

**COUNTY OF TEHAMA,
CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2012**

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COUNTY OF TEHAMA
Annual Financial Report
For the Year Ended June 30, 2012

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INTRODUCTORY SECTION

- **County Officials**

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COUNTY OF TEHAMA
County Officials
For the Year Ended June 30, 2012

ELECTED OFFICIALS

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

DEPARTMENT DIRECTORS/ADMINISTRATORS

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

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Tehama, California (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

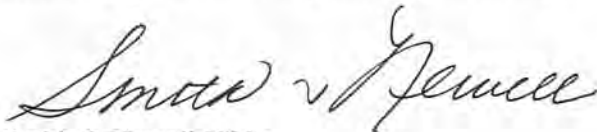
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2013, 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 and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Smith & Newell CPAs
Yuba City, California
February 21, 2013

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

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COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

This section of the County of Tehama (County) annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2012. It should be read in conjunction with the County's basic financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$251,625,287 (net assets). Of this amount, \$26,935,591 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$7,082,239 during the year.
- As of June 30, 2012 the County's governmental funds combined ending fund balances were \$54,073,648. This is a net increase of \$4,819,723, from the prior year, and is comprised of \$24,148,286 in Non-spendable and/or Restricted fund balance and \$29,925,362 as Committed, Assigned or Unassigned.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

A. Financial Reporting Model

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

B. Government-Wide Financial Statements

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

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

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

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

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

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

C. Fund Financial Statements

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

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

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

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

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

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

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

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

D. Required Supplementary Information

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

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets June 30, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 75,795,737	\$ 70,320,788	\$ (289,344)	\$ (801,360)	\$ 75,506,393	\$ 69,519,428
Capital assets	197,923,353	197,519,068	1,015,290	1,054,510	198,938,643	198,573,578
Total Assets	273,719,090	267,839,856	725,946	253,150	274,445,036	268,093,006
Current and other liabilities	11,742,014	12,059,950	7,202	10,778	11,749,216	12,070,728
Long term liabilities	10,632,533	11,028,230	438,000	451,000	11,070,533	11,479,230
Total Liabilities	22,374,547	23,088,180	445,202	461,778	22,819,749	23,549,958
Invested in capital assets, net	190,980,970	190,238,632	577,290	603,510	191,558,260	190,842,142
Restricted	33,131,436	27,357,243	-	-	33,131,436	27,357,243
Unrestricted	27,232,137	27,155,801	(296,546)	(812,138)	26,935,591	26,343,663
Total Net Assets	\$ 251,344,543	\$ 244,751,676	\$ 280,744	\$ (208,628)	\$ 251,625,287	\$ 244,543,048

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

Restricted net assets of \$33,131,436 represent resources that are subject to external restrictions on how they may be used.

Unrestricted net assets of \$26,935,591 represent 10.7% of the total net assets and may be used to meet the County's ongoing obligations to citizens and creditors.

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

Statement of Activities For the Year Ended June 30, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues						
Charges for services	\$23,641,425	\$23,944,074	\$170,740	\$160,854	\$23,812,165	\$24,104,928
Grants and Contributions	67,319,177	67,084,449	647,168	232,309	67,966,345	67,316,758
General revenues:						
Property taxes	18,283,263	18,154,447	0	0	18,283,263	18,154,447
Other taxes	3,473,122	3,306,498	0	0	3,473,122	3,306,498
Interest and Investment Earnings	608,491	761,012	270	401	608,761	761,413
Other revenue	1,189,993	1,057,061	422	8,180	1,190,415	1,065,241
Total Revenues	114,515,471	114,307,541	818,600	401,744	115,334,071	114,709,285
Expenses:						
General government	16,633,843	17,489,942	0	0	16,633,843	17,489,942
Public protection	28,336,653	28,057,092	0	0	28,336,653	28,057,092
Public ways and facilities	8,212,429	8,823,540	0	0	8,212,429	8,823,540
Health and Sanitation	17,628,423	17,736,136	0	0	17,628,423	17,736,136
Public assistance	36,548,594	37,529,192	0	0	36,548,594	37,529,192
Education	650,585	705,903	0	0	650,585	705,903
Culture and recreation	290,928	299,453	0	0	290,928	299,453
Interest and fiscal charges	357,011	345,660	0	0	357,011	345,660
Health Center	0	0	116,724	82,988	116,724	82,988
Sanitation District	0	0	212,504	64,426	212,504	64,426
Total Expenses	108,658,466	110,986,918	329,228	147,414	108,987,694	111,134,332
Changes in net assets	5,857,005	3,320,623	489,372	254,330	6,346,377	3,574,953
Net assets, beginning	244,751,676	241,431,053	(208,628)	(462,958)	244,543,048	240,968,095
Prior period adjustment	735,862	0	0	0	735,862	0
Net assets, ending	\$251,344,543	\$244,751,676	\$280,744	(\$208,628)	\$251,625,287	\$244,543,048

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

- Governmental activities accounted for 93.1% of the \$7,082,239 increase in net assets, and Business-Type activities accounted for 6.9%.
- Revenues increased slightly in Property Tax and Other Taxes, and Other revenue.
- There was a significant decrease in expenditures for Public Ways and Facilities, General Government and Public Assistance.

IV. FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

At June 30, 2012, the County's governmental funds reported combined ending fund balances of \$54,073,648. Approximately 55.8% of this total amount, or \$29,925,362, constitutes unrestricted fund balance which may be used to meet the County's ongoing general obligation to citizens and creditors

The General Fund is the main operating fund of the County. At June 30, 2012, unrestricted fund balance of the general fund was \$20,034,796, while total fund balance reached \$22,804,643. As a measure of the General Fund's liquidity, the unrestricted fund balance represents 83.95% of \$23,863,439 in total fund expenditures, and total fund balance is 96% of that same amount.

The following Special Revenue Funds can be viewed a little differently. Here, all restricted fund balance, as defined by GASB-54, is also available for operations except non-spendable amounts.

The Road Fund is used to account for all revenues and expenditures associated with design, construction, and maintenance of County road infrastructure. The Road Fund had a fund balance of \$6,535,733. Of this amount \$5,960,371 is available and the remaining \$575,362 is in the form of inventory and is non-spendable. The overall fund balance increased by \$519,897.

The Public Safety Fund is used to account for all revenues and expenditures associated with public protection programs. The Public Safety Fund has a total fund balance of \$2,486,593. Of this amount, \$2,425,313 is available and the balance of \$61,280 is non-spendable. The overall fund balance increased by \$812,477.

The Public Assistance Fund is used to account for all revenues and expenditures associated with the Federal and State mandates of various Health and Welfare Codes. At June 30, 2012, the total fund balance of the Public Assistance Fund was \$898,801. This represents an available fund balance of \$824,454 and an overall increase in fund balance of \$690,447. The overall fund balance increased by 331.3%.

The Health Services Fund is used to account for all revenues and expenditures associated with providing health services to County residents. The total fund balance of the Health Services Fund at June 30, 2012 was \$1,185,825. Of this amount \$1,164,240 is available for operations.

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

**Revenues Classified by Source
Governmental Funds**

Revenue sources	FY 2012		FY 2011		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 20,819,051	18%	\$ 20,538,208	18%	\$ 280,843	1%
Licenses and permits	2,539,717	2%	2,062,140	2%	477,577	23%
Fines & forfeitures	2,485,015	2%	2,705,612	2%	(220,597)	-8%
Use of money & property	578,845	1%	722,259	1%	(143,414)	-20%
Intergovernmental	66,395,723	58%	68,820,287	59%	(2,424,564)	-4%
Charges for services	19,554,027	17%	20,131,968	17%	(577,941)	-3%
Other	1,487,458	2%	1,333,974	1%	153,484	12%
Total	\$ 113,859,836	100%	\$ 116,314,448	100%	\$ (2,454,612)	-2%

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

Significant changes for major revenue sources are explained below:

- **LICENSES AND PERMITS** – There was a slight increase in Zoning Permits revenue and Solid Waste Franchise fees. But, the majority of the increase is attributable to a change in the accounting methodology for Air Pollution Control District revenues.
- **USE OF MONEY & PROPERTY** – As in prior years, continued lower cash balances and/or the falling interest rate resulted in a decrease in interest earned on most Funds.
- **OTHER** – Net of increases in General Fund, Road, Public Safety and Other Governmental Funds, and decreases in Public Assistance and Health Services.

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

<u>Expenditures by Function</u>	Expenditures by Function Governmental Funds					
	FY 2012		FY 2011		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General government	\$16,241,090	15%	\$16,883,811	15%	\$-642,721	-4%
Public protection	27,237,363	24%	27,130,788	24%	106,575	0%
Health and sanitation	17,458,489	15%	17,724,135	15%	-265,646	-1%
Public assistance	36,250,227	33%	37,681,008	33%	-1,430,781	-4%
Education	621,191	1%	689,214	1%	-68,023	-10%
Recreation and cultural services	247,004	0%	240,082	0%	6,922	3%
Public ways and facilities	7,702,249	7%	8,108,399	7%	-406,150	-5%
Debt Service: Principal	356,791	0%	348,085	0%	8,706	3%
Debt Service: Interest & other	360,803	0%	349,335	0%	11,468	3%
Capital outlay	3,399,492	5%	5,316,759	5%	-1,917,267	-36%
Total Expenditures	\$109,874,699	100%	\$114,471,616	100%	-4,596,917	-4%

Significant changes for major functions are explained below:

EDUCATION – The change is largely attributable to budget cuts in the Library salaries and service & supplies. Also, the Ag Extension service purchased a vehicle last year.

CAPITAL OUTLAY – Change is largely a result of a significant decrease in Road projects. Increases in Health Agency (equipment), Transportation (bus shelters) and Public Safety (vehicles) were offset by a decrease in Public Assistance (computers last year).

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

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

In 2005, the Skilled Nursing Facility assets were transferred into the Special Revenue Fund called the Health Services Fund. At that time, the Enterprise Fund for the Skilled Nursing Facility was kept open to account for closing costs. Currently, the County's General Fund is responsible for the remaining cash deficit of \$355,751. This debt will be paid in full in FY 12/13.

V. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final budget showed an increase in revenue of \$214,656. The increase to the final revenue budget is mostly due to grant revenue in Office of Emergency Services (Homeland Security), Property Planning and Management (ARRA), Agriculture Services and Environmental Health. There was a corresponding increase to expense budgets in these departments, along with other minor adjustments, resulting in a net increase of \$217,168.

During the year, actual revenues were more than budgetary estimates by \$1,932,056. Actual expenditures and transfers were less than budgetary estimates by \$5,759,702. The net effect of over-realization of revenues and under-utilization of appropriations resulted in a positive variance of \$8,427,620, providing fund balance carry-over to partially fill the budget gap in fiscal year 2012/13.

VI. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The County's investment in capital assets for its governmental and business type activities as of June 30, 2012 amounts to \$198,938,643 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, equipment, construction-in-progress, and some infrastructure.

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. The County has elected to use the modified approach for infrastructure to report its infrastructure, which includes its roads, signs and markings, bridges and culverts \$156,829,839. The infrastructure assets reported under the modified approach are not subject to depreciation per GASB Statement No. 34.

There were no significant changes in the assessed condition of the County's maintained road subsystem from the prior year. The assessed condition maintained by the County agreed with the County's policy to maintain at least 75 percent of its road system at fair or better condition. The assessment as of June 30, 2012 lists the majority of road conditions as either good or fair, bridges are listed as good or fair, and signs are listed in good to excellent condition.

More detailed information about the County's capital assets is presented in Note 4 of the basic financial statements and the Required Supplementary Information on pages 49-52 of this report.

B. Long-Term Debt

At June 30, 2012, the County had a total long-term debt outstanding of \$11,070,533. The debt consists of \$6,921,573 in Certificates of Participation (COP), capital lease obligations of \$20,810, and bonds payable of \$438,000. Additional long-term liability includes a compensated leave payable of \$3,690,150.

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

COUNTY OF TEHAMA

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

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

The County adopted its fiscal year 2012-2013 final appropriation budget in the total amount of \$136,390,095 (net of operating transfers totaling \$17,981,519). The General Fund contingency was \$1,694,612. This represents an increased financing requirement of \$13.6 million from the prior year.

Administration made the following observations in their Budget Overview:

"Balancing the budget relies on the use of funds currently in a designation as fund balance carryover and revenue appropriations will not be sufficient to meet expenditure appropriations in the General Fund. The remaining level of reserves and designations will continue to exceed those required by Board policy. Also incorporated in the Final Budget is the impact of the Joint Council bargaining unit agreeing to additional employee contributions to CalPERS beginning on July 1, 2012. It is important that the Board continue to negotiate similar concessions with the other bargaining units in order to align future budget appropriations with revenues.

This budget has been prepared with the assumption that State funding of the 2011 Public Safety Realignment, also known as AB 109, will remain stable or increase, and that the costs for developing new programs and facilities related to AB 109 will not exceed the allocation of State funding. It is important that the county maintain healthy reserves, given the State's history and current financial difficulties, as these assumptions may prove overly optimistic."

The General Fund budget requirements were \$1,323,202 more than the prior year. Fund balance carry over from the prior year was insufficient to fill the budget gap. Therefore, \$2,473,724 of obligated funds, which had been committed for the now implemented compensation study, were cancelled. A portion of those funds, \$500,000, were assigned for capital assets. The balance was applied to the current year budget. The budget for contingencies in the General Fund was decreased by \$1 million.

The Road Fund appropriations budget increased by \$10 million. Most of the increase is in Professional Services (projects), along with an increase in budget for right of way payments and vehicles.

The Public Safety appropriations budget increased by \$1.7 million primarily in the Sheriff, Jail, and Probation departments. This is reflective of the impact of the prisoner release program by the state.

The Social Service budget increase was primarily in the area of Public Assistance.

The Capital Outlay budget saw an increase of \$1,213,110 due to the addition of appropriations for projects at the Jail, Library, and historic Courthouse building. The 12/13 budget included a General Fund contribution to Capital Outlay in the amount of \$1,173,607.

The Health Service budget decreased slightly overall, with the bulk of the decrease in Mental Health programs.

Basic Financial Statements

- **Government-Wide Financial Statements**

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COUNTY OF TEHAMA
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 59,517,997	\$ 66,407	\$ 59,584,404
Cash with fiscal agent	5,169,940	-	5,169,940
Accounts receivable	140,813	-	140,813
Taxes receivable	163,259	-	163,259
Due from other governments	8,684,308	-	8,684,308
Internal balances	355,751	(355,751)	-
Advances to fiduciary funds	117,818	-	117,818
Deposits with others	35,900	-	35,900
Inventory	575,362	-	575,362
Prepaid costs	1,034,589	-	1,034,589
Capital assets:			
Non-depreciable	158,802,260	38,047	158,840,307
Depreciable, net	39,121,093	977,243	40,098,336
Total capital assets	<u>197,923,353</u>	<u>1,015,290</u>	<u>198,938,643</u>
Total Assets	<u>273,719,090</u>	<u>725,946</u>	<u>274,445,036</u>
LIABILITIES			
Accounts payable	1,174,234	632	1,174,866
Accrued salaries and benefits	1,800,577	-	1,800,577
Due to other governments	6,447	-	6,447
Accrued interest payable	81,394	6,570	87,964
Deposits payable	213,987	-	213,987
Unearned revenue	7,543,188	-	7,543,188
Accrued claims liability	922,187	-	922,187
Long-term liabilities:			
Due within one year	3,619,562	14,000	3,633,562
Due in more than one year	<u>7,012,971</u>	<u>424,000</u>	<u>7,436,971</u>
Total Liabilities	<u>22,374,547</u>	<u>445,202</u>	<u>22,819,749</u>
NET ASSETS			
Invested in capital assets, net of related debt	190,980,970	577,290	191,558,260
Restricted for:			
General government	1,286,981	-	1,286,981
Public protection	9,291,405	-	9,291,405
Health and welfare	1,618,474	-	1,618,474
Public assistance	2,197,811	-	2,197,811
Culture and recreation	2,725	-	2,725
Public ways and facilities	8,843,474	-	8,843,474
Debt service	2,803,567	-	2,803,567
Capital projects	7,086,999	-	7,086,999
Unrestricted	<u>27,232,137</u>	<u>(296,546)</u>	<u>26,935,591</u>
Total Net Assets	<u>\$251,344,543</u>	<u>\$ 280,744</u>	<u>\$251,625,287</u>

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

COUNTY OF TEHAMA
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 16,633,843	\$ 13,401,928	\$ 1,373,330	\$ 32,519
Public protection	28,336,653	2,202,648	9,516,364	-
Health and welfare	17,628,423	6,817,647	10,506,776	-
Public assistance	36,548,594	204,427	34,456,552	-
Education	650,585	9,270	10,000	-
Culture and recreation	290,928	37,940	15,399	-
Public ways and facilities	8,212,429	967,565	9,477,992	1,930,245
Interest on long-term debt	357,011	-	-	-
Total Governmental Activities	108,658,466	23,641,425	65,356,413	1,962,764
Business-type activities:				
Health Center	116,724	-	647,168	-
Tehama County Sanitation District #1	212,504	170,740	-	-
Total Business-Type Activities	329,228	170,740	647,168	-
Total	\$ 108,987,694	\$ 23,812,165	\$ 66,003,581	\$ 1,962,764

General revenues:

Taxes:

 Property taxes
 Sales and use taxes
 Franchise taxes
 Other taxes

Interest and investment earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Prior period adjustment

Net Assets - Beginning, Restated

Net Assets - Ending

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

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

Governmental Activities	Business- Type Activities	Total
\$ (1,826,066)	\$ -	\$ (1,826,066)
(16,617,641)	-	(16,617,641)
(304,000)	-	(304,000)
(1,887,615)	-	(1,887,615)
(631,315)	-	(631,315)
(237,589)	-	(237,589)
4,163,373	-	4,163,373
(357,011)	-	(357,011)
<u>(17,697,864)</u>	<u>-</u>	<u>(17,697,864)</u>
-	530,444	530,444
-	(41,764)	(41,764)
<u>-</u>	<u>488,680</u>	<u>488,680</u>
<u>(17,697,864)</u>	<u>488,680</u>	<u>(17,209,184)</u>
18,283,263	-	18,283,263
2,125,181	-	2,125,181
937,334	-	937,334
410,607	-	410,607
608,491	270	608,761
1,189,993	422	1,190,415
<u>23,554,869</u>	<u>692</u>	<u>23,555,561</u>
<u>5,857,005</u>	<u>489,372</u>	<u>6,346,377</u>
244,751,676	(208,628)	244,543,048
<u>735,862</u>	<u>-</u>	<u>735,862</u>
<u>245,487,538</u>	<u>(208,628)</u>	<u>245,278,910</u>
<u>\$251,344,543</u>	<u>\$ 280,744</u>	<u>\$251,625,287</u>

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Basic Financial Statements

- **Fund Financial Statements**

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COUNTY OF TEHAMA
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Road</u>	<u>Public Safety</u>	<u>Public Assistance</u>
ASSETS				
Cash and investments	\$ 19,549,094	\$ 6,105,352	\$ 3,300,321	\$ 6,856,279
Cash with fiscal agent	-	-	-	-
Accounts receivable	12,646	2,411	17,532	-
Taxes receivable	163,259	-	-	-
Due from other governments	1,800,901	1,105,773	1,310,511	715,799
Advances to other funds	4,003,099	-	-	-
Advances to fiduciary funds	107,818	-	-	-
Prepaid costs	873,544	-	61,280	74,347
Inventory	-	575,362	-	-
	<u>\$ 26,510,361</u>	<u>\$ 7,788,898</u>	<u>\$ 4,689,644</u>	<u>\$ 7,646,425</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 128,496	\$ 243,429	\$ 142,168	\$ 20,920
Accrued salaries and benefits	316,246	162,854	523,033	365,525
Due to other governments	-	-	2,250	-
Deposits payable	5,196	165,893	33,476	9,422
Advances from other funds	1,180,000	-	-	-
Unearned revenue	373,470	43,000	689,310	6,351,757
Deferred revenue	1,702,310	637,989	812,814	-
	<u>3,705,718</u>	<u>1,253,165</u>	<u>2,203,051</u>	<u>6,747,624</u>
Fund Balances:				
Nonspendable	907,416	575,362	61,280	74,347
Restricted	1,862,431	5,960,371	2,425,313	824,454
Committed	9,213,871	-	-	-
Assigned	1,744,302	-	-	-
Unassigned	9,076,623	-	-	-
	<u>22,804,643</u>	<u>6,535,733</u>	<u>2,486,593</u>	<u>898,801</u>
Total Fund Balances	<u>22,804,643</u>	<u>6,535,733</u>	<u>2,486,593</u>	<u>898,801</u>
Total Liabilities and Fund Balances	<u>\$ 26,510,361</u>	<u>\$ 7,788,898</u>	<u>\$ 4,689,644</u>	<u>\$ 7,646,425</u>

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

Health Services	Capital Projects	Other Governmental Funds	Total
\$ 4,127,507	\$ 4,688,384	\$10,557,835	\$55,184,772
-	2,366,373	2,803,567	5,169,940
70,729	-	37,495	140,813
-	-	-	163,259
3,663,470	32,519	55,335	8,684,308
-	-	-	4,003,099
-	-	10,000	117,818
21,585	-	3,833	1,034,589
-	-	-	575,362
<u>\$ 7,883,291</u>	<u>\$ 7,087,276</u>	<u>\$13,468,065</u>	<u>\$75,073,960</u>

\$ 374,238	\$ 277	\$ 211,880	\$ 1,121,408
345,766	-	74,443	1,787,867
267	-	3,930	6,447
-	-	-	213,987
2,467,348	-	-	3,647,348
-	-	85,651	7,543,188
3,509,847	-	17,107	6,680,067
<u>6,697,466</u>	<u>277</u>	<u>393,011</u>	<u>21,000,312</u>

21,585	-	3,833	1,643,823
1,164,240	-	10,267,654	22,504,463
-	7,086,999	2,803,567	19,104,437
-	-	-	1,744,302
-	-	-	9,076,623
<u>1,185,825</u>	<u>7,086,999</u>	<u>13,075,054</u>	<u>54,073,648</u>
<u>\$ 7,883,291</u>	<u>\$ 7,087,276</u>	<u>\$13,468,065</u>	<u>\$75,073,960</u>

COUNTY OF TEHAMA
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2012

Total Fund Balance - Total Governmental Funds	\$ 54,073,648
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	197,915,892
Deferred revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	6,680,067
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.	(81,394)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Certificates of participation, net of unamortized premium of \$31,573	(6,921,573)
Capital leases payable	(20,810)
Compensated absences	(3,674,692)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and equipment maintenance and operations, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>3,373,405</u>
Net Assets of Governmental Activities	<u><u>\$251,344,543</u></u>

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

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COUNTY OF TEHAMA
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Road</u>	<u>Public Safety</u>	<u>Public Assistance</u>
REVENUES				
Taxes	\$17,138,388	\$ -	\$ -	\$ -
Licenses and permits	1,432,721	8,455	31,871	-
Fines and forfeitures	1,682,430	-	17,644	-
Use of money and property	311,249	47,387	8,382	13,609
Intergovernmental	3,408,012	8,233,888	7,232,474	33,010,206
Charges for services	12,713,278	556,202	460,115	121,708
Other revenues	573,442	36,032	333,334	227,737
Total Revenues	<u>37,259,520</u>	<u>8,881,964</u>	<u>8,083,820</u>	<u>33,373,260</u>
EXPENDITURES				
Current:				
General government	16,231,692	-	-	-
Public protection	4,319,401	-	19,105,506	-
Health and welfare	1,512,059	-	-	-
Public assistance	657,834	-	-	33,662,684
Education	621,191	-	-	-
Culture and recreation	247,004	-	-	-
Public ways and facilities	2,680	6,304,941	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	25,835	-	-	-
Capital outlay	245,743	2,135,139	537,629	60,821
Total Expenditures	<u>23,863,439</u>	<u>8,440,080</u>	<u>19,643,135</u>	<u>33,723,505</u>
Excess of Revenues Over (Under) Expenditures	<u>13,396,081</u>	<u>441,884</u>	<u>(11,559,315)</u>	<u>(350,245)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	12,371,792	1,040,692
Transfers out	(13,830,463)	-	-	-
Debt proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>(13,830,463)</u>	<u>-</u>	<u>12,371,792</u>	<u>1,040,692</u>
Net Change in Fund Balances	<u>(434,382)</u>	<u>441,884</u>	<u>812,477</u>	<u>690,447</u>
Fund Balances - Beginning	22,503,163	6,015,836	1,674,116	208,354
Prior period adjustment	735,862	-	-	-
Fund Balances - Beginning, Restated	<u>23,239,025</u>	<u>6,015,836</u>	<u>1,674,116</u>	<u>208,354</u>
Change in inventory on purchases method	-	78,013	-	-
Fund Balances - Ending	<u>\$22,804,643</u>	<u>\$ 6,535,733</u>	<u>\$ 2,486,593</u>	<u>\$ 898,801</u>

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

Health Services	Capital Projects	Other Governmental Funds	Total
\$ -	\$ 4,134	\$ 3,676,529	\$20,819,051
-	-	1,066,670	2,539,717
370,503	76,572	337,866	2,485,015
11,492	41,320	145,406	578,845
9,615,692	32,519	4,862,932	66,395,723
5,356,450	-	346,274	19,554,027
133,686	1,500	181,727	1,487,458
<u>15,487,823</u>	<u>156,045</u>	<u>10,617,404</u>	<u>113,859,836</u>
-	3,768	5,630	16,241,090
-	-	3,812,456	27,237,363
14,913,141	-	1,033,289	17,458,489
-	-	1,929,709	36,250,227
-	-	-	621,191
-	-	-	247,004
-	-	1,394,628	7,702,249
11,791	-	345,000	356,791
1,808	-	333,160	360,803
188,466	46,707	184,987	3,399,492
<u>15,115,206</u>	<u>50,475</u>	<u>9,038,859</u>	<u>109,874,699</u>
<u>372,617</u>	<u>105,570</u>	<u>1,578,545</u>	<u>3,985,137</u>
107,286	-	310,693	13,830,463
-	-	-	(13,830,463)
20,711	-	-	20,711
<u>127,997</u>	<u>-</u>	<u>310,693</u>	<u>20,711</u>
<u>500,614</u>	<u>105,570</u>	<u>1,889,238</u>	<u>4,005,848</u>
685,211	6,981,429	11,185,816	49,253,925
-	-	-	735,862
<u>685,211</u>	<u>6,981,429</u>	<u>11,185,816</u>	<u>49,989,787</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>78,013</u>
<u>\$ 1,185,825</u>	<u>\$ 7,086,999</u>	<u>\$13,075,054</u>	<u>\$54,073,648</u>

COUNTY OF TEHAMA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 4,005,848

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

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

Expenditures for capital outlay	3,399,492
Depreciation expense	(2,699,226)
Other adjustments	(1,297)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. There were no significant proceeds.

(296,168)

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

Principal retirements	356,791
Debt proceeds	(20,711)

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

Change in deferred revenue	923,454
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Measurement focus adjustment for inventory reported using the purchases method in the governmental funds and reported using the consumption method in the Statement of Activities.

78,013

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

Change in accrued interest on long-term debt	3,792
Change in compensated absences payable	46,452
Amortization of premium	1,973

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

58,592

Change in Net Assets of Governmental Activities **\$ 5,857,005**

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

COUNTY OF TEHAMA
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Health</u>	<u>Other</u>	<u>Totals</u>	<u>Internal</u>
	<u>Center</u>	<u>Enterprise</u>		
		<u>Funds</u>		<u>Funds</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 1,177	\$ 65,230	\$ 66,407	\$ 4,333,225
Deposits with others	-	-	-	35,900
Total Current Assets	<u>1,177</u>	<u>65,230</u>	<u>66,407</u>	<u>4,369,125</u>
Noncurrent Assets:				
Capital assets:				
Non-depreciable	-	38,047	38,047	-
Depreciable, net	-	977,243	977,243	7,461
Total capital assets	<u>-</u>	<u>1,015,290</u>	<u>1,015,290</u>	<u>7,461</u>
Total Noncurrent Assets	<u>-</u>	<u>1,015,290</u>	<u>1,015,290</u>	<u>7,461</u>
Total Assets	<u>1,177</u>	<u>1,080,520</u>	<u>1,081,697</u>	<u>4,376,586</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	-	632	632	52,826
Accrued salaries and benefits	-	-	-	12,710
Accrued interest payable	-	6,570	6,570	-
Advances from other funds	355,751	-	355,751	-
Compensated absences payable	-	-	-	13,912
Bonds payable	-	14,000	14,000	-
Estimated claims liability	-	-	-	922,187
Total Current Liabilities	<u>355,751</u>	<u>21,202</u>	<u>376,953</u>	<u>1,001,635</u>
Noncurrent Liabilities:				
Compensated absences payable	-	-	-	1,546
Bonds payable	-	424,000	424,000	-
Total Noncurrent Liabilities	<u>-</u>	<u>424,000</u>	<u>424,000</u>	<u>1,546</u>
Total Liabilities	<u>355,751</u>	<u>445,202</u>	<u>800,953</u>	<u>1,003,181</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	577,290	577,290	7,461
Unrestricted	(354,574)	58,028	(296,546)	3,365,944
Total Net Assets	<u>\$ (354,574)</u>	<u>\$ 635,318</u>	<u>\$ 280,744</u>	<u>\$ 3,373,405</u>

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

COUNTY OF TEHAMA
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental
	Health Center	Other Enterprise Funds	Totals	Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ -	\$ 170,740	\$ 170,740	\$ 3,122,238
Other revenues	-	422	422	4,589
Total Operating Revenues	<u>-</u>	<u>171,162</u>	<u>171,162</u>	<u>3,126,827</u>
OPERATING EXPENSES				
Salaries and benefits	110,379	-	110,379	409,943
Services and supplies	-	148,829	148,829	-
Administration	-	-	-	75,584
Insurance	-	-	-	665,871
Professional services	-	4,660	4,660	161,908
Claims and judgments	-	-	-	1,781,058
Depreciation	-	39,220	39,220	3,517
Total Operating Expenses	<u>110,379</u>	<u>192,709</u>	<u>303,088</u>	<u>3,097,881</u>
Operating Income (Loss)	<u>(110,379)</u>	<u>(21,547)</u>	<u>(131,926)</u>	<u>28,946</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	10	260	270	29,646
Interest expense	(5,335)	(19,795)	(25,130)	-
Other non-operating revenues	647,168	-	647,168	-
Other non-operating expenses	(1,010)	-	(1,010)	-
Total Non-Operating Revenues (Expenses)	<u>640,833</u>	<u>(19,535)</u>	<u>621,298</u>	<u>29,646</u>
Income (Loss) Before Transfers	530,454	(41,082)	489,372	58,592
Transfers in	-	13,000	13,000	-
Transfers out	-	(13,000)	(13,000)	-
Change in Net Assets	530,454	(41,082)	489,372	58,592
Total Net Assets - Beginning	<u>(885,028)</u>	<u>676,400</u>	<u>(208,628)</u>	<u>3,314,813</u>
Total Net Assets - Ending	<u>\$ (354,574)</u>	<u>\$ 635,318</u>	<u>\$ 280,744</u>	<u>\$ 3,373,405</u>

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

COUNTY OF TEHAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental
	Health Center	Other	Totals	Internal
		Enterprise Funds		Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ -	\$ 171,162	\$ 171,162	\$ 3,126,827
Payments to suppliers	-	(156,870)	(156,870)	(2,684,719)
Payments to employees	(110,379)	-	(110,379)	(424,074)
Net Cash Provided (Used) by Operating Activities	<u>(110,379)</u>	<u>14,292</u>	<u>(96,087)</u>	<u>18,034</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund loans repaid	(887,205)	-	(887,205)	-
Interfund loans received	355,751	-	355,751	-
Non-operating revenues received	647,168	-	647,168	-
Non-operating expenses paid	(1,010)	-	(1,010)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>114,704</u>	<u>-</u>	<u>114,704</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	-	(13,000)	(13,000)	-
Interest paid on capital debt	(5,335)	(19,990)	(25,325)	-
Purchase of capital assets	-	-	-	(5,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,335)</u>	<u>(32,990)</u>	<u>(38,325)</u>	<u>(5,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	10	260	270	29,645
Net Cash Provided (Used) by Investing Activities	<u>10</u>	<u>260</u>	<u>270</u>	<u>29,645</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,000)	(18,438)	(19,438)	42,679
Balances - Beginning of Year	2,177	83,668	85,845	4,290,546
Balances - End of the Year	<u>\$ 1,177</u>	<u>\$ 65,230</u>	<u>\$ 66,407</u>	<u>\$ 4,333,225</u>

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

Continued (Page 1 of 2)

COUNTY OF TEHAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Health</u>	<u>Other</u>	<u>Totals</u>	<u>Internal</u>
		<u>Enterprise</u>		<u>Service</u>
	<u>Center</u>	<u>Funds</u>		<u>Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING				
ACTIVITIES				
Operating income (loss)	\$ (110,379)	\$ (21,547)	\$ (131,926)	\$ 28,946
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	39,220	39,220	3,517
Decrease (increase) in:				
Prepaid costs	-	-	-	6,129
Increase (decrease) in:				
Accounts payable	-	(3,381)	(3,381)	(15,203)
Accrued salaries and benefits	-	-	-	(2,939)
Compensated absences payable	-	-	-	(11,192)
Estimated claims liability	-	-	-	8,776
Net Cash Provided (Used) by Operating Activities	<u>\$ (110,379)</u>	<u>\$ 14,292</u>	<u>\$ (96,087)</u>	<u>\$ 18,034</u>

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

Continued (Page 2 of 2)

COUNTY OF TEHAMA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$39,687,143	\$16,722,367
Taxes receivable	-	6,157,666
Total Assets	39,687,143	22,880,033
LIABILITIES		
Advances from governmental funds	-	117,818
Agency obligations	-	22,762,215
Total Liabilities	-	22,880,033
NET ASSETS		
Net assets held in trust for investment pool participants	\$39,687,143	\$ -

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

COUNTY OF TEHAMA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	<u>Investment Trust Funds</u>
ADDITIONS	
Contributions:	
Contributions to investment pool	\$ 7,015,128
Total Additions	<u>7,015,128</u>
DEDUCTIONS	
Distributions from investment pool	<u>10,975,073</u>
Total Deductions	<u>10,975,073</u>
Change in Net Assets	(3,959,945)
Net Assets - Beginning	<u>43,647,088</u>
Net Assets - Ending	<u><u>\$39,687,143</u></u>

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

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COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

As required by GAAP, these financial statements present the County and its component units, entities for which the government is considered to be financially accountable.

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

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

The blended component unit's governing bodies are substantively the same as the governing body of the primary government. Component units that are blended into the reporting activity types of the County's report are presented below:

Special Revenue Funds:

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

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

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

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Enterprise Funds:

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

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

The County reports the following major proprietary funds:

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

The County reports the following additional fund types:

- Internal Service Funds account for the County's risk management and self insurance programs which provide services to other departments on a cost reimbursement basis.
- The Investment Trust Funds account for the assets of legally separate entities that deposit cash with the County Treasurer. The assets of these funds are held in trust for other agencies and are part of the County's external pool. The external investment pool is made up of two separate funds: Special Districts governed by Local Boards and School Districts. The County is obligated to disburse monies from these funds on demand.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

- Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the County, acting in the capacity of an agent for distribution to other governmental units or other organizations. The agency funds maintained by the County are presented in one component.

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

C. Basis of Accounting and Measurement Focus

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements for the business-type activities and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

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

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

D. Non-Current Governmental Assets/Liabilities

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

E. Cash, Cash Equivalents and Investments

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

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

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements, as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2012, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents and Investments (Continued)

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

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

F. Receivables

Accounts Receivable

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

G. Other Assets

Inventory

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

Prepaid Items

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

H. Capital Assets

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

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

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

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

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

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

I. Property Tax

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

The County of Tehama assesses properties and bills for and collects property taxes as follows:

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

The term “unsecured” refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within thirty days after fiscal year end.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Tax (Continued)

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

The County is legally required to maintain a minimum balance of 1% of the annual taxes levied on properties participating in the Teeter Plan. The balance in the TLRF was \$1,309,276 at June 30, 2012. The County’s management believes that any ownership rights to the TLRF the County may have are effective only upon a Board approved transfer or to the extent of losses related to the sale of tax defaulted property. Amounts in the TLRF are considered to be held in a custodial capacity for the participants in the County’s Teeter Plan and accounted for in an agency fund.

J. Interfund Transactions

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

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

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

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

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

K. Unearned Revenue/Deferred Revenue

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete. Those assets are offset by a corresponding liability for unearned revenue.

Deferred revenue is recorded under the modified accrual basis of accounting when revenue which has been earned during the current period has met the measurable criteria but has not met the available criteria.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

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

M. Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Restatement of Net Assets/Fund Balance

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the County reports these changes as restatements to beginning net assets/fund balances. During the current year an adjustment to fund balance in the General fund was required to correct a prior year misstatement of prepaid items.

The impact of the restatement on the net assets on the governmental activities financial statements as previously reported is presented below:

	Governmental Activities
Net Assets, June 30, 2011, as previously reported	\$ 244,751,676
Adjustment associated with:	
Correction of prepaid items	735,862
Total Adjustment	735,862
Net Assets, July 1, 2011, as restated	\$ 245,487,538

The impact of the restatement on the fund balances on the fund financial statements as previously reported is presented below:

	General Fund
Fund Balance, June 30, 2011, as previously reported	\$ 22,503,163
Adjustment associated with:	
Correction of prepaid item	735,862
Total Adjustment	735,862
Fund Balance, July 1, 2011, as restated	\$ 23,239,025

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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

B. Deficit Fund Balance/Net Assets

The following major enterprise fund had deficit net assets:

The Health Center fund had a net asset deficit of \$354,574. The deficit is primarily the responsibility of the General fund. The skilled nursing facility was officially closed on August 31, 2004.

C. Rebatable Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. At June 30, 2012, the County does not expect to incur a liability.

D. Gann Spending Limitation

Under Article XIII B of the California Constitution (the Gann Spending Limitation), the County is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

NOTE 3: CASH AND INVESTMENTS

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

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

The County sponsored investment pool includes both internal and external participants. The portion of the pool attributable to external pool participants, which are considered involuntary participants, are included in the primary government as an Investment Trust Fund which does not have separate financial reports. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The net assets value of involuntary participation in the investment pool totaled \$39,687,143 at June 30, 2012.

A. Financial Statement Presentation

As of June 30, 2012, the County's cash and investments are reported in the financial statements as follows:

Primary government	\$ 64,754,344
Investment trust funds	39,687,143
Agency funds	<u>16,722,367</u>
Total Cash	<u>\$ 121,163,854</u>

As of June 30, 2012, the County's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 9,261
Deposits (less outstanding warrants)	<u>5,083,786</u>
Total Cash in County Pool	<u>5,093,047</u>
Deposits with fiscal agents	<u>5,169,940</u>
Total Cash	<u>10,262,987</u>
Investments:	
In Treasurer's Pool	<u>110,900,867</u>
Total Investments	<u>110,900,867</u>
Total Cash and Investments	<u>\$ 121,163,854</u>

B. Cash

At year end, the carrying amount of the County's cash deposits (including amount in checking accounts, money market accounts, certificates of deposit, and deposits with fiscal agents) was \$10,253,726 and the bank balance was \$10,856,829. The difference between the bank balance and the carrying amount represents outstanding warrants and deposits in transit. In addition the County had cash on hand of \$9,261.

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments

Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund
- Mutual Funds
- Medium Term Corporate Notes
- Money Market Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements/Reverse Repurchase Agreements
- Securities of the Federal Government or its Agencies.

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to 5 years or less.

As of June 30, 2012, the County had the following investments, all of which had a maturity of five years or less:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years		
Pooled Investments					
Government Agencies	.49-6.47%	\$ 2,011,679	71,513,263	73,524,942	2.49
Corporate Notes	2.00-6.35%	2,016,590	7,359,335	9,375,925	1.82
LAIF	Variable	28,000,000	-	28,000,000	-
Total Pooled Investments		<u>\$ 32,028,269</u>	<u>\$78,872,598</u>	<u>\$110,900,867</u>	<u>1.80</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Federal Farm Credit Bank	N/A	AA+	AAA	16.24%
Federal Home Loan Mortgage Corp	N/A	AA+	AAA	11.82%
Federal Home Loan Bank	N/A	AA+	AAA	21.02%
Federal National Mortgage Assoc.	N/A	AA+	AAA	17.22%
Corporate Notes	A	A+	A1	2.78%
Corporate Notes	A	A+	AA3	0.94%
Corporate Notes	A	AA-	AA3	0.98%
Corporate Notes	A	AA+	A1	0.92%
Corporate Notes	A	AA+	AA1	0.94%
Corporate Notes	A	AA+	AA2	1.90%
LAIF	N/A	Unrated	Unrated	25.25%
Total				<u>100%</u>

Custodial Credit Risk for Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a depository institution, the County will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the County requires that all of its managed investments be held in the name of the County. At June 30, 2012, the County's investment pool had no securities exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) at June 30, 2012, that represent 5 percent or more of total County investments are as follows:

<u>Investment Type</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Federal Farm Credit Bank	\$ 18,013,274	16.24%
Federal Home Loan Mortgage Corporation	13,103,970	11.82%
Federal Home Loan Bank	24,314,289	21.02%
Federal National Mortgage Association	19,093,408	17.22%

D. Investment in External Investment Pools

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

D. Investment in External Investment Pools (Continued)

Investments in LAIF are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the County's position in the pool is the same as the value of the pooled shares. At June 30, 2012 the County's investment position in LAIF was \$28,000,000. The total amount invested by all public agencies in LAIF on that day was \$60,588,263,603. Of that amount, 96.53% is invested in non-derivative financial products and 3.47% in structured notes and asset-backed securities.

E. County Investment Pool Condensed Financial Information

The following are condensed statements of net assets and changes in net asset for the Treasurer's Pool at June 30, 2012:

	Internal Participants	External Participants	Total Pool
Statement of Net Assets			
Cash on hand	\$ 9,261	\$ -	\$ 9,261
Deposits (less outstanding warrants)	5,083,786	-	5,083,786
Investments	71,213,724	39,687,143	110,900,867
Net Assets at June 30, 2012	\$ 76,306,771	\$ 39,687,143	\$ 115,993,914
Statement of Changes in Net Assets			
Net assets at July 1, 2011	\$ 71,018,667	\$ 43,647,088	\$ 114,665,755
Net changes in investments by pool participants	5,288,104	(3,959,945)	1,328,159
Net Assets at June 30, 2012	\$ 76,306,771	\$ 39,687,143	\$ 115,993,914

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Adjustments</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,545,130	\$ -	\$ -	\$ -	\$ 1,545,130
Infrastructure	155,143,580	1,976,268	(290,009)	-	156,829,839
Construction in progress	<u>380,584</u>	<u>46,707</u>	<u>-</u>	<u>-</u>	<u>427,291</u>
Total Capital Assets, Not Being Depreciated	<u>157,069,294</u>	<u>2,022,975</u>	<u>(290,009)</u>	<u>-</u>	<u>158,802,260</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	50,556,106	437,750	-	-	50,993,856
Equipment	25,117,577	914,355	(475,232)	(71,515)	25,485,185
Software	<u>485,998</u>	<u>29,413</u>	<u>(4,000)</u>	<u>-</u>	<u>511,411</u>
Total Capital Assets, Being Depreciated	<u>76,159,681</u>	<u>1,381,518</u>	<u>(479,232)</u>	<u>(71,515)</u>	<u>76,990,452</u>
Less Accumulated Depreciation For:					
Buildings and improvements	(14,265,431)	(1,012,531)	-	(2,359)	(15,280,321)
Equipment	(21,087,757)	(1,640,905)	469,073	72,577	(22,187,012)
Software	<u>(356,719)</u>	<u>(49,307)</u>	<u>4,000</u>	<u>-</u>	<u>(402,026)</u>
Total Accumulated Depreciation	<u>(35,709,907)</u>	<u>(2,702,743)</u>	<u>473,073</u>	<u>70,218</u>	<u>(37,869,359)</u>
Total Capital Assets, Being Depreciated, Net	<u>40,449,774</u>	<u>(1,321,225)</u>	<u>(6,159)</u>	<u>(1,297)</u>	<u>39,121,093</u>
Governmental Activities Capital Assets, Net	<u>\$197,519,068</u>	<u>\$ 701,750</u>	<u>(\$ 296,168)</u>	<u>(\$ 1,297)</u>	<u>\$197,923,353</u>
	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>		<u>Balance</u> <u>June 30, 2012</u>
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 38,047	\$ -	\$ -	\$ -	\$ 38,047
Total Capital Assets, Not Being Depreciated	<u>38,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,047</u>
Capital Assets, Being Depreciated:					
Structures and improvements	1,688,486	-	-	-	1,688,486
Equipment	<u>2,708</u>	<u>-</u>	<u>(2,708)</u>	<u>-</u>	<u>-</u>
Total Capital Assets, Being Depreciated	<u>1,691,194</u>	<u>-</u>	<u>(2,708)</u>	<u>-</u>	<u>1,688,486</u>
Less Accumulated Depreciation For:					
Structures and improvements	(672,023)	(39,220)	-	-	(711,243)
Equipment	<u>(2,708)</u>	<u>-</u>	<u>2,708</u>	<u>-</u>	<u>-</u>
Total Accumulated Depreciation	<u>(674,731)</u>	<u>(39,220)</u>	<u>2,708</u>	<u>-</u>	<u>(711,243)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,016,463</u>	<u>(39,220)</u>	<u>-</u>	<u>-</u>	<u>977,243</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,054,510</u>	<u>(\$ 39,220)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,015,290</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$	398,397
Public protection		1,126,185
Health and welfare		187,635
Public assistance		316,730
Education		30,256
Culture and recreation		44,338
Public ways and facilities		<u>595,685</u>
Subtotal Governmental Funds		2,699,226
Depreciation on capital assets held by the County's internal service funds are charged to various functions based on their usage of the assets		<u>3,517</u>
Total Depreciation Expense - Governmental Functions	\$	<u><u>2,702,743</u></u>

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

Tehama County Sanitation District #1	\$	<u>39,220</u>
Total Depreciation Expense – Business-Type Functions	\$	<u><u>39,220</u></u>

Construction in Progress

Construction in progress for governmental activities at June 30, 2012 relates to work performed on various County projects.

NOTE 5: INTERFUND TRANSACTIONS

Advances To/From Other Funds

Advances to/from other funds are non-current interfund loans and are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not in spendable form. The following are advance to/from other funds as of June 30, 2012.

	<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>
General Fund	\$ 4,003,099	\$ 1,180,000
Health Services	-	2,467,348
Health Center	-	<u>355,751</u>
Total	<u><u>\$ 4,003,099</u></u>	<u><u>\$ 4,003,099</u></u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, reimbursement of various County operations and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2012:

	Transfer <u>In</u>	Transfer <u>Out</u>
General Fund	\$ -	\$ 13,830,463
Public Safety	12,371,792	-
Public Assistance	1,040,692	-
Health Services	107,286	-
Nonmajor Governmental Funds	310,693	-
Nonmajor Proprietary Funds	<u>13,000</u>	<u>13,000</u>
Total	<u>\$ 13,843,463</u>	<u>\$ 13,843,463</u>

NOTE 6: UNEARNED/DEFERRED REVENUE

At June 30, 2012, components of unearned and deferred revenues were as follows:

	<u>Unearned</u>	<u>Deferred</u>	<u>Total</u>
General Fund			
State and other agency revenue receivable	\$ -	\$ 267,810	\$ 267,810
State SB 90 revenue receivable	-	1,434,500	1,434,500
2012/2013 payment in lieu of taxes revenues	242,004	-	242,004
Title III forest reserve revenues not recognized as earned	85,084	-	85,084
Other revenues received but not earned	46,382	-	46,382
Road			
State and other agency revenue receivable	-	637,989	637,989
Road project deposits received in advance	43,000	-	43,000
Public Safety			
State and other Agency revenue receivable	-	339,622	339,622
State SB 90 revenue receivable	-	473,192	473,192
Other revenues received but not earned	689,310	-	689,310
Public Assistance			
State public assistance and administration revenues received but not earned	142,032	-	142,032
Wraparound revenues received but not earned	559,899	-	559,899
Social Services revenues received but not earned	5,649,826	-	5,649,826
Health Services			
State and other Agency revenue receivable	-	3,181,095	3,181,095
State SB 90 revenue receivable	-	328,752	328,752
Non Major Governmental Funds			
State and other Agency revenue receivable	-	17,107	17,107
Child support revenues received but not earned	20,967	-	20,967
Other revenues received but not earned	<u>64,684</u>	<u>-</u>	<u>64,684</u>
Total	<u>\$ 7,543,188</u>	<u>\$ 6,680,067</u>	<u>\$14,223,255</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

Type of Indebtedness	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities					
Certificates of participation	\$ 7,235,000	\$ -	\$ 345,000	\$ 6,890,000	\$ 380,000
Unamortized Premium	33,546	-	1,973	31,573	1,973
Certificates of Participation, net	7,268,546	-	346,973	6,921,573	381,973
Capital Leases Payable	11,890	20,711	11,791	20,810	7,454
Compensated Absences	3,747,794	3,136,177	3,193,821	3,690,150	3,230,135
Total Governmental Activities	<u>\$11,028,230</u>	<u>\$ 3,156,888</u>	<u>\$ 3,552,585</u>	<u>\$ 10,632,533</u>	<u>\$ 3,619,562</u>
Business-Type Activities					
Bonds	\$ 451,000	-	\$ 13,000	\$ 438,000	\$ 14,000
Total Business-Type Activities	<u>\$ 451,000</u>	<u>\$ -</u>	<u>\$ 13,000</u>	<u>\$ 438,000</u>	<u>\$ 14,000</u>

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

Individual issues of debt payable outstanding at June 30, 2012, are as follows:

Governmental Activities

Certificates of Participation:

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

\$ 1,230,000

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

5,660,000

Total Certificates of Participation

6,890,000

Total Governmental Activities

\$ 6,890,000

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2012, are as follows (Continued):

Business-Type Activities

Bonds:

1997 Sanitation District #1 Bonds, issued XXX, 1997, in the amount of \$824,465, payable in annual installments of \$8,000 to \$35,000 with an interest rate of 4.50% and maturity on XXX, 2033. The bonds were used to finance construction and upgrade of the sanitation system.

	<u>\$ 438,000</u>
Total Bonds	<u>438,000</u>
Total Business-Type Activities	<u><u>\$ 438,000</u></u>

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

Governmental Activities

<u>Year Ended</u> <u>June 30</u>	Certificates of Participation		
	Principal	Interest	Total
2013	\$ 380,000	\$ 322,663	\$ 702,663
2014	375,000	305,901	680,901
2015	375,000	289,141	664,141
2016	410,000	271,266	681,266
2017	430,000	252,976	682,976
2018-2022	2,300,000	947,613	3,247,613
2023-2027	2,130,000	429,901	2,559,901
2028-2032	490,000	23,275	513,275
Total	<u>\$ 6,890,000</u>	<u>\$ 2,842,736</u>	<u>\$ 9,732,736</u>

Business-Type Activities

<u>Year Ended</u> <u>June 30</u>	Bonds		
	Principal	Interest	Total
2013	\$ 14,000	\$ 19,395	\$ 33,395
2014	14,000	18,754	33,254
2015	15,500	18,079	33,579
2016	16,000	17,370	33,370
2017	17,000	16,628	33,628
2018-2022	96,000	70,762	166,762
2023-2027	119,000	46,755	165,755
2028-2032	141,000	17,055	158,055
2033-2037	5,000	338	5,338
Total	<u>\$ 438,000</u>	<u>\$ 225,136</u>	<u>\$ 663,136</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 8: LEASES

Operating Leases

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

Capital Leases

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

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments at June 30, 2012</u>
Governmental fund activities	3.58-6.90%	\$ 20,810
Total Capital Lease Obligations		<u>\$ 20,810</u>

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

	<u>Governmental Activities</u>
Equipment	\$ 39,882
Less: accumulated depreciation	(15,939)
Net Value	<u>\$ 23,493</u>

As of June 30, 2012, capital lease annual amortization was as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>
2013	\$ 8,381
2014	4,709
2015	4,709
2016	4,709
2017	<u>392</u>
Total Requirements	22,900
Less Interest	(2,090)
Present Value of Remaining Payments	<u>\$ 20,810</u>

NOTE 9: NET ASSETS

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

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

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 9: NET ASSETS (CONTINUED)

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

Net Asset Flow Assumption

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

Net Assets Restricted by Enabling Legislation

The government-wide Statement of Net Assets reports \$32,051,323 of restricted net assets, of which \$435,525 is restricted by enabling legislation.

NOTE 10: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012, fund balance for governmental funds are made up of the following:

- Nonspendable fund balance - includes amounts that are (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 - includes amounts that can be spent for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can only be used for the specific purposes determined by the County’s highest level of decision-making authority. The Board of Supervisors is the highest level of decision making authority for the County that can, by adoption of an ordinance or resolution or through adoption of the budget and subsequent budget amendments that occur throughout the year, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.
- Assigned fund balance - comprises amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the County’s Board of Supervisors or (b) a body (for example: a budget or finance committee) or official to which the County’s Board of Supervisors has delegated the authority to assign amounts to be used for specific purposes.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 10: FUND BALANCES (CONTINUED)

- Unassigned fund balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, that fund would report a negative unassigned fund balance.

The fund balances for all major and nonmajor governmental funds as of June 30, 2012, were distributed as follows:

	General Fund	Road	Public Safety	Public Assistance	Health Services	Capital Projects	Other Govern- mental Funds	Total
Nonspendable:								
Prepaid costs	\$ 873,544	\$ -	\$ 61,280	\$ 74,347	\$ 21,585	\$ -	\$ 3,833	\$ 1,034,589
Inventory	-	575,362	-	-	-	-	-	575,362
Long-term receivables	33,872	-	-	-	-	-	-	33,872
Subtotal	<u>907,416</u>	<u>575,362</u>	<u>61,280</u>	<u>74,347</u>	<u>21,585</u>	<u>-</u>	<u>3,833</u>	<u>1,643,823</u>
Restricted for:								
General government	1,286,981	-	-	-	-	-	-	1,286,981
Public protection	-	-	2,425,313	-	-	-	6,804,534	9,229,847
Health & welfare	101,461	-	-	-	1,164,240	-	910,525	2,176,226
Public assistance	424,192	-	-	824,454	-	-	291,926	1,540,587
Culture & recreation	2,725	-	-	-	-	-	-	2,725
Public ways & facilities	47,072	5,960,371	-	-	-	-	2,260,669	8,268,112
Subtotal	<u>1,862,431</u>	<u>5,960,371</u>	<u>2,425,313</u>	<u>824,454</u>	<u>1,164,240</u>	<u>-</u>	<u>10,267,654</u>	<u>22,504,463</u>
Committed to:								
General government	9,086,371	-	-	-	-	-	-	9,086,371
Health & Welfare	127,500	-	-	-	-	-	-	127,500
Debt service	-	-	-	-	-	-	2,803,567	2,803,567
Capital projects	-	-	-	-	-	7,086,999	-	7,086,999
Subtotal	<u>9,213,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,086,999</u>	<u>2,803,567</u>	<u>19,104,437</u>
Assigned to:								
General government	1,292,851	-	-	-	-	-	-	1,292,851
Public protection	72,500	-	-	-	-	-	-	72,500
Health & welfare	378,951	-	-	-	-	-	-	378,951
Subtotal	<u>1,744,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,744,302</u>
Unassigned								
	<u>9,076,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,076,623</u>
Total	<u>\$22,804,643</u>	<u>\$6,535,733</u>	<u>\$2,486,593</u>	<u>\$ 898,801</u>	<u>\$1,185,825</u>	<u>\$7,086,999</u>	<u>\$13,075,054</u>	<u>\$54,073,648</u>

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 10: FUND BALANCES (CONTINUED)

Fund Balance Flow Assumption

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

Fund Balance Policy

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

NOTE 11: EMPLOYEE'S RETIREMENT PLAN

A. Plan Description

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

B. Funding Policy

Miscellaneous plan members are required to contribute 7 percent of their annual covered salary. Safety plan members are required to contribute 9 percent of their annual covered salary. The County is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members using the actuarial basis adopted by the PERS Board of Administrators. The County has committed to contribute a portion of the required employee contribution in addition to their own required contributions. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2011/2012 was 12.326 percent for miscellaneous employees and 21.485 percent for safety employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11: EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

C. Annual Pension Cost

For fiscal year 2011/2012, the County's annual pension cost of \$3,530,273 for the miscellaneous plan and \$1,294,559 for the safety plan for PERS was equal to the County's actual contributions. The required contributions for fiscal year 2011/2012 were determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.55 percent to 14.45 percent for the miscellaneous plan and 3.55 percent to 13.15 percent for the safety plan, depending on age, service, and type of employment, (c) 3.00 percent inflation, (d) 3.25 percent payroll growth and (e) individual salary growth, based on a merit scale with assumed annual inflation of 3.00 percent and annual production growth of 0.25 percent.

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

Miscellaneous

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 3,114,095	100%	-
June 30, 2011	3,211,641	100%	-
June 30, 2012	3,530,273	100%	-

Safety

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 1,338,075	100%	-
June 30, 2011	1,241,647	100%	-
June 30, 2012	1,294,559	100%	-

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the miscellaneous plan was 76.7 percent funded. The actuarial accrued liability for benefits was \$172,779,664, and the actuarial value of assets was \$148,584,196, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,195,468. The covered payroll (annual payroll of active employees covered by the plan) was \$29,409,675, and the ratio of the UAAL to the covered payroll was 82.3 percent.

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11: EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

D. Funded Status and Funding Progress (Continued)

As of June 30, 2011, the most recent actuarial valuation date, the safety plan was 70.0 percent funded. The actuarial accrued liability for benefits was \$57,967,134, and the actuarial value of assets was \$45,347,019, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,620,115. The covered payroll (annual payroll of active employees covered by the plan) was \$5,887,592, and the ratio of the UAAL to the covered payroll was 214.35 percent.

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

NOTE 12: RISK MANAGEMENT

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

Actual claims unpaid as of June 30, 2012, including any estimates for incurred but not reported (IBNR) amounts, constitute claims payable. The claims liability at June 30, 2012, was as follows:

General Liability	\$ 813,000
Dental Insurance	<u>109,187</u>
Total	<u>\$ 922,187</u>

All funds of the County participate in the program and make payments to the Risk Management funds based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$922,187 reported in the funds at June 30, 2012, is based on the requirements of Governmental Accounting Standards Board Statements No. 10, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably determined.

Changes in the County's claims liability amount for the fiscal years 2010, 2011, and 2012 were as follows:

		<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
2010	\$ 1,010,847	\$ 2,348,003	\$ 2,337,287	\$ 1,021,563	
2011	1,021,563	1,786,890	1,895,042	913,411	
2012	913,411	1,789,834	1,781,058	922,187	

COUNTY OF TEHAMA
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 12: RISK MANAGEMENT (CONTINUED)

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

NOTE 13: OTHER INFORMATION

A. Commitments and Contingencies

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

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

The County had the following encumbrances at June 30, 2012, General fund \$108,662, Road \$1,217,461, Public Safety \$92,026, Health Services \$18,190, and non-major funds \$122,771.

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2012 through February 21, 2013, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

C. Joint Agencies

The CSAC Excess Insurance Authority is a joint powers authority organized for the purpose of developing and funding excess insurance programs for member counties. The Authority operates public entity risk pools for workers' compensation, comprehensive liability, property and medical malpractice, and the pool purchases excess insurance and services for members. The Authority is under the control and direction of a board of directors consisting of representatives of the fifty-four member counties and seven members elected by the public entity membership. There is no significant financial interest or ongoing financial responsibility on the part of the County with this Authority.

Complete audited financial statements for CSAC Excess Insurance Authority can be obtained from the Authority's office at 75 Iron Point Circle, Suite 200, Folsom, California 95630.

**Required Supplementary Information
(Unaudited)**

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COUNTY OF TEHAMA
Required Supplementary Information
For the Year Ended June 30, 2012

1. SCHEDULE OF FUNDING PROGRESS - PENSION

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

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

Miscellaneous Plan:

Valuation Date	Entry Age Normal Accrued Liability	Unfunded Actuarial Value of Assets	Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2009	\$ 151,230,441	\$ 133,857,552	\$ 17,372,889	88.5%	64.8%	\$ 28,722,737	60.5%
June 30, 2010	160,575,259	140,818,593	19,756,666	87.7%	68.9%	29,421,585	67.2%
June 30, 2011	172,779,664	148,584,196	24,195,468	86.0%	76.7%	29,409,675	82.3%

Safety Plan:

Valuation Date	Entry Age Normal Accrued Liability	Unfunded Actuarial Value of Assets	Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2009	\$ 49,833,065	\$ 40,397,403	\$ 9,435,662	81.1%	59.3%	\$ 6,601,072	142.9%
June 30, 2010	53,262,216	42,916,876	10,347,340	80.6%	63.5%	6,604,897	156.7%
June 30, 2011	57,967,134	45,347,019	12,620,115	78.2%	70.0%	5,887,592	214.4%

2. INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

A. Roads

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

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

COUNTY OF TEHAMA
Required Supplementary Information
For the Year Ended June 30, 2012

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

A. Roads (Continued)

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

<u>OCI Condition</u>	<u>Number of Miles</u>	<u>Percent</u>
Excellent	77.73	7.14%
Good	310.26	28.52%
Fair	540.77	49.72%
Poor	158.98	14.62%
Total	<u>1087.74</u>	<u>100.00%</u>

As of June 30, 2012, the County's overall maintained road system rating was 87.8% fair and above for arterial and collector roads and 84.8% for local roads. The County also maintains 263.05 miles of unsurfaced roads. The unsurfaced roads are maintained at a fair condition level. The Department of Public Works also maintains records of 0.96 miles of unconstructed/unrated right of way. The total amount of maintained roads recorded by the department is 1087.74 miles, which is unchanged from the prior year's report.

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

B. Bridges

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

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

COUNTY OF TEHAMA
Required Supplementary Information
For the Year Ended June 30, 2012

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

B. Bridges (Continued)

The Department of Public Works recommends that 75 percent of its bridges be maintained at a fair or better rating. The following is a table of the bridges' condition as of June 30, 2012:

<u>Condition</u>	<u>Number of Bridges</u>	<u>Percent</u>
Excellent	130	18.63%
Good	179	25.64%
Fair	330	47.28%
Poor	<u>59</u>	<u>8.45%</u>
Total	<u><u>698</u></u>	<u><u>100.00%</u></u>

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

C. Signs

The County of Tehama manages its maintained sign database system using the Carte Graph Sign Management program and accounts for them using the modified approach as set forth in GASB 34. Since the last reporting period the County revised its rating system based on the State and Federal versions of the Manual of Uniform Traffic Control Device (MUTCD) guidelines that identify sign reflectivity requirements. County sign reflectivity is measured using County owned equipment and assigned a "Pass or Fail" rating. Previously reported rating ranges from excellent to poor became obsolete under the new MUTCD requirements. As such annual signage reports from this point forward will reflect either a "Pass or Fail" rating.

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

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

Signs are generally replaced when they become unservicable. The County has experienced a significant amount of vandalism and theft of street signs and considerable effort is made to apply protective anti-graffiti coating to improve sign longevity.

COUNTY OF TEHAMA
Required Supplementary Information
For the Year Ended June 30, 2012

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

C. Signs (Continued)

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

D. Right of Way

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

E. Cost of Maintenance

The estimated annual amount to maintain 75% of the roads, bridges, and signs in a fair or better, or pass condition rating is \$7,200,000. The average annual expenditures over the last five years was \$8,189,372. The actual road, bridge, and sign expenses for the past five years are as follows:

	<u>Actual</u>
Fiscal Year 2011/2012	\$ 6,504,661
Fiscal Year 2010/2011	9,660,492
Fiscal Year 2009/2010	8,950,796
Fiscal Year 2008/2009	9,431,175
Fiscal Year 2007/2008	10,399,812

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$16,477,040	\$16,485,040	\$17,138,388	\$ 653,348
Licenses and permits	1,264,716	1,264,716	1,432,721	168,005
Fines and forfeitures	1,452,270	1,454,955	1,682,430	227,475
Use of money and property	371,579	371,579	311,249	(60,330)
Intergovernmental	3,387,585	3,559,322	3,408,012	(151,310)
Charges for services	12,055,927	12,076,788	12,713,278	636,490
Other revenues	103,691	115,064	573,442	458,378
Total Revenues	35,112,808	35,327,464	37,259,520	1,932,056
EXPENDITURES				
Current:				
General government	19,112,346	19,256,632	16,231,692	3,024,940
Public protection	5,318,021	5,373,859	4,319,401	1,054,458
Health and welfare	900,343	919,135	1,512,059	(592,924)
Public assistance	692,266	697,266	657,834	39,432
Education	678,286	679,925	621,191	58,734
Culture and recreation	273,124	274,627	247,004	27,623
Public ways and facilities	-	-	2,680	(2,680)
Debt service				
Interest and other charges	50,000	50,000	25,835	24,165
Capital outlay	361,696	351,806	245,743	106,063
Total Expenditures	27,386,082	27,603,250	23,863,439	3,739,811
Excess of Revenues Over (Under) Expenditures	7,726,726	7,724,214	13,396,081	5,671,867
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,874,104)	(15,850,354)	(13,830,463)	2,019,891
Total Other Financing Sources (Uses)	(15,874,104)	(15,850,354)	(13,830,463)	2,019,891
Net Change in Fund Balances	(8,147,378)	(8,126,140)	(434,382)	7,691,758
Fund Balances - Beginning	22,503,163	22,503,163	22,503,163	-
Prior period adjustment	-	-	735,862	735,862
Fund Balances - Beginning, Restated	22,503,163	22,503,163	23,239,025	735,862
Fund Balances - Ending	\$14,355,785	\$14,377,023	\$22,804,643	\$ 8,427,620

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Road - Major Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 19,500	\$ 19,500	\$ 8,455	\$ (11,045)
Use of money and property	55,796	55,796	47,387	(8,409)
Intergovernmental	11,256,769	11,256,769	8,233,888	(3,022,881)
Charges for services	502,000	502,000	556,202	54,202
Other revenues	42,000	42,000	36,032	(5,968)
Total Revenues	<u>11,876,065</u>	<u>11,876,065</u>	<u>8,881,964</u>	<u>(2,994,101)</u>
EXPENDITURES				
Current:				
Public ways and facilities	13,966,951	12,739,619	6,304,941	6,434,678
Capital outlay	314,500	375,100	2,135,139	(1,760,039)
Total Expenditures	<u>14,281,451</u>	<u>13,114,719</u>	<u>8,440,080</u>	<u>4,674,639</u>
Net Change in Fund Balances	(2,405,386)	(1,238,654)	441,884	1,680,538
Fund Balance - Beginning	6,015,836	6,015,836	6,015,836	-
Change in inventory on purchases method	-	-	78,013	78,013
Fund Balance - Ending	<u>\$ 3,610,450</u>	<u>\$ 4,777,182</u>	<u>\$ 6,535,733</u>	<u>\$ 1,758,551</u>

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Public Safety - Major Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 1,250	\$ 1,250	\$ 31,871	\$ 30,621
Fines and forfeitures	19,500	25,500	17,644	(7,856)
Use of money and property	-	-	8,382	8,382
Intergovernmental	4,707,458	4,959,324	7,232,474	2,273,150
Charges for services	1,074,211	1,068,825	460,115	(608,710)
Other revenues	14,560,834	14,420,287	333,334	(14,086,953)
Total Revenues	<u>20,363,253</u>	<u>20,475,186</u>	<u>8,083,820</u>	<u>(12,391,366)</u>
EXPENDITURES				
Current:				
Public protection	5,960,965	7,039,036	19,105,506	(12,066,470)
Capital outlay	62,000	459,285	537,629	(78,344)
Total Expenditures	<u>6,022,965</u>	<u>7,498,321</u>	<u>19,643,135</u>	<u>(12,144,814)</u>
Excess of Revenues Over (Under) Expenditures	<u>14,340,288</u>	<u>12,976,865</u>	<u>(11,559,315)</u>	<u>(24,536,180)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,133,793	14,152,068	12,371,792	(1,780,276)
Total Other Financing Sources (Uses)	<u>14,133,793</u>	<u>14,152,068</u>	<u>12,371,792</u>	<u>(1,780,276)</u>
Net Change in Fund Balances	28,474,081	27,128,933	812,477	(26,316,456)
Fund Balances - Beginning	<u>1,674,116</u>	<u>1,674,116</u>	<u>1,674,116</u>	<u>-</u>
Fund Balances - Ending	<u>\$30,148,197</u>	<u>\$28,803,049</u>	<u>\$ 2,486,593</u>	<u>\$(26,316,456)</u>

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Public Assistance - Major Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Use of money and property	\$ 13,152	\$ 13,152	\$ 13,609	\$ 457
Intergovernmental	34,796,054	34,908,736	33,010,206	(1,898,530)
Charges for services	91,445	91,445	121,708	30,263
Other revenues	1,220,217	1,232,275	227,737	(1,004,538)
Total Revenues	<u>36,120,868</u>	<u>36,245,608</u>	<u>33,373,260</u>	<u>(2,872,348)</u>
EXPENDITURES				
Current:				
Public assistance	36,219,234	36,333,078	33,662,684	2,670,394
Capital outlay	50,000	60,896	60,821	75
Total Expenditures	<u>36,269,234</u>	<u>36,393,974</u>	<u>33,723,505</u>	<u>2,670,469</u>
Excess of Revenues Over (Under) Expenditures	<u>(148,366)</u>	<u>(148,366)</u>	<u>(350,245)</u>	<u>(201,879)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,064,442</u>	<u>1,040,692</u>	<u>1,040,692</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,064,442</u>	<u>1,040,692</u>	<u>1,040,692</u>	<u>-</u>
Net Change in Fund Balances	916,076	892,326	690,447	(201,879)
Fund Balances - Beginning	<u>208,354</u>	<u>208,354</u>	<u>208,354</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,124,430</u>	<u>\$ 1,100,680</u>	<u>\$ 898,801</u>	<u>\$ (201,879)</u>

COUNTY OF TEHAMA
Required Supplementary Information
Budgetary Comparison Schedule
Health Services - Major Special Revenue Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 370,503	\$ 370,503
Use of money and property	-	-	11,492	11,492
Intergovernmental	12,510,751	12,662,195	9,615,692	(3,046,503)
Charges for services	7,618,068	7,618,068	5,356,450	(2,261,618)
Other revenues	195,280	195,280	133,686	(61,594)
Total Revenues	<u>20,324,099</u>	<u>20,475,543</u>	<u>15,487,823</u>	<u>(4,987,720)</u>
EXPENDITURES				
Current:				
Health and welfare	19,518,140	19,639,018	14,913,141	4,725,877
Debt service:				
Principal	-	-	11,791	(11,791)
Interest and other charges	-	-	1,808	(1,808)
Capital outlay	805,956	858,293	188,466	669,827
Total Expenditures	<u>20,324,096</u>	<u>20,497,311</u>	<u>15,115,206</u>	<u>5,382,105</u>
Excess of Revenues Over (Under) Expenditures	<u>3</u>	<u>(21,768)</u>	<u>372,617</u>	<u>394,385</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	158,680	158,680	107,286	(51,394)
Debt proceeds	-	-	20,711	20,711
Total Other Financing Sources (Uses)	<u>158,680</u>	<u>158,680</u>	<u>127,997</u>	<u>(51,394)</u>
Net Change in Fund Balances	158,683	136,912	500,614	342,991
Fund Balances - Beginning	<u>685,211</u>	<u>685,211</u>	<u>685,211</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 843,894</u>	<u>\$ 822,123</u>	<u>\$ 1,185,825</u>	<u>\$ 342,991</u>

COUNTY OF TEHAMA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
For the Year Ended June 30, 2012

BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

COUNTY OF TEHAMA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
For the Year Ended June 30, 2012

BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

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Combining Nonmajor Fund Statements

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Nonmajor Governmental Funds

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COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds	Debt Service Funds	Totals
ASSETS			
Cash and investments	\$10,557,835	\$ -	\$10,557,835
Cash with fiscal agent	-	2,803,567	2,803,567
Accounts receivable	37,495	-	37,495
Due from other governments	55,335	-	55,335
Advances to fiduciary funds	10,000	-	10,000
Prepaid costs	3,833	-	3,833
Total Assets	<u>\$10,664,498</u>	<u>\$ 2,803,567</u>	<u>\$13,468,065</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 211,880	\$ -	\$ 211,880
Accrued salaries and benefits	74,443	-	74,443
Due to other governments	3,930	-	3,930
Unearned revenue	85,651	-	85,651
Deferred revenue	17,107	-	17,107
Total Liabilities	<u>393,011</u>	<u>-</u>	<u>393,011</u>
Fund Balances:			
Nonspendable	3,833	-	3,833
Restricted	10,267,654	-	10,267,654
Committed	-	2,803,567	2,803,567
Total Fund Balances	<u>10,271,487</u>	<u>2,803,567</u>	<u>13,075,054</u>
Total Liabilities and Fund Balances	<u>\$10,664,498</u>	<u>\$ 2,803,567</u>	<u>\$13,468,065</u>

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds	Debt Service Funds	Totals
REVENUES			
Taxes	\$ 3,676,529	\$ -	\$ 3,676,529
Licenses and permits	1,066,670	-	1,066,670
Fines and forfeitures	8,953	328,913	337,866
Use of money and property	77,475	67,931	145,406
Intergovernmental	4,862,932	-	4,862,932
Charges for services	346,274	-	346,274
Other revenues	181,727	-	181,727
Total Revenues	10,220,560	396,844	10,617,404
EXPENDITURES			
Current:			
General government	-	5,630	5,630
Public protection	3,812,456	-	3,812,456
Health and welfare	1,033,289	-	1,033,289
Public assistance	1,929,709	-	1,929,709
Public ways and facilities	1,394,628	-	1,394,628
Debt service:			
Principal	-	345,000	345,000
Interest and other charges	-	333,160	333,160
Capital outlay	184,987	-	184,987
Total Expenditures	8,355,069	683,790	9,038,859
Excess of Revenues Over(Under) Expenditures	1,865,491	(286,946)	1,578,545
OTHER FINANCING SOURCES (USES)			
Transfers in	23,750	286,943	310,693
Total Other Financing Sources (Uses)	23,750	286,943	310,693
Net Change in Fund Balances	1,889,241	(3)	1,889,238
Fund Balances - Beginning	8,382,246	2,803,570	11,185,816
Fund Balances - Ending	\$10,271,487	\$ 2,803,567	\$13,075,054

Nonmajor Governmental Funds

- **Special Revenue Funds**

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COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	<u>Fish and Game</u>	<u>Fire</u>	<u>Child Support</u>	<u>Building and Safety</u>
ASSETS				
Cash and investments	\$ 157,241	\$ 5,468,048	\$ 346,854	\$ 145,904
Accounts receivable	-	26,632	-	-
Due from other governments	-	-	-	-
Advances to fiduciary funds	-	-	10,000	-
Prepaid costs	-	-	3,555	278
	<u>-</u>	<u>-</u>	<u>3,555</u>	<u>278</u>
Total Assets	<u>\$ 157,241</u>	<u>\$ 5,494,680</u>	<u>\$ 360,409</u>	<u>\$ 146,182</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 16	\$ 91,087	\$ 225	\$ 518
Accrued salaries and benefits	-	10,800	40,510	11,251
Due to other governments	-	-	-	3,930
Unearned revenue	-	-	57,350	19,592
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>16</u>	<u>101,887</u>	<u>98,085</u>	<u>35,291</u>
Fund Balances:				
Nonspendable	-	-	3,555	278
Restricted	157,225	5,392,793	258,769	110,613
	<u>157,225</u>	<u>5,392,793</u>	<u>258,769</u>	<u>110,613</u>
Total Fund Balances	<u>157,225</u>	<u>5,392,793</u>	<u>262,324</u>	<u>110,891</u>
Total Liabilities and Fund Balances	<u>\$ 157,241</u>	<u>\$ 5,494,680</u>	<u>\$ 360,409</u>	<u>\$ 146,182</u>

Senior Nutrition	Transportation Operations	Air Pollution	Los Molinos Lighting	Tehama County Flood Control	Tehama County Flood Zone 3	Tehama Power Authority	AB 923
\$ 16,464	\$ 2,371,094	\$ 851,743	\$ 63,313	\$ 154,322	\$ 852,820	\$ 5,247	\$ 51,272
-	7,486	3,377	-	-	-	-	-
28,494	-	21,535	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 44,958</u>	<u>\$ 2,378,580</u>	<u>\$ 876,655</u>	<u>\$ 63,313</u>	<u>\$ 154,322</u>	<u>\$ 852,820</u>	<u>\$ 5,247</u>	<u>\$ 51,272</u>
\$ -	\$ 114,202	\$ 520	\$ -	\$ 4,466	\$ -	\$ -	\$ -
-	-	11,882	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,709	5,000	-	-	-	-	-
11,801	-	-	-	-	-	-	-
<u>11,801</u>	<u>117,911</u>	<u>17,402</u>	<u>-</u>	<u>4,466</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
33,157	2,260,669	859,253	63,313	149,856	852,820	5,247	51,272
33,157	2,260,669	859,253	63,313	149,856	852,820	5,247	51,272
<u>\$ 44,958</u>	<u>\$ 2,378,580</u>	<u>\$ 876,655</u>	<u>\$ 63,313</u>	<u>\$ 154,322</u>	<u>\$ 852,820</u>	<u>\$ 5,247</u>	<u>\$ 51,272</u>

COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	TIDE	Total
ASSETS		
Cash and investments	\$ 73,513	\$10,557,835
Accounts receivable	-	37,495
Due from other governments	5,306	55,335
Advances to fiduciary funds	-	10,000
Prepaid costs	-	3,833
	\$ 78,819	\$10,664,498
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 846	\$ 211,880
Accrued salaries and benefits	-	74,443
Due to other governments	-	3,930
Unearned revenue	-	85,651
Deferred revenue	5,306	17,107
	6,152	393,011
Fund Balances:		
Nonspendable	-	3,833
Restricted	72,667	10,267,654
	72,667	10,271,487
Total Fund Balances	72,667	10,271,487
Total Liabilities and Fund Balances	\$ 78,819	\$10,664,498

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COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	<u>Fish and Game</u>	<u>Fire</u>	<u>Child Support</u>	<u>Building and Safety</u>
REVENUES				
Taxes	\$ -	\$ 2,687,222	\$ -	\$ -
License and permits	-	48,509	-	384,130
Fines and forfeitures	1,872	-	-	-
Use of money and property	1,307	45,568	3,343	1,146
Intergovernmental	-	221,428	1,651,569	-
Charges for services	-	170,912	-	18,777
Other revenues	-	12,177	60	1,450
Total Revenues	<u>3,179</u>	<u>3,185,816</u>	<u>1,654,972</u>	<u>405,503</u>
EXPENDITURES				
Current:				
Public protection	1,963	3,021,389	-	398,834
Health and welfare	-	-	-	-
Public assistance	-	-	1,646,653	-
Public ways and facilities	-	-	-	-
Capital outlay	-	15,530	-	-
Total Expenditures	<u>1,963</u>	<u>3,036,919</u>	<u>1,646,653</u>	<u>398,834</u>
Excess of Revenues Over (Under) Expenditures	<u>1,216</u>	<u>148,897</u>	<u>8,319</u>	<u>6,669</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,216	148,897	8,319	6,669
Fund Balances - Beginning	<u>156,009</u>	<u>5,243,896</u>	<u>254,005</u>	<u>104,222</u>
Fund Balances - Ending	<u>\$ 157,225</u>	<u>\$ 5,392,793</u>	<u>\$ 262,324</u>	<u>\$ 110,891</u>

Senior Nutrition	Transportation Operations	Air Pollution	Los Molinos Lighting	Tehama County Flood Control	Tehama County Flood Zone 3	Tehama Power Authority	AB 923
\$ -	\$ 773,791	\$ -	\$ 11,722	\$ 121,040	\$ 82,754	\$ -	\$ -
-	-	487,487	-	-	-	-	146,544
-	-	3,018	-	-	-	-	-
412	8,555	6,741	498	1,472	7,159	43	1,179
168,358	2,481,790	241,313	240	52,648	1,682	-	-
10,000	110,801	35,784	-	-	-	-	-
70,441	375	42,577	-	-	-	-	-
<u>249,211</u>	<u>3,375,312</u>	<u>816,920</u>	<u>12,460</u>	<u>175,160</u>	<u>91,595</u>	<u>43</u>	<u>147,723</u>
-	-	-	8,370	222,538	80,448	-	-
-	-	797,703	-	-	-	-	235,586
283,056	-	-	-	-	-	-	-
-	1,394,628	-	-	-	-	-	-
-	158,357	9,404	-	1,696	-	-	-
<u>283,056</u>	<u>1,552,985</u>	<u>807,107</u>	<u>8,370</u>	<u>224,234</u>	<u>80,448</u>	<u>-</u>	<u>235,586</u>
<u>(33,845)</u>	<u>1,822,327</u>	<u>9,813</u>	<u>4,090</u>	<u>(49,074)</u>	<u>11,147</u>	<u>43</u>	<u>(87,863)</u>
<u>23,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>23,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(10,095)</u>	<u>1,822,327</u>	<u>9,813</u>	<u>4,090</u>	<u>(49,074)</u>	<u>11,147</u>	<u>43</u>	<u>(87,863)</u>
<u>43,252</u>	<u>438,342</u>	<u>849,440</u>	<u>59,223</u>	<u>198,930</u>	<u>841,673</u>	<u>5,204</u>	<u>139,135</u>
<u>\$ 33,157</u>	<u>\$ 2,260,669</u>	<u>\$ 859,253</u>	<u>\$ 63,313</u>	<u>\$ 149,856</u>	<u>\$ 852,820</u>	<u>\$ 5,247</u>	<u>\$ 51,272</u>

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	TIDE	Total
REVENUES		
Taxes	\$ -	\$ 3,676,529
License and permits	-	1,066,670
Fines and forfeitures	4,063	8,953
Use of money and property	52	77,475
Intergovernmental	43,904	4,862,932
Charges for services	-	346,274
Other revenues	54,647	181,727
	102,666	10,220,560
 EXPENDITURES		
Current:		
Public protection	78,914	3,812,456
Health and welfare	-	1,033,289
Public assistance	-	1,929,709
Public ways and facilities	-	1,394,628
Capital outlay	-	184,987
	78,914	8,355,069
 Excess of Revenues Over (Under) Expenditures	23,752	1,865,491
 OTHER FINANCING SOURCES (USES)		
Transfers in	-	23,750
	-	23,750
 Net Change in Fund Balances	23,752	1,889,241
 Fund Balances - Beginning	48,915	8,382,246
 Fund Balances - Ending	\$ 72,667	\$10,271,487

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Nonmajor Governmental Funds

- **Debt Service Funds**

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**COUNTY OF TEHAMA
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2012**

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

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2012

	Debt Service	Totals
REVENUES		
Fines and forfeiture	\$ 328,913	\$ 328,913
Use of money and property	67,931	67,931
Total Revenues	396,844	396,844
EXPENDITURES		
Current:		
General government	5,630	5,630
Debt service:		
Principal	345,000	345,000
Interest and other charges	333,160	333,160
Total Expenditures	683,790	683,790
Excess of Revenues Over (Under) Expenditures	(286,946)	(286,946)
OTHER FINANCING SOURCES (USES)		
Transfers in	286,943	286,943
Total Other Financing Sources (Uses)	286,943	286,943
Net Change in Fund Balances	(3)	(3)
Fund Balances - Beginning	2,803,570	2,803,570
Fund Balances - Ending	\$ 2,803,567	\$ 2,803,567

Nonmajor Proprietary Funds

- **Enterprise Funds**

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COUNTY OF TEHAMA
Combining Statement of Net Assets
Nonmajor Enterprise Fund
June 30, 2012

	Tehama County	
	Sanitation	Totals
	District #1	Totals
ASSETS		
Current Assets:		
Cash and investments	\$ 65,230	\$ 65,230
Total Current Assets	65,230	65,230
Noncurrent Assets:		
Capital assets:		
Non-depreciable	38,047	38,047
Depreciable, net	977,243	977,243
Total capital assets	1,015,290	1,015,290
Total Noncurrent Assets	1,015,290	1,015,290
Total Assets	1,080,520	1,080,520
LIABILITIES		
Current Liabilities:		
Accounts payable	632	632
Accrued interest payable	6,570	6,570
Bonds payable	14,000	14,000
Total Current Liabilities	21,202	21,202
Noncurrent Liabilities:		
Bonds payable	424,000	424,000
Total Noncurrent Liabilities	424,000	424,000
Total Liabilities	445,202	445,202
NET ASSETS		
Invested in capital assets, net of related debt	577,290	577,290
Unrestricted	58,028	58,028
Total Net Assets	\$ 635,318	\$ 635,318

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenses, and
Changes in Net Assets
Nonmajor Enterprise Fund
For the Year Ended June 30, 2012

	Tehama County	
	Sanitation	Totals
	District #1	Totals
OPERATING REVENUES		
Charges for services	\$ 170,740	\$ 170,740
Other revenues	422	422
	171,162	171,162
OPERATING EXPENSES		
Services and supplies	148,829	148,829
Professional services	4,660	4,660
Depreciation	39,220	39,220
	192,709	192,709
Total Operating Expenses	192,709	192,709
Operating Income (Loss)	(21,547)	(21,547)
NON-OPERATING REVENUE (EXPENSES)		
Interest income	260	260
Interest expense	(19,795)	(19,795)
	(19,535)	(19,535)
Total Non-Operating Revenue (Expenses)	(19,535)	(19,535)
Income (Loss) Before Transfers	(41,082)	(41,082)
Transfers in	13,000	13,000
Transfers out	(13,000)	(13,000)
	(41,082)	(41,082)
Change in Net Assets	(41,082)	(41,082)
Total Net Assets - Beginning	676,400	676,400
Total Net Assets - Ending	\$ 635,318	\$ 635,318

COUNTY OF TEHAMA
Combining Statement of Cash Flows
Nonmajor Enterprise Fund
For the Year Ended June 30, 2012

	Tehama County	
	Sanitation	Totals
	District #1	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 171,162	\$ 171,162
Payments to suppliers	(156,870)	(156,870)
	14,292	14,292
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(13,000)	(13,000)
Interest paid on capital debt	(19,990)	(19,990)
	(32,990)	(32,990)
Net Cash Provided (Used) by Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	260	260
	260	260
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents		
	(18,438)	(18,438)
Balances - Beginning of Year		
	83,668	83,668
Balances - End of Year		
	\$ 65,230	\$ 65,230
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (21,547)	\$ (21,547)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	39,220	39,220
Increase (decrease) in:		
Accounts payable	(3,381)	(3,381)
	14,292	14,292
Net Cash Provided (Used) by Operating Activities		
	\$ 14,292	\$ 14,292

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Internal Service Funds

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COUNTY OF TEHAMA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	<u>Risk Management</u>	<u>Dental Insurance</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 3,716,044	\$ 617,181	\$ 4,333,225
Deposits with others	-	35,900	35,900
Total Current Assets	<u>3,716,044</u>	<u>653,081</u>	<u>4,369,125</u>
Noncurrent Assets:			
Capital assets:			
Depreciable, net	7,461	-	7,461
Total capital assets	<u>7,461</u>	<u>-</u>	<u>7,461</u>
Total Noncurrent Assets	<u>7,461</u>	<u>-</u>	<u>7,461</u>
Total Assets	<u>3,723,505</u>	<u>653,081</u>	<u>4,376,586</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	950	51,876	52,826
Accrued salaries and benefits	12,710	-	12,710
Compensated absences payable	13,912	-	13,912
Estimated claims liability	813,000	109,187	922,187
Total Current Liabilities	<u>840,572</u>	<u>161,063</u>	<u>1,001,635</u>
Noncurrent Liabilities:			
Compensated absences payable	1,546	-	1,546
Total Noncurrent Liabilities	<u>1,546</u>	<u>-</u>	<u>1,546</u>
Total Liabilities	<u>842,118</u>	<u>161,063</u>	<u>1,003,181</u>
NET ASSETS			
Invested in capital assets	7,461	-	7,461
Unrestricted	2,873,926	492,018	3,365,944
Total Net Assets	<u>\$ 2,881,387</u>	<u>\$ 492,018</u>	<u>\$ 3,373,405</u>

COUNTY OF TEHAMA
Combining Statement of Revenues, Expenses, and
Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	Risk Management	Dental Insurance	Total
OPERATING REVENUES			
Charges for services	\$ 2,322,632	\$ 799,606	\$ 3,122,238
Other revenues	4,589	-	4,589
Total Operating Revenues	<u>2,327,221</u>	<u>799,606</u>	<u>3,126,827</u>
OPERATING EXPENSES			
Salaries and benefits	409,943	-	409,943
Administration	75,584	-	75,584
Insurance	1,973	663,898	665,871
Professional services	89,585	72,323	161,908
Claims and judgments	1,781,058	-	1,781,058
Depreciation	3,517	-	3,517
Total Operating Expenses	<u>2,361,660</u>	<u>736,221</u>	<u>3,097,881</u>
Operating Income (Loss)	<u>(34,439)</u>	<u>63,385</u>	<u>28,946</u>
NON-OPERATING REVENUE (EXPENSES)			
Interest income	24,569	5,077	29,646
Total Non-Operating Revenue (Expenses)	<u>24,569</u>	<u>5,077</u>	<u>29,646</u>
Change in Net Assets	(9,870)	68,462	58,592
Total Net Assets - Beginning	<u>2,891,257</u>	<u>423,556</u>	<u>3,314,813</u>
Total Net Assets - Ending	<u><u>\$ 2,881,387</u></u>	<u><u>\$ 492,018</u></u>	<u><u>\$ 3,373,405</u></u>

COUNTY OF TEHAMA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	Risk Management	Dental Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,327,221	\$ 799,606	\$ 3,126,827
Payments to suppliers	(1,944,673)	(740,046)	(2,684,719)
Payments to employees	(424,074)	-	(424,074)
Net Cash Provided (Used) by Operating Activities	<u>(41,526)</u>	<u>59,560</u>	<u>18,034</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(5,000)	-	(5,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	24,568	5,077	29,645
Net Cash Provided (Used) by Investing Activities	<u>24,568</u>	<u>5,077</u>	<u>29,645</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(21,958)	64,637	42,679
Balances - Beginning of Year	3,738,002	552,544	4,290,546
Balances - End of Year	<u>\$ 3,716,044</u>	<u>\$ 617,181</u>	<u>\$ 4,333,225</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (34,439)	\$ 63,385	\$ 28,946
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,517	-	3,517
Decrease (increase) in:			
Prepaid costs	6,129	-	6,129
Increase (decrease) in:			
Accounts payable	(2,602)	(12,601)	(15,203)
Accrued salaries and benefits	(2,939)	-	(2,939)
Compensated absences payable	(11,192)	-	(11,192)
Estimated claims liability	-	8,776	8,776
Net Cash Provided (Used) by Operating Activities	<u>\$ (41,526)</u>	<u>\$ 59,560</u>	<u>\$ 18,034</u>

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Fiduciary Funds

- **Trust and Agency Funds**

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COUNTY OF TEHAMA
Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2012

	Special Districts Governed by Local Boards	School Districts	Totals
ASSETS			
Cash and investments	<u>\$ 5,285,827</u>	<u>\$ 34,401,316</u>	<u>\$ 39,687,143</u>
Total Assets	<u>\$ 5,285,827</u>	<u>\$ 34,401,316</u>	<u>\$ 39,687,143</u>
NET ASSETS			
Net assets held in trust for pool participants	<u>\$ 5,285,827</u>	<u>\$ 34,401,316</u>	<u>\$ 39,687,143</u>

COUNTY OF TEHAMA
Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Year Ended June 30, 2012

	Special Districts Governed by Local Boards	School Districts	Totals
ADDITIONS			
Contributions:			
Contributions to investment pool	\$ 198,158	\$ 6,816,970	\$ 7,015,128
Total Additions	<u>198,158</u>	<u>6,816,970</u>	<u>7,015,128</u>
DEDUCTIONS			
Distributions from investment pool	<u>287,820</u>	<u>10,687,253</u>	<u>10,975,073</u>
Total Deductions	<u>287,820</u>	<u>10,687,253</u>	<u>10,975,073</u>
Change in Net Assets	(89,662)	(3,870,283)	(3,959,945)
Net Assets - Beginning	<u>5,375,489</u>	<u>38,271,599</u>	<u>43,647,088</u>
Net Assets - Ending	<u><u>\$ 5,285,827</u></u>	<u><u>\$ 34,401,316</u></u>	<u><u>\$ 39,687,143</u></u>

COUNTY OF TEHAMA
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2012

	County Departmental Agency Funds	Totals
ASSETS		
Cash and investments	\$16,722,367	\$16,722,367
Taxes receivable	6,157,666	6,157,666
Total Assets	\$22,880,033	\$22,880,033
LIABILITIES		
Advances from governmental funds	\$ 117,818	\$ 117,818
Agency obligations	22,762,215	22,762,215
Total Liabilities	\$22,880,033	\$22,880,033

COUNTY OF TEHAMA
Combining Statement of Changes in
Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
COUNTY DEPARTMENTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 17,164,614	\$ 3,890,582	\$ 4,332,829	\$ 16,722,367
Cash with fiscal agent	9,023	-	9,023	-
Taxes receivable	5,835,640	6,157,666	5,835,640	6,157,666
Total Assets	<u>\$23,009,277</u>	<u>\$10,048,248</u>	<u>\$10,177,492</u>	<u>\$22,880,033</u>
LIABILITIES				
Advances from governmental funds	\$ 124,709	\$ 117,818	\$ 124,709	\$ 117,818
Agency obligations	22,884,568	9,930,430	10,052,783	22,762,215
Total Liabilities	<u>\$23,009,277</u>	<u>\$10,048,248</u>	<u>\$10,177,492</u>	<u>\$22,880,033</u>