)	
(91,416)	-	(91,416)	
(109,429,546)	-	(109,429,546)	
	(234,203)	(234,203)	
	(234,203)	(234,203)	
(109,429,546)	(234,203)	(109,663,749)	
			$ (1,089,634)
			(684,051)
			(5,104,296)
			(6,877,981)
91,053,614	-	91,053,614	-
9,557,150	-	9,557,150	5,045,102
2,023,270	-	2,023,270	-
2,387,172	-	2,387,172	-
9,968,668	-	9,968,668	-
1,294,441	154	1,294,595	58,935
6,134,219	69,215	6,203,434	60,371
(101,416)	101,416	-	-
122,317,118	170,785	122,487,903	5,164,408
12,887,572	(63,418)	12,824,154	(1,713,573)
229,304,336	3,838,359	233,142,695	15,258,611
$ 242,191,908	$ 3,774,941	$ 245,966,849	$ 13,545,038

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

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BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS

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COUNTY OF EL DORADO

Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 45,121,176	$ 10,517,755	$ 161,612,417	$ 217,251,348
Restricted cash and investments	-	-	2,541,675	2,541,675
Accounts receivable	987,396	105,759	2,643,374	3,736,529
Special assessments	-	-	70,008	70,008
Notes receivable	-	-	11,366,506	11,366,506
Due from other funds	2,751,902	1,386,941	444,029	4,582,872
Due from other governments	9,949,619	4,741,079	10,536,116	25,226,814
Advances to other funds	498,333	-	-	498,333
Inventories	-	660,293	91,270	751,563
Prepaid expenses	678,315	9,096	370,025	1,057,436
TOTAL ASSETS	$ 59,986,741	$ 17,420,923	$ 189,675,420	$ 267,083,084
LIABILITIES				
Accounts payable	$ 3,136,044	$ 5,483,634	$ 4,855,041	$ 13,474,719
Salaries and benefits payable	8,108,093	834,276	1,129,213	10,071,582
Due to other funds	-	-	3,626,458	3,626,458
Due to other governments	681,967	4,177	24,490	710,634
Advances from other funds	-	-	498,333	498,333
Unearned revenue	58,861	156,084	5,091,059	5,306,004
TOTAL LIABILITIES	11,984,965	6,478,171	15,224,594	33,687,730
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	2,422,919	2,422,919
FUND BALANCES				
Nonspendable	1,176,648	669,389	3,513,949	5,359,986
Restricted	-	6,421,100	126,437,565	132,858,665
Committed	6,204,070	3,852,263	21,960,199	32,016,532
Assigned	438,742	-	20,215,366	20,654,108
Unassigned	40,182,316	-	(99,172)	40,083,144
TOTAL FUND BALANCES	48,001,776	10,942,752	172,027,907	230,972,435
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 59,986,741	$ 17,420,923	$ 189,675,420	$ 267,083,084

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

COUNTY OF EL DORADO

Reconciliation of the Governmental Funds Balance Sheet to
the Governement-Wide Statement of Net Position - Governmental Activities
June 30, 2016

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 230,972,435
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.	288,153
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	341,100,196
Unavailable revenues are not available to pay for current period expenditures, and therefore, are deferred inflows of resources in the governmental funds.	2,422,919
Deferred outflows of resources reported in statement of net position	25,795,624
Internal service funds are used by the County to charge the cost of self-insurance risk management and management of fleet maintenance to individual funds. The assets and liabilities are included in governmental activities in the statement of net position. The net position of internal service funds is:	(58,492,808)
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.	(288,026)
Deferred inflows of resources reported in statement of net position	(17,109,760)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Notes payable	(6,483,000)
Compensated Absences	(15,146,592)
Liability for landfill closure and post-closure	(17,735,086)
Net pension liability	(243,132,147)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 242,191,908

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

COUNTY OF EL DORADO

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Road Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 98,485,241	$ 176,088	$ 16,347,658	$ 115,008,987
Licenses, permits and franchises	8,991,833	832,658	1,081,891	10,906,382
Intergovernmental revenues	65,304,646	23,806,028	71,467,263	160,577,937
Use of money and property	282,187	41,033	759,543	1,082,763
Charges for services	10,348,217	861,834	28,130,691	39,340,742
Fines, forfeits and penalties	936,717	-	1,380,581	2,317,298
Miscellaneous revenues	2,314,790	229,896	3,103,554	5,648,240
Other revenues	21,807	43,377	22,999	88,183
TOTAL REVENUES	186,685,438	25,990,914	122,294,180	334,970,532
EXPENDITURES				
Current				
General government	35,266,960	-	389,613	35,656,573
Public protection	109,299,816	-	5,349,698	114,649,514
Public ways and facilities	-	51,766,620	593,302	52,359,922
Health and sanitation	1,790,025	-	54,731,528	56,521,553
Public assistance	47,191,445	-	10,566,430	57,757,875
Education	3,248,401	-	-	3,248,401
Recreation and cultural services	1,316,365	-	-	1,316,365
Debt Service				
Interest	-	-	586	586
Capital Outlay	1,731,575	2,099,394	7,251,809	11,082,778
TOTAL EXPENDITURES	199,844,587	53,866,014	78,882,966	332,593,567
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13,159,149)	(27,875,100)	43,411,214	2,376,965
OTHER FINANCING SOURCES (USES)				
Transfers in	33,285,174	23,726,176	19,645,861	76,657,211
Transfers out	(18,534,713)	(59,094)	(58,329,380)	(76,923,187)
TOTAL OTHER FINANCING SOURCES (USES)	14,750,461	23,667,082	(38,683,519)	(265,976)
NET CHANGE IN FUND BALANCES	1,591,312	(4,208,018)	4,727,695	2,110,989
Fund Balance - Beginning of Year	46,410,464	15,150,770	167,300,212	228,861,446
Fund Balance - End of Year	$ 48,001,776	$ 10,942,752	$ 172,027,907	$ 230,972,435

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, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 2,110,989
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	$ 33,169,120	
Depreciation	(23,567,881)	9,601,239
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.		(155,990)
Because long-term receivables will not be collected within the year, they are reported as deferred inflows of resources in the governmental funds. Unavailable revenues decreased by this amount this year:		(1,994,403)
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:		90,496
Some revenues reported in the statement of activities do not result in the increase of current financial resources and, therefore, are not reported as revenues in governmental funds.		333,825
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		(1,009,554)
Change in accrued interest payable		(90,830)
Change in liability for closure and post-closure		(449,384)
Change in net pension liability and deferred pension inflows/outflows		8,984,643
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.		(4,533,459)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 12,887,572

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

COUNTY OF EL DORADO

Statement of Net Position
Proprietary Funds
June 30, 2016

	Business -Type Activities		Governmental Activities
	County Airports	Total Enterprise Funds	Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	$ 127,316	$ 127,316	$ 33,072,960
Accounts receivable	3,169	3,169	22
Due from other funds	586	586	-
Due from other governments	334,618	334,618	-
Deposits	35,530	35,530	83,100
Inventories	32,139	32,139	35,366
Prepaid expenses	-	-	2,295,789
TOTAL CURRENT ASSETS	533,358	533,358	35,487,237
Noncurrent Assets:			
Capital assets:			
Land	319,665	319,665	40,000
Construction in progress	2,440	2,440	-
Structures and improvements	9,509,618	9,509,618	82,525
Equipment	43,703	43,703	12,296,485
Accumulated depreciation	(6,214,086)	(6,214,086)	(5,154,514)
Total capital assets, net of accumulated depreciation	3,661,340	3,661,340	7,264,496
Total non-current assets	3,661,340	3,661,340	7,264,496
TOTAL ASSETS	4,194,698	4,194,698	42,751,733
LIABILITIES			
Current liabilities			
Accounts payable	309,482	309,482	755,287
Salaries and benefits payable	15,224	15,224	48,754
Due to other funds	53,000	53,000	904,000
Liability for self-insurance	-	-	4,384,634
Compensated absences - due in one year	4,205	4,205	7,128
TOTAL CURRENT LIABILITIES	381,911	381,911	6,099,803
Non current liabilities			
Liability for self-insurance	-	-	13,586,366
Other post employment benefits (OPEB)	-	-	81,494,226
Compensated absences - due beyond one year	37,846	37,846	64,146
TOTAL NON-CURRENT LIABILITIES	37,846	37,846	95,144,738
TOTAL LIABILITIES	419,757	419,757	101,244,541
NET POSITION			
Net investment in capital assets	3,661,340	3,661,340	7,264,496
Restricted	-	-	2,035,481
Unrestricted	113,601	113,601	(67,792,785)
TOTAL NET POSITION (DEFICIT)	$ 3,774,941	$ 3,774,941	$ (58,492,808)

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, 2016

	Business -Type Activities		Governmental Activities
	County Airports	Total Enterprise Funds	Internal Service Funds
Operating Revenues			
Service fees	$ 537,294	$ 537,294	$ 40,545,114
Total Operating Revenues	537,294	537,294	40,545,114
Operating Expenses			
Salaries and benefits	288,732	288,732	904,130
Services and supplies	513,429	513,429	44,267,199
Depreciation	313,702	313,702	834,396
Total Operating Expenses	1,115,863	1,115,863	46,005,725
Operating Income (Loss)	(578,569)	(578,569)	(5,460,611)
Non-Operating Revenues (Expenses)			
Interest income	154	154	121,182
Gain (Loss) on sale of fixed assets	-	-	(128,108)
Miscellaneous nonoperating revenue	69,215	69,215	738,106
Total Non-Operating Revenues (Expenses)	69,369	69,369	731,180
Income (Loss) Before Transfers and Capital Contributions	(509,200)	(509,200)	(4,729,431)
Transfers in	101,416	101,416	164,560
Capital contributions	344,366	344,366	31,412
Change in Net Position	(63,418)	(63,418)	(4,533,459)
Net Position - Beginning of Year	3,838,359	3,838,359	(53,959,349)
Net Position - End of Year	$ 3,774,941	$ 3,774,941	$ (58,492,808)

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, 2016

	Business -Type Activities		Governmental Activities
	County Airports	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	$ 555,475	$ 555,475	$ -
Cash receipts from interfund services provided	-	-	40,545,484
Cash paid to suppliers for goods and services	(251,729)	(251,729)	(37,130,800)
Cash paid to employees for salaries and benefits	(283,702)	(283,702)	(882,103)
Net cash provided (used) by opertaing activities	20,044	20,044	2,532,581
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from (paid to) other funds	108,793	108,793	(299,440)
Non-operating receipts	69,215	69,215	738,106
Net cash provided (used) by noncapital financing activities	178,008	178,008	438,666
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets		-	248,483
Payments related to the acquisition of capital assets	(254,069)	(254,069)	(1,768,510)
Capital contributions	89,093	89,093	-
Net cash provided (used) by capital and related financing activities	(164,976)	(164,976)	(1,520,027)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received (paid)	154	154	121,182
Net cash provided (used) by investing activities	154	154	121,182
Net Increase (Decrease) in Cash and Cash Equivalents	33,230	33,230	1,572,402
Cash and Cash Equivalents - Beginning of Year	94,086	94,086	31,500,558
Cash and Cash Equivalents - End of Year	$ 127,316	$ 127,316	$ 33,072,960

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, 2016

	Business -Type Activities		Governmental Activities
	County Airports	**Total Enterprise Funds**	**Internal Service Funds**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (578,569)	$ (578,569)	$ (5,460,611)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	313,702	313,702	834,396
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	20,089	20,089	370
Inventory	9,795	9,795	4,819
Deposits and Prepaid expenses	(7,325)	(7,325)	(128,510)
Increase (decrease) in:			
Accounts payable	259,230	259,230	380,454
Salaries payable	(96)	(96)	12,706
Unearned revenues	(1,908)	(1,908)	
Liability for compensated absences	5,126	5,126	9,321
Liability for self-insurance	-	-	1,007,000
Liability for other post employment benefits (OPEB)	-	-	5,872,636
Net Cash Provided (Used) by Operating Activities	$ 20,044	$ 20,044	$ 2,532,581

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

COUNTY OF EL DORADO

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and investments	$ 217,602,021	$ 9,479,307
Interest receivable	890,438	31,818
Taxes receivable	-	20,638,592
TOTAL ASSETS	218,492,459	30,149,717
LIABILITIES		
Accounts payable	1,282,863	393,782
Salaries and benefits payable	1,349,844	-
Fiduciary liabilities	-	29,755,935
TOTAL LIABILITIES	2,632,707	30,149,717
NET POSITION		
Net position held in trust for external pool participants	215,859,752	-
TOTAL NET POSITION	$ 215,859,752	$ -

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, 2016

		INVESTMENT TRUST FUNDS
Additions:		
Contributions to investment pool	$	1,154,014,630
Interest and investment income		824,156
Total Additions		1,154,838,786
Deductions:		
Distributions from investment pool		1,111,410,154
Total Deductions		1,111,410,154
Changes in net position		43,428,632
Net position - Beginning of Year		172,431,120
Net position - Ending of Year	$	215,859,752

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

BASIC FINANCIAL STATEMENTS –
NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

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.

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 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 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 Transportation Commission (EDCTC) was created pursuant to Section 29532 and 29535 of the California Government Code as a local transportation commission for the western slope of the County in 1975 to administer transportation planning and allocate the funds in accordance with the Transportation Development Act. Provided by the law change through California Assembly Bill No. 1204, the County Board appoints four of the seven EDCTC 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."

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.

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 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.

- 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.

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

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.

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.

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

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

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.

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

I. Property Tax Levy, Collection and Maximum Rates

The State Constitution Article XIIIA 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 XIIIA, 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 2015-2016 net assessed valuation of the County was $28,501,798,866.

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:

	Secured	Unsecured
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.

Governmental Funds – Because vacation and sick leave 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.

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

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.

N. **Deferred Outflows and Inflows of Resources**

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets by the County that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/ expenditure) until then. The County has only one type of deferred outflows of resources, which is from pension activities and is reported in the government-wide statement of net position.

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

N. **Deferred Outflows and Inflows of Resources** (continued)

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

O. **Net Position and Fund Balances**

Net Position

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

- *Net Investment in Capital Assets:* This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- *Restricted Net Position:* This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Included in governmental activities restricted net position at June 30, 2016, is net position restricted by enabling legislation of $111.8 million.

- *Unrestricted Net Position:* This category represents net position of the County, not restricted for any project or other purpose.

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, 2016, 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.

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

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

Fund Balances (continued)

- *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.

For 2015-2016, the appropriation for contingencies in General Fund budget was $6.7 million. As of June 30, 2016, the balance of General Fund General Reserves was $11.2 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.

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

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 February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which is effective for periods beginning after June 15, 2015. The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures. This statement was implemented by the County during fiscal year ended June 30, 2016.

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

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for periods beginning after June 15, 2015. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles. There was no impact to the County's financial statements as a result of implementation of this statement.

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

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

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

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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is issued in June 2015 and effective for periods beginning after June 15, 2016. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

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

GASB Statement No. 77, *Tax Abatement Disclosures,* is issued in August 2015 and effective for periods beginning after December 15, 2015. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* is issued in December 2015 and effective for periods beginning after December 15, 2015. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB No. 14*, is issued in January 2016 and effective for periods beginning after June 15, 2016. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments.

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

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

S. **New Accounting Pronouncements** (continued)

GASB Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68 and No. 73,* is issued in March 2016 and effective for periods beginning after June 15, 2016. 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.

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, 2016, total County cash and investments were as follows:

	Pooled Treasury	External to Pool	Total
Cash:			
Imprest cash	$ --	$ 219,770	$ 219,770
Cash on hand	500	--	500
Deposits	92,935,070	13,276,999	106,212,069
Total Cash	92,935,570	13,496,769	106,432,339
Investments	388,406,321	1,189,628	389,595,949
Total Cash and Investments	$ 481,341,891	$ 14,686,397	$ 496,028,288

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Total cash and investments as of June 30, 2016 were presented on the County's financial statements as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
County Investment Pool:				
Unrestricted	$ 250,232,254	$ 225,366,243	$ 2,093,810	$ 477,692,307
Restricted	2,541,675	--	1,107,909	3,649,584
Total in County Investment Pool	252,773,929	225,366,243	3,201,719	481,341,891
External to Pool:				
Other restricted cash and investments	--	--	5,538,307	5,538,307
Other unrestricted cash and investments	--	1,715,085	7,213,235	8,928,320
Imprest cash	219,370	--	400	219,770
Total External to Pool	219,370	1,715,085	12,751,942	14,686,397
Total Cash and Investments	$ 252,993,299	$ 227,081,328	$ 15,953,661	$ 496,028,288

In the Statement of Fiduciary Net Position, the total cash and investments balance for Investment Trust and Agency Funds in the amount of $227,081,328 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 $7,743,711 is entirely offset by, and is significantly less than, the total $12,601,165 that has been recorded by these funds as taxes receivable.

Cash and investments were restricted as of June 30, 2016, for the following purposes:

	Primary Government	Component Units	Total
Closure and post-closure costs	2,541,675	$ --	$ 2,541,675
Transit and transportation grant expenditures	--	6,621,948	6,621,948
Risk financing	--	24,268	24,268
	$ 2,541,675	$ 6,646,216	$ 9,187,891

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 under the Temporary Liquidity Guarantee Program (TLGP)	3 years	30%	30%
Commercial Paper under TLGP	270 days	40%	40%
Money Market Account	N/A	100%	5%
Deposit 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.

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

Investments (continued)

As of June 30, 2016, the County had the following investments:

	Interest Rates	Maturities	Par Value	Book Value	Fair Value	WAM (Years)
Investments in Investment Pool						
Treasury Securities - Coupon	0.375%-4.50%	07/15/16-07/15/18	$ 286,600,000	$ 287,152,621	$ 287,651,580	0.79
California Local Agency Investment Fund	0.576%	On Demand	65,000,000	65,000,000	65,000,000	0.00
Money Market Account	0.100%-0.550%	On Demand	36,253,700	36,253,700	36,253,700	0.00
Total Investments in Investment Pool			$ 387,853,700	$ 388,406,321	$ 388,905,280	0.59
Investments Outside Investment Pool						
Component Units:						
El Dorado County Transit Authority						
California Local Agency Investment Fund	0.576%	On Demand	$ 1,189,628	$ 1,189,628	$ 1,189,628	--
Total Investments Outside Investment Pool			$ 1,189,628	$ 1,189,628	$ 1,189,628	--

As of June 30, 2016, the difference between the carrying value and fair value of cash and investments was not material (fair value was 100.13% 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, 2016, the investment pool had a weighted average maturity of 0.59 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, 2016.

	Standard & Poor's Rating	% of Portfolio
Treasury Securities - Coupon	AA	73.97%
California Local Agency Investment Fund	Unrated	16.71%
Money Market Account	Unrated	9.32%
Total		100.00%

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

Custodial Credit Risk

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

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

Fair Value Hierarchy

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

Treasury Securities – Coupons, valued at $287.7 million, 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, 2016, the County's investment position in LAIF was $65 million, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was $22.7 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance as of June 30, 2016 was $75.4 billion. Of that amount, 2.81% was invested in structured notes and asset-backed securities.

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, 2016:

Statement of Net Position

Net position held for pool participants	$	481,341,891
Equity of internal pool participants		263,739,870
Equity of external pool participants		217,602,021
Total net position	$	481,341,891

Statement of Changes in Net Position

Net position, July 1, 2015	$	429,701,736
Investment income		2,452,956
Investment expenses		(519,367)
Net contributions (withdrawals) by pool participants		49,706,566
Net position, June 30, 2016	$	481,341,891

NOTE 3: LONG-TERM RECEIVABLES

The accounts receivable balances reported in the governmental funds include an allowance for uncollectible amounts of $10,694,002. Among the accounts receivables, $2,352,911 (net of uncollectible amount) are long-term accounts receivables. 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 $70,008 (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 $11,366,506. The governmental activities also report long-term interest receivables of $288,153.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2016
Governmental Activities					
Capital assets, not being depreciated					
Land and improvements	$ 51,470,144	$ 1,539,377	$ --	$ --	$ 53,009,521
Construction in progress	3,593,722	8,100,128	--	(3,040,963)	8,652,887
Total capital assets not being depreciated	55,063,866	9,639,505	--	(3,040,963)	61,662,408
Capital assets, being depreciated					
Infrastructure	453,579,273	20,610,824	--	--	474,190,097
Structures and improvements	119,930,317	91,403	(577,380)	3,040,963	122,485,303
Equipment	51,095,678	4,929,725	(3,577,268)	--	52,448,135
Total capital assets being depreciated	624,605,268	25,631,952	(4,154,648)	3,040,963	649,123,535
Less accumulated depreciation for					
Infrastructure	(263,930,609)	(18,938,536)	--	--	(282,869,145)
Structures and improvements	(44,382,498)	(2,514,154)	367,049	--	(46,529,603)
Equipment	(33,359,344)	(2,949,587)	3,286,428	--	(33,022,503)
Total accumulated depreciation	(341,672,451)	(24,402,277)	3,653,477	--	(362,421,251)
Total capital assets being depreciated, net	282,932,817	1,229,675	(501,171)	3,040,963	286,702,284
Governmental activities capital assets, net	$ 337,996,683	$ 10,869,180	$ (501,171)	$ --	$ 348,364,692

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

	Balance July 1, 2015	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2016
Business Type Activities					
Capital assets, not being depreciated					
Land	$ 319,665	$ --	$ --	$ --	$ 319,665
Construction in progress	898,077	254,069	--	(1,149,706)	2,440
Total capital assets not being depreciated	1,217,742	254,069	--	(1,149,706)	322,105
Capital assets, being depreciated					
Structures and improvements	8,359,912	--	--	1,149,706	9,509,618
Equipment	43,703	--	--	--	43,703
Total capital assets being depreciated	8,403,615	--	--	1,149,706	9,553,321
Less accumulated depreciation for					
Structures and improvements	(5,868,823)	(311,912)	--	--	(6,180,735)
Equipment	(31,561)	(1,790)	--	--	(33,351)
Total accumulated depreciation	(5,900,384)	(313,702)	--	--	(6,214,086)
Total capital assets being depreciated, net	2,503,231	(313,702)	--	1,149,706	3,339,235
Business type activities capital assets, net	$ 3,720,973	$ (59,633)	$ --	$ --	$ 3,661,340

Depreciation

Depreciation expense was charged to governmental activities as follows:

General government	$ 700,917
Public protection	2,048,197
Public ways and facilities	19,853,052
Health and sanitation	250,726
Public assistance	294,552
Education	246,696
Recreation and cultural services	173,741
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	834,396
Total depreciation expense governmental activities	$ 24,402,277

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

Airports	$ 313,702
Total depreciation expense business-type activities	$ 313,702

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, 2016, 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:

	Governmental Funds / Governmental Activities Unearned Revenue
Governmental Funds/Governmental Activities:	
General Fund:	
Various grants and charges	$ 58,861
Road Fund:	
Various grants and charges	156,084
Other Governmental Funds:	
Various grants, charges, and special assessments and loans	5,091,059
Total	$ 5,306,004

Deferred Outflows and Inflows of Resources

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

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

Deferred Outflows and Inflows of Resources (continued)

The summary of the deferred outflows and inflows of resources reported for the year ended June 30, 2016, is as follows:

	Governmental Funds	Governmental Activities	
	(Unavailable Revenue) Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Funds:			
Other Governmental Funds:			
Various grants, charges, and special assessments and loans	$ 2,422,919	$ --	$ --
Governmental Activities:			
Deferred pension outflows	--	25,795,624	
Deferred pension inflows	--		17,109,760
Total	$ 2,422,919	$ 25,795,624	$ 17,109,760

NOTE 6: LONG-TERM LIABILITIES

Long-term debt at June 30, 2016 consisted of the following:

	Date of Issue	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2016
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
Total Governmental Activities						$ 6,483,000

[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.

NOTE 6: **LONG-TERM LIABILITIES** (CONTINUED)

The following is a summary of long-term liabilities transactions for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	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	--
Compensated absences	14,198,991	2,409,161	1,390,286	15,217,866	1,388,254
Landfill closure / post-closure liability	17,285,702	449,384	--	17,735,086	--
Liability for self-insurance claims	16,964,000	33,615,201	32,608,201	17,971,000	4,384,634
Other postemployment benefits	75,621,590	8,520,932	2,648,296	81,494,226	--
Net pension liability	222,640,308	24,395,618	3,903,779	243,132,147	--
	$ 353,193,591	$ 69,390,296	$ 40,550,562	$ 382,033,325	$ 5,772,888
Business-Type Activities					
Compensated absences	$ 36,925	$ 5,126	$ --	$ 42,051	$ 4,205
	$ 36,925	$ 5,126	$ --	$ 42,051	$ 4,205

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, 2016, there are no annual debt service requirements of governmental activities with fixed maturities and there are no annual debt service requirements of business-type activities to maturity.

NOTE 7: **LIMITED OBLIGATION DEBT**

Pursuant to various development agreements, the County has formed a number of community facility districts (CFDs) and has issued limited obligation bonds to finance infrastructure. The bonds are limited obligation debt repayable solely from the special taxes collected with each CFD. The only foreseeable circumstances that would make the County partially responsible for debt service payments or damages to bond investors would be if an error or omission is made by the County in the formation of the CFD, in the preparation of the offering statement, in the ongoing SEF 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, 2016, the balances of these districts' outstanding debt were as follows:

Community Facilities District No. 1992-1 (EDH Serrano)	$	37,050,000
Community Facilities District No. 2001-1 (Promontory)	$	25,555,000
Community Facilities District No. 2005-1 (Blackstone)	$	28,130,000
Community Facilities District No. 2005-2 (Laurel Oaks)	$	3,300,000

NOTE 8: LEASES

Operating Lease Obligations

The County leases various office space and buildings under various operating leases. Annual rent expenditures were approximately $3.3 million for the year ended June 30, 2016.

Future minimum operating lease commitments are as follows:

Year Ending June 30	
2017	$ 2,386,597
2018	2,200,939
2019	1,996,245
2020	1,725,274
2021	1,700,521
2022-2026	4,848,989
	$ 14,858,565

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 $2,541,675 reported as of June 30, 2016, 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 $15,193,411 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, 2016, cash and investments held of $2,541,675 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 $15,193,411, 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.

NOTE 10: INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2016 is as follows:

Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Internal Service Fund - Risk	$ 904,000	Advance for cash flow
	Enterprise Fund - County Airports	53,000	Advance for cash flow
	Other Governmental Funds	246,020	Realignment Funds
	Other Governmental Funds	325,000	Advance to Community Services Funds to cover cash shortfall
	Other Governmental Funds	154,000	Advance to HCED Fund to cover cash shortfall
	Other Governmental Funds	227,000	Advance to Health Fund to cover cash shortfall
	Other Governmental Funds	552,000	Advance to Mental Health Fund to cover cash shortfall
	Other Governmental Funds	144,700	Reimbursement for Insurance Fraud Program Expenditures
	Other Governmental Funds	88,302	Reimbursement for SB678 Expenditures
	Other Governmental Funds	57,880	Reimbursement for Planning projects
		2,751,902	
Road Fund	Other Governmental Funds	1,386,941	Billing for Road Work
		1,386,941	
Enterprise Fund - Airports	Other Governmental Funds	586	ACO Funds Contribution
		586	
Other Governmental Funds	Other Governmental Funds	151,715	Sales Tax Realignment Funds for Health Programs
	Other Governmental Funds	270,134	Sales Tax Realignment Funds for Mental Health Programs
	Other Governmental Funds	22,180	Health Realignment due to Mental Health Realignment
		444,029	
	Total	$ 4,583,458	

Advance To/From Other Funds:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Other Governmental Funds	$ 330,000	Advance to IHSS Public Authority
	Other Governmental Funds	100,000	Advance to Public Housing Authority
	Other Governmental Funds	68,333	Advance to CSA#3 for Motor Grader Purchase
		498,333	
	Total	$ 498,333	

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.

Transfer to	Transfer from	Amount	Purpose
General Fund	Other Governmental Funds	$ 63,996	Timber Tax to Sheriff's Office Patrol, Search and Rescue
	Other Governmental Funds	37,205	HCED Fund Reimbursements to General Fund
	Other Governmental Funds	179,588	County Service Area #10 Solid Waste to Environmental Management General Fund Operating
	Other Governmental Funds	27,216	County Service Area #10 Solid Waste Reimbursements to General Fund CDA Admin
	Other Governmental Funds	1,229,406	County Service Area #10 Special Tax Revenues to Library General Fund Operating
	Other Governmental Funds	1,050,740	ACO Fund Reimbursements to General Fund
	Other Governmental Funds	231,314	State Off-Highway Vehicle & El Dorado-SMUD Agreement Funds to Parks & Rubicon Trail
	Other Governmental Funds	95,202	El Dorado-SMUD Cooperation Agreement Funds to Sheriff OHV Rubicon
	Other Governmental Funds	49,803	Indian Gaming Impact Account to District Attorney
	Other Governmental Funds	216,000	Park / River Fees to Parks and Rivers General Fund Operating
	Other Governmental Funds	4,758	Veteran's House Committee Reimbursement to General Fund Maintenance
	Other Governmental Funds	531,730	Time Share, Overpayment, and Redemption Fees to BOS / Auditor / TTC / Assessor
	Other Governmental Funds	2,057	Overages to Treasurer Tax Collector Operating
	Other Governmental Funds	604,967	Grant Revenues, Prop 64, Environmental & Real Estate Funds to District Attorney General Fund Operating
	Other Governmental Funds	704,550	Grant Revenues & Program Revenues to Sheriff's Operating
	Other Governmental Funds	353,814	Probation CCPIF SB678 Reimbursement to General Fund Adult Supervision
	Other Governmental Funds	67,016	Commercial Grading to Building Operating
	Other Governmental Funds	546,439	Micro, Computer System, Vital Health Statistics, Electronic Recording to Recorder Operating
	Other Governmental Funds	370,927	Planning Projects Revenues to Planning
	Other Governmental Funds	599,179	Engineer Time and Materials to DOT County Engineer
	Other Governmental Funds	8,623	Pet Aid Program Reimbursements to Facility and Maintenance
	Other Governmental Funds	2,594	Bookmobile Funds to Library Operating
	Other Governmental Funds	279,070	Realignment Funds to Animal Services
	Other Governmental Funds	268,403	Realignment Funds to Environmental Health
	Other Governmental Funds	11,023,571	Realignment Funds to Social Services
	Other Governmental Funds	156,756	Realignment Funds to Probation
	Other Governmental Funds	33,584	County Local Revenue Funds to DA
	Other Governmental Funds	4,007,006	County Local Revenue Funds to Sheriff
	Other Governmental Funds	2,059,179	County Local Revenue Funds to Probation
	Other Governmental Funds	7,328,174	County Local Revenue Funds to Social Services
	Other Governmental Funds	155,472	County Local Revenue Funds to Public Guardian
	Other Governmental Funds	996,185	Supplemental Law Enforcement Services Fund (SLESF) to Sheriff/Probation Operating
	Other Governmental Funds	650	Jensen Memorial Trust Funds to Library Operating
		33,285,174	

NOTE 10: INTERFUND TRANSACTIONS (CONTINUED)

Transfers (continued)

Transfer to	Transfer from	Amount	Purpose
Road Fund	General Fund	$ 508,610	General Fund Billing/Contribution
	Other Governmental Funds	6,142,170	Road District Tax to Road Fund Operating
	Other Governmental Funds	343,789	El Dorado-SMUD Cooperation Agreement Fund Billing
	Other Governmental Funds	16,731,607	Road Projects Billing and Traffic Impact Fees to Road Fund Operating
		23,726,176	
Internal Services Fund - Fleet	General Fund	97,060	General Fund Contribution
	Other Governmental Funds	67,500	AQMD Fund Contribution
		164,560	
Enterprise Fund - Airports	General Fund	51,394	General Fund Contribution
	Other Governmental Funds	20,040	Special Aviation Funding
	Other Governmental Funds	29,982	ACO Fund Contribution
		101,416	
Other Governmental Funds	General Fund	2,244,022	General Fund Contribution to Community Services
	General Fund	33,760	General Fund Contribution to HCED
	General Fund	3,044,044	General Fund Contribution to Public Health
	General Fund	233,492	Transfer CMSP To Fund Mental Health Emergency Crisis Services
	General Fund	65,052	General Fund Contribution to IHSS Public Authority Fund
	General Fund	15,000	General Fund Contribution For Veterans Hall
	General Fund	2,510	General Fund Transfer to Change Difference Shortage
	General Fund	4,355	General Fund Reimbursement to DOT for Perks Court Property
	General Fund	249,916	General Fund Return Revenue to to Development Services
	General Fund	5,379,826	General Fund Contribution to Health and Welfare
	General Fund	6,599,423	General Fund Reimbursements to ACO Fund
	General Fund	6,249	General Fund Reimbursements to Rare Plant Preserve
	Road Fund	59,094	Road Fund Reimbursements to ACO
	Other Governmental Funds	12,605	Health Fund to ACO Fund for Project Billing
	Other Governmental Funds	250	Mental Health Fund to ACO Fund for Project Billing
	Other Governmental Funds	18,577	Jail Commissary Fund to ACO Fund for Project Billing
	Other Governmental Funds	976	CSA#3 to ACO Fund for Project Billing
	Other Governmental Funds	7,438	Air Quality to ACO Fund for Project Billing
	Other Governmental Funds	472,114	Criminal Justice Facility/Veteran House Committee Fund to ACO Fund
	Other Governmental Funds	139,508	Sheriff Designated Fund to ACO Fund for Project Billing
	Other Governmental Funds	491,739	Rare Plant Preserve Permanent Fund Return Revenue to Ecological Preserve SRF
	Other Governmental Funds	565,911	Ecological Preserve SRF Reimbursements to Rare Plant Preserve Permanent Fund
		19,645,861	
	Total	$ 76,923,187	

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 statues and County's resolutions. CalPERS issues publicly available reports that include a full description of the Plans regarding benefit provisions, assumptions and membership information. These reports and CalPERS' audited financial statements can be viewed at CalPERS' website.

Benefits Provided

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

Below is a summary of the Plans' provisions and benefits in effect at June 30, 2016:

	Miscellaneous		
Hire Date	Prior to October 5, 2012	On or after October 5, 2012 Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement eligibility age	50	50	52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	7% *	7% *	6.25% *
Required employer contribution rates	18.143% *	18.143% *	18.143% *

	Safety		
Hire Date	Prior to October 5, 2012	On or after October 5, 2012 Prior to January 1, 2013	On or after January 1, 2013
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% *
Required employer contribution rates	33.410% *	33.410% *	33.410% *

* The required contribution for fiscal year 2015-2016 was determined as part of the June 30, 2013 actuarial.

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, 2015, the most recent actuarial valuation date:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	1,659	372
Inactive employees entitled to but not yet receiving benefits (Transferred + Terminated)	1,339	237
Active employees	1,373	357
Total	4,371	966

Contribution

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate is 7 percent of annual pay for miscellaneous employees hired prior to January 1, 2013, 6.25 percent for miscellaneous employees hired on or after January 1, 2013, 9 percent for safety employees hired prior to January 1, 2013, and 10 percent for safety employees hired on or after January 1, 2013. The employer's contribution rate is 16.650 percent of annual payroll for miscellaneous employees and 32.127 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. The impact due to these employer paid member contributions was not material and therefore no adjustments were made to the County's financial statements.

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, 2015, using standard update procedures.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2014 valuation was rolled forward to determine the June 30, 2015 (the measurement date) total pension liability for each Plan, based on the following actuarial methods and assumptions:

NOTE 11: **PENSIONS** (CONTINUED)

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

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

	Miscellaneous and Safety
Actuarial cost method	Entry age normal
Actuarial assumptions	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return[3)]	7.65%
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

3) Net of pension plan investment expenses, includes inflation.

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, 2014 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 can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

GASB Statement No. 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. 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.

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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, 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 fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects 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 - 10[5)]	Real Return Years 11+[6)]
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)

[5)] An expected inflation of 2.5% used for this period
[6)] An expected inflation of 3.0% used for this period

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/14	$ 559,386,671	$ 428,474,953	$ 130,911,718
Changes for the year:			
Service cost	12,078,733	--	12,078,733
Interest	41,382,955	--	41,382,955
Changes of benefit terms	--	--	--
Changes of assumptions	(9,496,499)	--	(9,496,499)
Differences between expected and actual experience	(1,425,729)	--	(1,425,729)
Plan to plan resource movement	--		--
Contributions - employer	--	13,708,979	(13,708,979)
Contributions - employees	--	6,127,135	(6,127,135)
Net investment income	--	9,597,580	(9,597,580)
Benefit payments, including refunds of employee contributions	(27,100,337)	(27,100,337)	--
Adminstrative expense		(484,087)	484,087
Net changes	15,439,123	1,849,270	13,589,853
Balances at 6/30/15	$ 574,825,794	$ 430,324,223	$ 144,501,571

	Safety Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/14	$ 290,447,436	$ 198,718,846	$ 91,728,590
Changes for the year:			
Service cost	7,200,973	--	7,200,973
Interest	21,518,049	--	21,518,049
Changes of benefit terms	--	--	--
Changes of assumptions	(5,396,169)	--	(5,396,169)
Differences between expected and actual experience	(373,791)	--	(373,791)
Plan to plan resource movement	--	23,897	(23,897)
Contributions - employer	--	9,161,922	(9,161,922)
Contributions - employees	--	2,655,620	(2,655,620)
Net investment income	--	4,431,631	(4,431,631)
Benefit payments, including refunds of employee contributions	(13,992,567)	(13,992,567)	--
Adminstrative expense	--	(225,994)	225,994
Net changes	8,956,495	2,054,509	6,901,986
Balances at 6/30/15	$ 299,403,931	$ 200,773,355	$ 98,630,576

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	6.65%	$ 216,320,964	$ 139,889,351
Current Discount Rate	7.65%	$ 144,501,571	$ 98,630,576
1% Increase	8.65%	$ 84,526,329	$ 64,725,141

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, 2016, the County recognized pension expense of $8,867,296 for its miscellaneous plan and $8,725,780 for its safety plan. At June 30, 2016, 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	$ --	$ 6,221,844
Safety	--	4,248,048
Differences between expected and actual experience		
Miscellaneous	--	934,098
Safety	--	294,261
Net difference between projected and actual earnings on plan investments		
Miscellaneous	--	3,772,864
Safety	--	1,638,645
County contributions subsequent to the measurement date		
Miscellaneous	15,814,674	--
Safety	9,980,950	--
Total	$ 25,795,624	$ 17,109,760

$25,795,624 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amounts
2017	(9,026,777)
2018	(8,650,147)
2019	(5,260,495)
2020	5,827,659
2021	-
Thereafter	-
Total	(17,109,760)

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

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

- County Contribution Subsidy – The County pays a monthly amount up to a percentage of the premium for the County sponsored Blue Shield PPO $200 plan plus dental single coverage for the retirees prior to age 65. For the age 65 or older retirees, the County pays a monthly amount up to a percentage of premium for the highest cost Medicare eligible plan plus dental single coverage. The applicable percentage is based on the retiree's years of service with the County, and multiplied by a calculated percentage each year for payroll cap adjustment.

- Implicit Subsidy – For coverage prior to age 65, the retiree pays premiums that are developed by blending active and retiree costs. Since retirees are older and generally cost more than actives, the premium paid by the retiree is less than the "true cost" of coverage for retirees.

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

Funding Policy. The contribution requirements of the plan members and the County are established and may be amended by the County. The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The County ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 20 years. The 2015-2016 ARC is $11,868,000.

Annual OPEB Cost and Net OPEB Obligation.

For 2015-2016, the County's annual OPEB cost (expense) was $8,520,932 and the Net OPEB Obligation was $81,494,226. Actual contributions made during the year were $2,648,296.

The following table shows the components of the County's Annual OPEB Cost for the year ended June 30, 2016, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation/(Asset).

Annual Required Contributions	$ 11,868,000
Interest on Net OPEB Obligation/(Asset)	2,971,898
Adjustment to Annual Required Contributions	(6,318,966)
Annual OPEB Cost (Expense)	8,520,932
Contributions Made	(2,648,296)
Increase to Net OPEB Obligations/(Asset)	5,872,636
Net OPEB Obligation/(Asset) – Beginning of Year	75,621,590
Net OPEB Obligation/(Asset) – End of Year	$ 81,494,226

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

Annual OPEB Cost and Net OPEB Obligation. (continued)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	$ 6,831	31.2%	$ 71,041
6/30/15	6,938	34.0%	75,622
6/30/16	8,521	31.1%	81,494

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

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

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return based on the assumption that benefits will be paid from general County assets earmarked for purposes of County Postretirement Benefits, and not invested in a separate trust. This rate includes a 3.0% inflation assumption. The actuarial value of assets is equal to the market value. The UAAL is being amortized as a level percentage of projected payroll over 20 years on a closed basis. The remaining amortization period at June 30, 2016 was 11 years.

NOTE 13: **RISK MANAGEMENT**

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

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of $17,971,000 reported in the Risk Management Fund at June 30, 2016 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, 2016 and 2015 were as follows:

	2016	2015
Unpaid claims, beginning of year	$ 16,964,000	$ 17,287,000
Plus estimated claims incurred	33,615,201	35,729,518
Less claims payments	(32,608,201)	(36,052,518)
Unpaid claims, end of year	$ 17,971,000	$ 16,964,000

Nonincremental claims adjustment expenses have not been included as part of the unpaid claims liability.

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.

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.

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

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, 2016, General Fund had a total of $438,742 in encumbrances, which were reported as part of the assigned fund balances on the governmental fund balance sheet. Road Fund had a total of $537,922 in encumbrances, which were reported as part of the restricted fund balances. Other (nonmajor) governmental funds had a total of $989,065 in encumbrances, which were reported as part of the restricted, committed or assigned fund balances.

Construction Commitments and Other Significant Commitments

At June 30, 2016, the County has ongoing construction commitments that totaled approximately $13.8 million and other significant commitments that totaled $8.4 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	$ 165,106
Bass Lake Road (SIA)	3,692,150
Silva Valley Interchange	16,380,137
Silver Springs Pkwy	2,249,974
Green Valley / Deer Valley Intersection	334,194
Total	$ 22,821,561

Noncompliance with Government Code Sections 66000-66008

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

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

Mitigation Fee Act Litigation

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, and the County's Traffic Impact Mitigation Fee program. The County and the Austins sought to resolve the matter through mediation without success. The County and the two above named special districts have filed demurrers in response to the lawsuit. The County's demurrer is set for hearing on October 7, 2017. The County's demur argues that the statute of limitations severely limits the County's exposure to the potential of court ordered refunds. The County's management believes it is unlikely that the Austin's lawsuit will succeed in obtaining an order for refunds; however the County's cost of defense may be material. The relevant fees collected by the County totaled $35 million. The ultimate resolution of this matter is not determinable at this time. No liability or allowance has been recognized in the financial statements related to this matter.

Rural Communities United Litigation

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

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

The State Department of Health Care Services has preliminarily reviewed the MAA/TCM cost report for 2013-2014 and found that the county was overpaid by $84,499. However, a final audit is still pending. The State is planning to audit the County's cost reports for other open years which include 2011-2012 and 2012-2013. An audit reserve in the amount of $240,000 was established in 2016-2017 to mitigate the impact of these cost report audits to the General Fund. The State is likely to offset this overpayment against future payments to the County. No liability or allowance has been recognized in the financial statements for the future revenue offsets.

NOTE 15: FUND BALANCES / NET POSITION

A. Fund Balances

Fund balances for all the major and nonmajor governmental funds as of June 30, 2016, were presented as follows:

	General	Road Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Advances	$ 498,333	$ --	$ --	$ 498,333
Inventory	--	660,293	91,270	751,563
Prepaid expenses	678,315	9,096	370,025	1,057,436
Permanent fund principal	--	--	3,052,654	3,052,654
Subtotal	1,176,648	669,389	3,513,949	5,359,986
Restricted for:				
Capital projects	--	--	11,115,046	11,115,046
Public protection	--	--	26,793,930	26,793,930
Public ways and facilities	--	6,421,100	32,792,635	39,213,735
Health and sanitation	--	--	36,255,451	36,255,451
Public assistance	--	--	13,426,991	13,426,991
General government	--	--	4,945,198	4,945,198
Education	--	--	1,076,933	1,076,933
Recreation & cultural services	--	--	31,381	31,381
Subtotal	--	6,421,100	126,437,565	132,858,665
Committed to:				
Capital projects	6,204,070	3,852,263	15,041,354	25,097,687
Public protection	--	--	60,735	60,735
Public ways and facilities	--	--	6,852,236	6,852,236
Public assistance	--	--	5,874	5,874
Subtotal	6,204,070	3,852,263	21,960,199	32,016,532
Assigned to:				
Debt service	--	--	1,813,723	1,813,723
Public protection	--	--	2,653,399	2,653,399
Health and sanitation	--	--	13,221,733	13,221,733
Public assistance	--	--	1,348,389	1,348,389
General government	438,742	--	649,518	1,088,260
Education	--	--	4,025	4,025
Recreation & cultural services	--	--	524,579	524,579
Subtotal	438,742	--	20,215,366	20,654,108
Unassigned	40,182,316	--	(99,172)	40,083,144
Total	$ 48,001,776	$ 10,942,752	$ 172,027,907	$ 230,972,435

NOTE 15: FUND BALANCES / NET POSITION (CONTINUED)

B. Deficit Fund Balance / Net Position

The following funds had deficit fund balance or net position as of June 30, 2016:

Nonmajor Governmental Fund:	
CSA#3 West Shore Snow Removal	$ 21,436
Internal Service Fund:	
Risk Management Authority	67,773,146

The deficit in the nonmajor governmental fund is 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.

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, 2016, is as follows:

Component Units Statement of Net Position
June 30, 2016

	Children and Families Commission	El Dorado County Transit Authority	El Dorado County Transportation Commission	Total
ASSETS				
Current and other assets	$ 2,290,766	$ 8,638,228	$ 1,713,430	$ 12,642,424
Capital assets	56,194	8,697,826	24,603	8,778,623
Restricted cash	--	4,302,463	2,343,753	6,646,216
Total Assets	2,346,960	21,638,517	4,081,786	28,067,263
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	--	454,431	84,993	539,424
Total Deferred Outflows of Resources	--	454,431	84,993	539,424
LIABILITIES				
Current liabilities	147,486	9,953,086	1,888,481	11,989,053
Long-term liabilities	--	2,255,928	345,849	2,601,777
Total Liabilities	147,486	12,209,014	2,234,330	14,590,830
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	--	296,366	174,453	470,819
Total Deferred Inflows of Resources	--	296,366	174,453	470,819
NET POSITION				
Net investment in capital assets	56,194	8,697,826	24,603	8,778,623
Restricted	2,143,280	--	1,972,079	4,115,359
Unrestricted	--	889,742	(238,686)	651,056
Total Net Position	$ 2,199,474	$ 9,587,568	$ 1,757,996	$ 13,545,038

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

Component Units Statement of Activities
For the Year Ended June 30, 2016

	Children and Families Commission	El Dorado County Transit Authority	El Dorado County Transportation Commission	Total
Revenues:				
Program Revenues:				
Charges for current services	$ --	$ 1,598,753	$ --	$ 1,598,753
Operating grants and contributions	1,272,691	4,511,849	1,667,783	7,452,323
Capital grants and contributions	--	269,334	--	269,334
General Revenues:				
Taxes	--	--	5,045,102	5,045,102
Interest and investment earnings	8,943	38,626	11,366	58,935
Other revenues	--	12,092	48,279	60,371
Total Revenues	1,281,634	6,430,654	6,772,530	14,484,818
Expenses:				
Health and sanitation	1,956,742	--	--	1,956,742
Public ways and facilities	--	7,469,570	6,772,079	14,241,649
Total Expenses	1,956,742	7,469,570	6,772,079	16,198,391
Change in net position	(675,108)	(1,038,916)	451	(1,713,573)
Net Position - Beginning of Year	2,874,582	10,626,484	1,757,545	15,258,611
Net Position - End of Year	$ 2,199,474	$ 9,587,568	$ 1,757,996	$ 13,545,038

NOTE 17: **SUBSEQUENT EVENTS**

El Dorado County Public Safety Facility

On November 18, 2015, the U.S. Department of Agriculture (USDA) Rural Development Program approved the County's pre-application for a loan to fund the development and construction of a new public safety facility in Diamond Springs. On December 16, 2016, the County received a letter from USDA outlining conditions that must be agreed to in order to proceed with the loan application in the amount of $57,140,000. On December 28, 2016 the County adopted Resolution 223-2016 which authorized the Board Chair to execute Forms RD 1942-46 "Letter of Intent to Meet Conditions" and Forms RD 1940-1, "Request for Obligation of Funds" for the purpose of USDA Rural Development to give further consideration and approval for the County's loan application.

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 17: **SUBSEQUENT EVENTS** (CONTINUED)

Fee Refund Authorized

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

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. The Board intends to expand the Placerville Jail at the cost of approximately $25,000,000. The County believes that approximately $24,000,000 in State grant funding will be available for this jail expansion and the County's General Fund share will be approximately $1,000,000. 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. The County's operating costs will increase approximately $1,000,000 annually.

Placerville Juvenile Hall Replacement Project

The Board of Supervisors intends to replace the Juvenile detention facility in Placerville at an estimated cost of $10,800,000. It is expected that the County will receive a $9,600,000 Local Youthful Offenders Rehabilitation Facility Financing Grant from the State. On December 6, 2016, the Board of Supervisors committed a cash match contribution of $1,200,000 in order to obtain this grant.

Significant Damage to County Roads

During the extremely wet winter of 2016-2017, significant damage was done to County maintained roads. The County estimates that $14,000,000 of damage has been done to the County roads. The County intends to seek reimbursement for a portion of the necessary repair cost from the Federal Emergency Management Agency (FEMA). The actual cost of the necessary repairs and the actual reimbursement from FEMA is not determinable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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County of El Dorado

Required Supplementary Information
For the Year Ended June 30, 2016

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

Last 10 Fiscal Years

Reporting Fiscal year	2015-2016	2014-2015
Measurement period	2014-2015	2013-2014
TOTAL PENSION LIABILITY		
Service cost	$ 12,078,733	$ 11,725,418
Interest	41,382,955	39,506,575
Changes of benefit terms	-	-
Changes of assumptions	(9,496,499)	-
Differences between expected and actual experience	(1,425,729)	-
Benefit payments, including refunds of employee contributions	(27,100,337)	(25,473,913)
Net change in total pension liability	15,439,123	25,758,080
Total pension liability - beginning	559,386,671	533,628,591
Total pension liability - ending (a)	$ 574,825,794	$ 559,386,671
PLAN FIDUCIARY NET POSITION		
Contributions - employer	$ 13,708,979	$ 11,938,552
Contributions - employee	6,127,135	5,440,632
Net investment income	9,597,580	64,244,763
Benefit payments, including refunds of employee contributions	(27,100,337)	(25,473,913)
Plan to plan resource movement	-	-
Administrative expense	(484,087)	-
Other changes	-	-
Net change in plan fiduciary net position	1,849,270	56,150,034
Plan fiduciary net position - beginning	428,474,953	372,324,919
Plan fiduciary net position - ending (b)	$ 430,324,223	$ 428,474,953
Plan net pension liability - ending (a) - (b)	$ 144,501,571	$ 130,911,718
Plan fiduciary net position as a percentage of the total pension liability	74.86%	76.60%
Covered-employee payroll	$ 87,966,574	$ 81,096,477
Plan net pension liability as a percentage of covered-employee payroll	164.27%	161.43%

* Net of administrative expenses

Notes to Schedule For the Year Ended June 30, 2016:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumption: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

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, 2016

SCHEDULE OF PLAN CONTRIBUTIONS - MISCELLANEOUS PLAN

Last 10 Fiscal Years

Fiscal year	2015-2016	2014-2015	2013-2014
Actuarially determined contribution	$ 15,814,674	$ 13,708,979	$ 11,938,552
Contributions in relation to the actuarially determined contribution	(15,814,674)	(13,708,979)	(11,938,552)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 95,567,964	$ 87,966,574	$ 81,096,477
Contributions as a percentage of covered-employee payroll	16.548%	15.584%	14.721%

Notes to Schedule For the Year Ended June 30, 2016:

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: 6/30/2013

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
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

County of El Dorado

Required Supplementary Information
For the Year Ended June 30, 2016

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

Last 10 Fiscal Years

Reporting Fiscal year	2015-2016	2014-2015
Measurement period	2014-2015	2013-2014
TOTAL PENSION LIABILITY		
Service cost	$ 7,200,973	$ 7,156,945
Interest	21,518,049	20,468,275
Changes of benefit terms	-	-
Changes of assumptions	(5,396,169)	-
Differences between expected and actual experience	(373,791)	-
Benefit payments, including refunds of employee contributions	(13,992,567)	(13,019,302)
Net change in total pension liability	8,956,495	14,605,918
Total pension liability - beginning	290,447,436	275,841,518
Total pension liability - ending (a)	$ 299,403,931	$ 290,447,436
PLAN FIDUCIARY NET POSITION		
Contributions - employer	$ 9,161,922	$ 8,185,724
Contributions - employee	2,655,620	2,581,344
Net investment income	4,431,631	29,611,782
Benefit payments, including refunds of employee contributions	(13,992,567)	(13,019,302)
Plan to plan resource movement	23,897	-
Administrative expense	(225,994)	-
Other changes	-	-
Net change in plan fiduciary net position	2,054,509	27,359,548
Plan fiduciary net position - beginning	198,718,846	171,359,298
Plan fiduciary net position - ending (b)	$ 200,773,355	$ 198,718,846
Plan net pension liability - ending (a) - (b)	$ 98,630,576	$ 91,728,590
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.42%
Covered-employee payroll	$ 32,034,971	$ 29,664,251
Plan net pension liability as a percentage of covered-employee payroll	307.88%	309.22%

* Net of administrative expenses

Notes to Schedule For the Year Ended June 30, 2016:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumption: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

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, 2016

SCHEDULE OF PLAN CONTRIBUTIONS - SAFETY PLAN

Last 10 Fiscal Years

Fiscal year	2015-2016	2014-2015	2013-2014
Actuarially determined contribution	$ 9,980,950	$ 9,161,922	$ 8,185,724
Contributions in relation to the actuarially determined contribution	(9,980,950)	(9,161,922)	(8,185,724)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 34,290,382	$ 32,034,971	$ 29,664,251
Contributions as a percentage of covered-employee payroll	29.107%	28.600%	27.595%

Notes to Schedule For the Year Ended June 30, 2016:

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: 6/30/2013

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
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

County of El Dorado

Required Supplementary Information
For the Year Ended June 30, 2016

SCHEDULE OF FUNDING PROGRESS

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

Retiree's Health

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

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Budgetary fund balances, July 1	$ 29,616,790	$ 29,616,580	$ 29,616,580	$ -
Resources (inflows):				
Taxes and assessments	96,583,588	96,583,588	98,485,241	1,901,653
Licenses, permits and franchises	8,284,492	8,304,320	8,991,833	687,513
Fines, forfeitures and penalties	878,263	878,263	936,717	58,454
Revenue from use of money and property	191,140	191,140	282,187	91,047
Intergovernmental revenues-State	28,608,716	31,920,105	30,377,454	(1,542,651)
Intergovernmental revenues-Federal	29,456,599	30,212,701	28,082,096	(2,130,605)
Revenue other governmental agencies	6,338,269	6,338,269	6,845,096	506,827
Charges for services	22,544,864	22,738,242	22,263,518	(474,724)
Miscellaneous revenues	2,482,376	2,898,468	2,314,790	(583,678)
Other financing sources	39,626,519	40,369,745	33,306,981	(7,062,764)
	234,994,826	240,434,841	231,885,913	(8,548,928)
Amounts available for appropriations	264,611,616	270,051,421	261,502,493	(8,548,928)
Charges to appropriations (outflows):				
General Government				
Board of Supervisors				
Salaries and employee benefits	1,366,891	1,366,891	1,323,028	43,863
Services and supplies	218,801	218,801	183,781	35,020
Intrafund transfers	8,881	8,881	4,060	4,821
	1,594,573	1,594,573	1,510,869	83,704
County Administrative Office				
Salaries and employee benefits	2,460,804	2,343,804	2,183,752	160,052
Services and supplies	292,178	454,173	280,253	173,920
Other charges	3,000	3,000	-	3,000
Intrafund transfers	14,206	21,611	20,827	784
Intrafund abatement	(48,252)	(48,252)	(39,141)	(9,111)
	2,721,936	2,774,336	2,445,691	328,645
Annual Audit				
Services and supplies	105,000	105,000	89,560	15,440
	105,000	105,000	89,560	15,440
Auditor-Controller				
Salaries and employee benefits	3,289,066	3,273,566	3,102,482	171,084
Services and supplies	81,941	81,941	72,160	9,781
Intrafund transfers	10,367	25,867	20,714	5,153
Intrafund abatement	(50,542)	(50,542)	(47,418)	(3,124)
	3,330,832	3,330,832	3,147,938	182,894

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Treasurer/Tax Collector				
Salaries and employee benefits	2,422,700	2,422,700	2,221,050	201,650
Services and supplies	483,073	489,073	400,911	88,162
Other financing uses	3,600	3,600	2,510	1,090
Intrafund transfers	33,757	45,757	42,738	3,019
Intrafund abatement	(10,000)	(10,000)	(8,382)	(1,618)
	2,933,130	2,951,130	2,658,827	292,303
Assessor				
Salaries and employee benefits	3,522,076	3,517,076	3,457,789	59,287
Services and supplies	129,233	134,233	126,716	7,517
Other charges	500	500	25	475
Fixed assets	7,500	7,500	-	7,500
Intrafund transfers	13,810	13,810	11,872	1,938
	3,673,119	3,673,119	3,596,402	76,717
Purchasing				
Salaries and employee benefits	646,814	646,814	616,289	30,525
Services and supplies	16,643	16,643	19,642	(2,999)
Intrafund transfers	285	285	509	(224)
	663,742	663,742	636,440	27,302
Revenue Recovery				
Salaries and employee benefits	799,627	799,627	760,998	38,629
Services and supplies	130,533	130,533	106,248	24,285
Intrafund transfers	13,705	13,705	12,215	1,490
Intrafund abatement	(12,630)	(12,630)	(8,903)	(3,727)
	931,235	931,235	870,558	60,677
County Counsel				
Salaries and employee benefits	2,790,838	2,778,338	2,422,963	355,375
Services and supplies	269,168	269,168	179,231	89,937
Intrafund transfers	6,781	19,281	6,149	13,132
	3,066,787	3,066,787	2,608,343	458,444
Human Resources				
Salaries and employee benefits	1,318,606	1,318,606	1,130,089	188,517
Services and supplies	526,812	520,912	231,146	289,766
Intrafund transfers	1,880	7,780	6,611	1,169
	1,847,298	1,847,298	1,367,846	479,452

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Elections				
Salaries and employee benefits	885,075	885,075	898,021	(12,946)
Services and supplies	540,552	540,552	470,668	69,884
Other charges	83,105	83,105	-	83,105
Intrafund transfers	6,592	6,592	4,756	1,836
	1,515,324	1,515,324	1,373,445	141,879
Communications				
Salaries and employee benefits	754,687	651,187	562,330	88,857
Services and supplies	1,054,927	1,054,927	824,838	230,089
Services and supplies abatements	(350,000)	(350,000)	(243,930)	(106,070)
Fixed assets	25,000	25,000	-	25,000
	1,484,614	1,381,114	1,143,238	237,876
Courier and Messenger				
Salaries and employee benefits	184,030	184,030	175,819	8,211
Services and supplies	29,478	29,478	21,831	7,647
Intrafund abatement	(126,832)	(126,832)	(166,460)	39,628
	86,676	86,676	31,190	55,486
Building and Grounds				
Salaries and employee benefits	3,735,667	3,735,667	3,376,078	359,589
Services and supplies	2,037,701	2,037,176	2,266,415	(229,239)
Other charges	45,000	45,000	30,670	14,330
Fixed assets	10,500	11,025	11,023	2
Intrafund transfers	400	400	708	(308)
Intrafund abatement	(143,606)	(143,606)	(231,599)	87,993
	5,685,662	5,685,662	5,453,295	232,367
County Promotion				
Salaries and employee benefits	272,753	272,753	211,311	61,442
Services and supplies	1,147,227	1,142,977	966,318	176,659
Other charges	1,500	5,750	7,483	(1,733)
Intrafund transfers	48,573	48,573	39,735	8,838
	1,470,053	1,470,053	1,224,847	245,206
Information Technologies				
Salaries and employee benefits	4,658,666	4,579,802	4,488,784	91,018
Services and supplies	2,502,501	2,483,301	2,007,498	475,803
Fixed assets	159,500	353,564	349,368	4,196
Intrafund transfers	3,369	10,869	9,999	870
Intrafund abatement	(225,000)	(225,000)	(264,346)	39,346
	7,099,036	7,202,536	6,591,303	611,233
Surveyor				
Salaries and employee benefits	1,617,751	1,585,751	1,490,877	94,874
Services and supplies	125,320	124,820	105,793	19,027
Other charges	300	800	364	436
Fixed assets	-	16,000	3,351	12,649
Intrafund transfers	2,639	18,639	15,260	3,379
Intrafund abatement	(126,891)	(126,891)	(163,688)	36,797
	1,619,119	1,619,119	1,451,957	167,162

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Employee Benefits				
Salaries and employee benefits	25,000	25,000	15,204	9,796
Services and supplies	5,000	5,000	5,000	-
	30,000	30,000	20,204	9,796
Engineer				
Services and supplies	832,500	832,500	525,106	307,394
Other charges	1,305,334	1,500,334	1,450,910	49,424
Intrafund transfers	79,500	89,500	59,539	29,961
	2,217,334	2,422,334	2,035,555	386,779
Contributions to Other Funds				
Services and supplies	300,000	300,000	-	300,000
Other charges	3,015,350	3,533,652	3,493,651	40,001
Other financing uses	26,141,389	28,794,334	17,766,608	11,027,726
	29,456,739	32,627,986	21,260,259	11,367,727
Contributions to Other Agencies				
Other charges	154,726	154,726	154,726	-
	154,726	154,726	154,726	-
Contribution to Airports				
Other financing uses	96,334	96,334	51,394	44,940
	96,334	96,334	51,394	44,940
Other General				
Salaries and employee benefits	6,740,348	6,740,348	6,395,506	344,842
Services and supplies	1,500,725	1,500,725	1,342,825	157,900
Other financing uses	891,635	891,635	240,690	650,945
Intrafund transfers	319,089	319,089	302,798	16,291
Intrafund abatement	(6,028,574)	(6,315,465)	(6,305,885)	(9,580)
	3,423,223	3,136,332	1,975,934	1,160,398
Central Services				
Salaries and employee benefits	41,676	41,676	41,469	207
Services and supplies	185,378	185,378	135,386	49,992
Services and supplies abatements	(175,000)	(175,000)	(125,983)	(49,017)
Intrafund abatement	(31,552)	(31,552)	(45,641)	14,089
	20,502	20,502	5,231	15,271
General Government	75,226,994	78,386,750	61,705,052	16,681,698
Public Protection				
Superior Court MOE				
Services and supplies	1,057,068	1,057,068	954,575	102,493
Other charges	1,274,000	1,274,000	1,151,897	122,103
	2,331,068	2,331,068	2,106,472	224,596
Grand Jury				
Services and supplies	72,550	72,550	43,275	29,275
Intrafund transfers	2,749	2,749	2,680	69
	75,299	75,299	45,955	29,344

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
District Attorney				
Salaries and employee benefits	8,564,715	8,329,082	8,313,825	15,257
Services and supplies	600,564	854,921	803,756	51,165
Other charges	52,500	52,500	6,013	46,487
Fixed assets	10,000	10,000	1,143	8,857
Intrafund transfers	67,435	67,435	21,771	45,664
Intrafund abatement	(476,000)	(426,197)	(391,937)	(34,260)
	8,819,214	8,887,741	8,754,571	133,170
Child Support Services				
Salaries and employee benefits	4,016,103	4,016,103	3,927,657	88,446
Services and supplies	519,553	519,553	499,740	19,813
Intrafund transfers	507,913	507,913	507,236	677
	5,043,569	5,043,569	4,934,633	108,936
Public Defender				
Salaries and employee benefits	3,304,761	3,304,761	3,066,286	238,475
Services and supplies	432,330	432,330	248,206	184,124
Intrafund transfers	53,350	53,350	50,869	2,481
	3,790,441	3,790,441	3,365,361	425,080
Sheriff - Bailiff				
Salaries and employee benefits	3,206,438	3,206,438	3,305,581	(99,143)
Services and supplies	190,219	190,219	158,152	32,067
Other charges	-	-	3,317	(3,317)
Intrafund transfers	-	-	150	(150)
	3,396,657	3,396,657	3,467,200	(70,543)
Sheriff				
Salaries and employee benefits	29,762,730	29,785,632	28,732,709	1,052,923
Services and supplies	6,142,223	6,128,087	5,294,253	833,834
Other charges	10,100	94,638	65,482	29,156
Fixed assets	1,577,555	1,452,855	1,166,875	285,980
Other financing uses	-	97,061	97,060	1
Intrafund transfers	30,458	30,458	52,029	(21,571)
Intrafund abatement	-	-	(29,991)	29,991
	37,523,066	37,588,731	35,378,417	2,210,314
Central Dispatch				
Salaries and employee benefits	2,232,160	2,232,160	2,238,591	(6,431)
Services and supplies	41,676	41,676	59,583	(17,907)
Fixed assets	-	-	5,710	(5,710)
Intrafund transfers	-	-	76	(76)
	2,273,836	2,273,836	2,303,960	(30,124)
Jail				
Salaries and employee benefits	12,534,914	12,534,914	12,317,093	217,821
Services and supplies	2,443,031	2,405,640	2,011,131	394,509
Fixed assets	222,937	198,379	81,504	116,875
Other financing uses	-	59,949	47,678	12,271
Intrafund transfers	102,000	104,000	81,996	22,004
	15,302,882	15,302,882	14,539,402	763,480

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Juvenile Hall				
Salaries and employee benefits	5,512,763	5,512,763	5,352,711	160,052
Services and supplies	948,370	937,370	605,390	331,980
Other charges	116,800	116,800	109,785	7,015
Intrafund transfers	16,052	16,052	11,226	4,826
	6,593,985	6,582,985	6,079,112	503,873
Probation				
Salaries and employee benefits	8,556,434	8,556,434	8,198,671	357,763
Services and supplies	1,867,563	1,975,658	1,435,974	539,684
Other charges	700	700	488	212
Other financing uses	-	66,000	58,890	7,110
Intrafund transfers	22,404	27,404	25,857	1,547
	10,447,101	10,626,196	9,719,880	906,316
Agricultural Commissioner				
Salaries and employee benefits	1,119,239	1,119,239	1,104,195	15,044
Services and supplies	192,921	192,354	173,132	19,222
Other charges	1,000	1,567	1,560	7
Intrafund transfers	5,808	5,808	3,333	2,475
	1,318,968	1,318,968	1,282,220	36,748
Building Inspector				
Salaries and employee benefits	4,568,075	4,434,737	4,337,365	97,372
Services and supplies	394,439	348,439	217,080	131,359
Other financing uses	-	128,083	128,082	1
Intrafund transfers	957,737	1,010,737	996,069	14,668
Intrafund abatement	(25,000)	(25,000)	-	(25,000)
	5,895,251	5,896,996	5,678,596	218,400
Coroner				
Salaries and employee benefits	1,102,598	1,102,598	1,194,872	(92,274)
Services and supplies	257,885	257,885	486,296	(228,411)
Other charges	-	-	257	(257)
Intrafund transfers	-	-	75	(75)
	1,360,483	1,360,483	1,681,500	(321,017)
Emergency Services				
Salaries and employee benefits	809,395	809,395	1,198,148	(388,753)
Services and supplies	80,923	80,923	125,298	(44,375)
Other charges	558,852	558,852	449,770	109,082
	1,449,170	1,449,170	1,773,216	(324,046)
Recorder - Clerk				
Salaries and employee benefits	1,307,766	1,342,766	1,297,967	44,799
Services and supplies	211,746	191,746	150,992	40,754
Intrafund transfers	27,532	12,532	11,574	958
	1,547,044	1,547,044	1,460,533	86,511

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Planning and Zoning				
Salaries and employee benefits	6,476,597	6,427,597	5,946,895	480,702
Services and supplies	3,965,830	4,302,266	1,666,738	2,635,528
Other charges	179,919	214,919	198,233	16,686
Other financing uses	-	143,083	141,801	1,282
Intrafund transfers	1,254,523	1,271,523	1,268,130	3,393
Intrafund abatement	(1,577,271)	(1,624,971)	(1,578,858)	(46,113)
	10,299,598	10,734,417	7,642,939	3,091,478
Animal Services				
Salaries and employee benefits	1,664,641	1,664,641	1,622,808	41,833
Services and supplies	553,264	553,264	445,896	107,368
Other charges	141,584	141,584	126,354	15,230
Fixed assets	6,000	6,000	-	6,000
Other financing uses	15,000	15,000	-	15,000
Intrafund transfers	354,397	415,174	372,673	42,501
	2,734,886	2,795,663	2,567,731	227,932
Public Guardian				
Salaries and employee benefits	1,463,226	1,463,226	1,412,528	50,698
Services and supplies	133,759	133,759	258,388	(124,629)
Other charges	45,262	45,262	34,219	11,043
Intrafund transfers	281,098	567,989	304,661	263,328
	1,923,345	2,210,236	2,009,796	200,440
Cemeteries				
Salaries and employee benefits	62,919	62,919	51,520	11,399
Services and supplies	16,482	16,482	4,705	11,777
Other charges	236	236	249	(13)
Intrafund transfers	11,636	13,336	15,899	(2,563)
	91,273	92,973	72,373	20,600
Public Protection	122,217,136	123,305,355	114,863,867	8,441,488
Health and Sanitation				
Environmental Management				
Salaries and employee benefits	1,269,641	1,283,641	1,230,999	52,642
Services and supplies	212,590	284,016	129,300	154,716
Other charges	1,370,721	1,370,721	268,516	1,102,205
Fixed assets	55,000	55,000	-	55,000
Intrafund transfers	434,290	400,290	229,222	171,068
Intrafund abatement	(171,504)	(171,504)	(1,167)	(170,337)
	3,170,738	3,222,164	1,856,870	1,365,294
Health and Sanitation	3,170,738	3,222,164	1,856,870	1,365,294
Public Assistance				
Social Services Administration				
Salaries and employee benefits	13,775,087	13,868,985	12,877,725	991,260
Services and supplies	1,630,124	2,037,088	1,195,185	841,903
Other charges	1,103,678	1,434,462	1,015,110	419,352
Intrafund transfers	4,653,464	4,843,255	4,688,823	154,432
	21,162,353	22,183,790	19,776,843	2,406,947

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Social Services Programs				
Salaries and employee benefits	5,451,688	5,879,472	5,783,831	95,641
Services and supplies	481,605	621,305	401,753	219,552
Other charges	3,705,741	3,742,741	2,939,639	803,102
Intrafund transfers	1,800	39,029	412	38,617
	9,640,834	10,282,547	9,125,635	1,156,912
Categorical Aids				
Other charges	20,560,680	20,560,680	17,650,897	2,909,783
	20,560,680	20,560,680	17,650,897	2,909,783
Aid to Indigents				
Services and supplies	4,600	4,600	3,451	1,149
Other charges	120,240	120,240	162,327	(42,087)
	124,840	124,840	165,778	(40,938)
Veterans' Services				
Salaries and employee benefits	395,257	410,319	395,507	14,812
Services and supplies	79,544	78,171	72,428	5,743
Intrafund transfers	2,829	4,740	4,357	383
	477,630	493,230	472,292	20,938
Public Assistance	51,966,337	53,645,087	47,191,445	6,453,642
Education				
County Library				
Salaries and employee benefits	2,813,815	2,730,425	2,538,580	191,845
Services and supplies	729,956	843,592	670,783	172,809
Other charges	2,000	4,000	3,711	289
Intrafund transfers	22,057	36,157	35,327	830
	3,567,828	3,614,174	3,248,401	365,773
Education	3,567,828	3,614,174	3,248,401	365,773
Recreation and Cultural Services				
Recreation				
Salaries and employee benefits	584,550	577,550	488,992	88,558
Services and supplies	719,889	719,889	550,066	169,823
Other charges	177,331	161,331	100,002	61,329
Fixed assets	101,000	117,000	112,601	4,399
Intrafund transfers	15,900	22,900	28,241	(5,341)
	1,598,670	1,598,670	1,279,902	318,768
Historical Museum				
Salaries and employee benefits	104,281	104,281	102,524	1,757
Services and supplies	39,132	39,132	34,301	4,831
Intrafund transfers	500	12,510	12,239	271
	143,913	155,923	149,064	6,859
Recreation and Cultural Services	1,742,583	1,754,593	1,428,966	325,627

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Contingency				
Contingency				
Appropriation for contingencies	6,720,000	6,123,298	-	6,123,298
	6,720,000	6,123,298	-	6,123,298
Contingency	6,720,000	6,123,298	-	6,123,298
Total charges to appropriations	264,611,616	270,051,421	230,294,601	39,756,820
Budgetary fund balance, June 30	$ -	$ -	$ 31,207,892	$ 31,207,892

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
For the Year Ended June 30, 2016

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	$ 261,502,493
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	(29,616,580)
Transfers in from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(33,285,174)
Interfund revenues from other governmental funds are inflows of budgetary resources, but are eliminated for financial reporting purposes	(11,915,301)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	$ 186,685,438
Uses/outflows of resources:	
Actual amount (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 230,294,601
Difference budget to GAAP	
Transfers out to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(18,534,713)
Interfund expenditures to other governmental funds are outflows of budgetary resources, but are eliminated for financial reporting purposes	(11,915,301)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	$ 199,844,587

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Budgetary fund balances, July 1	$ 8,526,230	$ 8,436,410	$ 8,436,410	$ -
Resources (inflows):				
Taxes and assessments	53,160	53,160	176,088	122,928
Licenses, permits and franchises	661,609	661,609	832,658	171,049
Revenue from use of money and property	32,821	32,821	41,033	8,212
Intergovernmental revenues-State	9,156,105	9,156,105	8,827,308	(328,797)
Intergovernmental revenues-Federal	19,948,156	19,023,371	14,395,193	(4,628,178)
Revenue other governmental agencies	-	-	583,527	583,527
Charges for services	5,676,338	5,370,943	2,794,449	(2,576,494)
Miscellaneous revenues	2,141,919	73,665	229,896	156,231
Other financing sources	26,018,877	29,460,208	23,769,553	(5,690,655)
	63,688,985	63,831,882	51,649,705	(12,182,177)
Amounts available for appropriations	72,215,215	72,268,292	60,086,115	(12,182,177)
Charges to appropriations (outflows):				
Public ways and facilities				
Salaries and employee benefits	17,099,159	17,107,559	16,480,510	627,049
Services and supplies	43,045,026	41,977,026	30,532,266	11,444,760
Other charges	8,520,817	9,555,817	7,366,352	2,189,465
Fixed assets	4,090,044	4,132,721	2,099,394	2,033,327
Other financing uses	25,720	60,720	59,094	1,626
Intrafund transfers	6,867,093	6,761,313	6,235,546	525,767
Intrafund abatement	(7,432,644)	(7,326,864)	(6,915,439)	(411,425)
Public ways and facilities	72,215,215	72,268,292	55,857,723	16,410,569
Total charges to appropriations	72,215,215	72,268,292	55,857,723	16,410,569
Budgetary fund balance, June 30	$ -	$ -	$ 4,228,392	$ 4,228,392

COUNTY OF EL DORADO

Required Supplementary Information
Budgetary Comparison Schedule
Road Fund (Continued)
For the Year Ended June 30, 2016

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

<u>Sources/inflows of resources:</u>	
Actual amount (budgetary basis) "available for appropriations" from the budgetary comparison schedule	$ 60,086,115
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	(8,436,410)
Transfers in from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(23,726,176)
Interfund revenues from other governmental funds are inflows of budgetary resources, but are eliminated for financial reporting purposes	(1,932,615)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	$ 25,990,914
<u>Uses/outflows of resources:</u>	
Actual amount (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 55,857,723
Difference budget to GAAP	
Transfers out to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(59,094)
Interfund expenditures to other governmental funds are outflows of budgetary resources, but are eliminated for financial reporting purposes	(1,932,615)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	$ 53,866,014

Required Supplementary Information
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2016

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 ensuring 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.

SUPPLEMENTARY INFORMATION

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COUNTY OF EL DORADO

Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	Fleet Management	Risk Management Authority	Total
ASSETS			
Current Assets:			
Cash and investments	$ 2,072,012	$ 31,000,948	$ 33,072,960
Accounts receivable	22	-	22
Deposits	-	83,100	83,100
Inventories	35,366	-	35,366
Prepaid expenses	-	2,295,789	2,295,789
Total Current Assets	2,107,400	33,379,837	35,487,237
Capital Assets:			
Land	40,000	-	40,000
Structures and improvements	82,525	-	82,525
Equipment	12,255,890	40,595	12,296,485
Accumulated depreciation	(5,126,727)	(27,787)	(5,154,514)
Total Capital Assets, net of Accumulated Depreciation	7,251,688	12,808	7,264,496
Total Assets	9,359,088	33,392,645	42,751,733
LIABILITIES			
Current Liabilities:			
Accounts payable	34,185	721,102	755,287
Salaries and benefits payable	17,348	31,406	48,754
Due to other funds	-	904,000	904,000
Liability for self-insurance	-	4,384,634	4,384,634
Compensated absences - due within one year	2,722	4,406	7,128
Total Current Liabilities	54,255	6,045,548	6,099,803
Long-Term Liabilities:			
Liability for self-insurance	-	13,586,366	13,586,366
Liability for Other post employment benefits	-	81,494,226	81,494,226
Compensated absences - due beyond one year	24,495	39,651	64,146
Total Long-Term Liabilities	24,495	95,120,243	95,144,738
Total Liabilities	78,750	101,165,791	101,244,541
NET POSITION			
Net investment in capital assets	7,251,688	12,808	7,264,496
Restricted	2,035,481	-	2,035,481
Unrestricted	(6,831)	(67,785,954)	(67,792,785)
Total Net Position	$ 9,280,338	$ (67,773,146)	$ (58,492,808)

COUNTY OF EL DORADO

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2016

	Fleet Management	Risk Management Authority	Total
Operating Revenues:			
Service fees	$ 2,220,798	$ 38,324,316	$ 40,545,114
Operating Expenses:			
Salaries and benefits	338,035	566,095	904,130
Services and supplies	670,292	43,596,907	44,267,199
Depreciation	831,621	2,775	834,396
Total Operating Expenses	1,839,948	44,165,777	46,005,725
Operating Income (Loss)	380,850	(5,841,461)	(5,460,611)
Non-Operating Revenues (Expenses):			
Interest income	8,276	112,906	121,182
Gain (loss) on sale of capital assets	(128,108)	-	(128,108)
Miscellaneous nonoperating revenues	-	738,106	738,106
Total NonOperating Revenues (Expenses)	(119,832)	851,012	731,180
Income (Loss) Before Transfers and Capital Contributions	261,018	(4,990,449)	(4,729,431)
Transfers in	164,560	-	164,560
Capital contributions	31,412	-	31,412
Change in Net Position	456,990	(4,990,449)	(4,533,459)
Net Position - Beginning of Year	8,823,348	(62,782,697)	(53,959,349)
Net Position - End of Year	$ 9,280,338	$ (67,773,146)	$ (58,492,808)

COUNTY OF EL DORADO

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

	Fleet Management	Risk Management Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from internal fund services provided	$ 2,221,168	$ 38,324,316	$ 40,545,484
Cash paid to suppliers for goods and services	(650,701)	(36,480,099)	(37,130,800)
Cash paid to employees for services	(330,839)	(551,264)	(882,103)
Net cash provided (used) by opertaing activities	1,239,628	1,292,953	2,532,581
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Fleet rate rebate			-
Cash received from (paid to) other funds	164,560	(464,000)	(299,440)
Non operating receipts	-	738,106	738,106
Net cash provided (used) by noncapital financing activities	164,560	274,106	438,666
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	248,483	-	248,483
Payments related to the acquisition of capital assets	(1,768,510)	-	(1,768,510)
Net cash provided (used) by capital and related financing activities	(1,520,027)	-	(1,520,027)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	8,276	112,906	121,182
Net cash provided (used) by investing activities	8,276	112,906	121,182
Net Increase (Decrease) in Cash and Cash Equivalents	(107,563)	1,679,965	1,572,402
Cash and Cash Equivalents, Beginning of Year	2,179,575	29,320,983	31,500,558
Cash and Cash Equivalents, End of year	$ 2,072,012	$ 31,000,948	$ 33,072,960

Continued

COUNTY OF EL DORADO

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2016

	Fleet Management	Risk Management Authority	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ 380,850	$ (5,841,461)	$ (5,460,611)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	831,621	2,775	834,396
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	370	-	370
Inventory	4,819	-	4,819
Prepaid expenses & Deposits	-	(128,510)	(128,510)
Increase (decrease) in:			
Accounts payable	14,772	365,682	380,454
Salaries payable	3,293	9,413	12,706
Liability for compensensated absences	3,903	5,418	9,321
Liability for self-insurance	-	1,007,000	1,007,000
Liability for other post employment benefits (OPEB)	-	5,872,636	5,872,636
Net Cash Provided (Used) by Operating Activities	$ 1,239,628	$ 1,292,953	$ 2,532,581

MAZE & ASSOCIATES

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 El Dorado County, California, as of and for the year ended June 30, 2016, and have issued our report thereon dated March 23, 2017. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are listed as finding 2016-01 in our separately issued Memorandum on Internal Control dated March 23, 2017, which is an integral part of our audit and should be read in conjunction with this report.

County's Response to Findings

The County's response to the finding identified in our audit is described in our separately issued Memorandum on Internal Control dated March 23, 2017, which is an integral part of our audit and should be read in conjunction with this report. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Maze + Associates

Pleasant Hill, California
March 23, 2017