

SUTTER COUNTY, CA

**CITIZENS'**

**REPORT**

FOR THE YEAR ENDING

**JUNE 30, 2017**



# YOUR AGRICULTURAL COMMISSIONER

## A MESSAGE FROM THE AUDITOR-CONTROLLER



The Auditor-Controller's Office is proud to present the 2016-2017 Citizens Report for the fiscal year ended June 30, 2017. During the year our office conducted the first internal audits in Sutter County in over 25 years, having established the new program in coordination with the County Administrative Office and your County Board of Supervisors. We look forward to continuing to partner with your County Board of Supervisors to ensure your tax dollars are spent free from waste, fraud and abuse.

We believe the Citizens Report is a significant contribution toward achieving the mission of the Auditor-Controller's Office to independently ensure objectivity, accuracy and full disclosure of material information in all aspects of communicating financial and management information. This leads to increased management awareness of and improvements in economy, efficiency, and effectiveness of operations.

This report, Internal Audit Reports, and the Annual Financial Report are all available at the Auditor-Controller's Office and the County website at [www.suttercounty.org](http://www.suttercounty.org).

We invite questions and comments.

A handwritten signature in black ink that reads "Nathan M. Black". The signature is written in a cursive, flowing style.

Nathan M. Black, CPA, Sutter County Auditor-Controller



“AGRICULTURE IS THE MOST HEALTHFUL, MOST USEFUL AND MOST NOBLE EMPLOYMENT OF MAN.”  
- GEORGE WASHINGTON

In 1881, the state legislature had a vision to protect agriculture and the environment from invasive plant, animal and disease pests. They enacted several laws, one unique to the nation, a local regulatory system. The California Food and Agricultural Code requires every county to have an Agricultural Commissioner who is appointed by their Board of Supervisors. The Agricultural Commissioner is also the Sealer of Weights & Measures. A total of seven Agricultural Commissioner's have served the Citizens of Sutter County including the first, Harry P. Stabler (1889-1927). In 2016, I was appointed as Sutter County's first woman Agricultural Commissioner/Sealer of Weights & Measures.

The Sutter County Agricultural Commissioner's Office mission is to serve the public's interest by ensuring equity in the marketplace, promoting and protecting agriculture, assuring environmental quality and protecting the health, safety and welfare of Sutter County's citizens. The Department fulfills its mission through the following programs: Pest Exclusion, Pesticide Use Enforcement, Pest Detection, Fruit and Vegetable Standardization, Egg Quality Control, Pest Management, Nursery Inspection, Pest Eradication, Seed Inspection, Weights and Measures Enforcement and other non-regulatory and special services programs.

We fulfill our mission with a staff of nineteen. The General Fund provides nearly half of the financing for the Department. Our largest revenue source comes from unclaimed gas taxes and mill assessments which account for 40%, with the balance from State contracts, user fees, miscellaneous revenue and fines. As Agricultural Commissioner, I am responsible to make sure our mandates are carried out and the services we provide are efficient and fiscally conservative.

A handwritten signature in black ink that reads "Lisa D. Herbert". The signature is written in a cursive, flowing style.

Lisa D. Herbert

Agricultural Commissioner/Sealer of Weights and Measures

# THE PURPOSE

The purpose of the Sutter County Citizens' Report is to provide the public an overview, in laymen's terms, of where County revenues came from and how those dollars were spent. The financial activities of the County are contained within the County's June 30, 2017 Audit Report (AR) and selected highlights are reproduced and described herein. The AR is a detailed and complete financial presentation prepared in conformance with the United States Generally Accepted Accounting Principles (GAAP) and is available in its entirety online at [www.suttercounty.org](http://www.suttercounty.org) (or use QR Code on the back cover). The AR details how the County spent its budget of \$299 million during the past fiscal year. While the financial statements' data in the Sutter County Citizens' Report conforms to GAAP, some statistics are taken from various other sources and are not GAAP-based data. The AR is prepared by the Auditor-Controller's office and independently audited by Maze & Associates, receiving an unmodified (clean) opinion. A companion to the AR is the County budget, prepared by the County Administrator's Office. It outlines how the County plans to spend its resources in the fiscal year.

The County's AR contains two sets of financial statements that measure its finances differently. Government-wide statements present a long-term look at the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Fund statements, of which the General Fund is the chief operating fund, provide a short-term perspective of individual funds' assets, liabilities, deferred inflows of resources and fund balance. It shows the difference between what the County currently owns versus what the County currently owes. It also presents the resources flowing in and out during the fiscal year. One way to view it is that the long-term perspective would report a homeowner's mortgage balance and the property's value, while the short-term perspective would report only the house payments and income to make those payments.

# THE COUNTY BUDGET



## FINANCIAL HIGHLIGHTS FOR FY 2016-17

- ▶ Total net position increased by \$1.1 million, or 2%, as compared to last year.
- ▶ Long-term debt increased by \$17.9 million, or 11%, over the prior year.
- ▶ The County's governmental funds reported combined ending fund balances of \$48.1 million, an increase of \$1.3 million, or 3%, when compared to last year.
- ▶ Total program and general revenues increased \$7.8 million, or 5%, as compared to last year.
- ▶ Total expenses also increased year-over-year by \$6.2 million, a 4% increase."

### GENERAL FUND BUDGET vs. ACTUAL

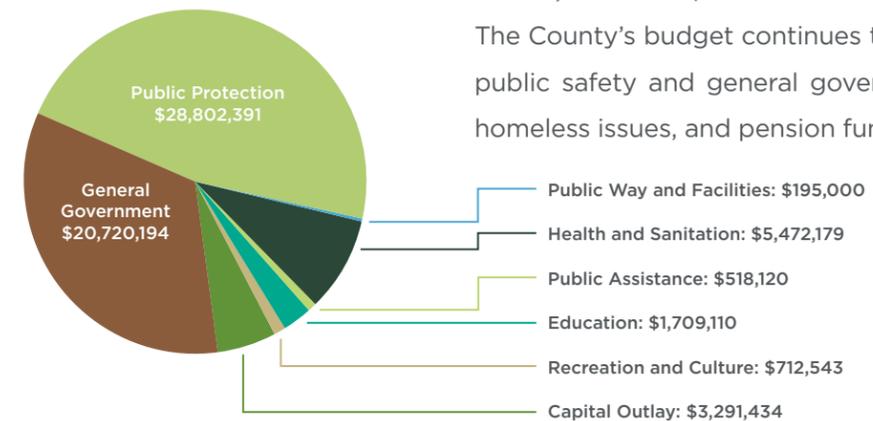


The County's fiscal year starts on July 1. The County's budget process begins in January with careful planning. Although the County Administrative Office is responsible for promulgating the annual budget, they do so in coordination with the various County department heads. Revenues are budgeted at expected amounts while expenditures are budgeted at amounts sufficient to cover 12 months if they are ongoing or at their amount if they are one-time use.

The Board of Supervisors adopts the County budget which then becomes the spending plan for departments. Actual revenues and expenditures are monitored throughout the year and compared against the budget. Periodically, budget amendments may be brought to the Board of Supervisors for consideration as new assumptions develop or unforeseen events occur. The County's budget for FY 2016-17 was \$299 million, of which \$65.5 million was budgeted for the General Fund.

Sutter County works hard each year to maintain a prudent, balanced budget. The County's budget for fiscal year 2017-18 is \$305.4 million, of which \$63.4 million was budgeted for the General Fund. The County's budget continues to address major initiatives for HHS, public safety and general government facility consolidation plans, homeless issues, and pension funding.

### GENERAL FUND BUDGET EXPENDITURES BY FUNCTION



# STATEMENT OF NET POSITION



The Statement of Net Position presents the County's financial position from a long-term perspective. It reports all of the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

**NET POSITION COMPONENTS** The largest component of the County's net position is net investment in

capital assets. It cannot be used to liquidate the County's debt. The second component is restricted net position. The resources are subject to external restrictions on how they may be used, for example, restrictions imposed by grantors, contributors, laws or regulations of other governments, or restrictions imposed by law through constitutional provision or legislation, including those passed by the County itself. The final component of net position is unrestricted net position. It is a resource that can be used to meet ongoing obligations to citizens and creditors.

## STATEMENT OF NET POSITION

	FY 2012-13	FY 2013-14	FY 2014-15*	FY 2015-16	FY 2016-17
<b>Assets</b>					
Current and Other Assets	\$99,416,773	\$112,030,379	\$120,866,862	\$126,371,238	\$123,038,888
Capital Assets	73,950,733	73,935,984	77,332,860	76,639,059	77,433,272
<b>Total Assets</b>	<b>173,367,506</b>	<b>185,966,366</b>	<b>198,199,722</b>	<b>203,010,294</b>	<b>200,472,160</b>
<b>Deferred Outflows of Resources</b>					
Deferred Pension	-	-	11,750,483	12,816,228	42,730,248
<b>Liabilities</b>					
Current Liabilities	14,866,768	13,219,746	17,644,961	16,250,947	13,648,542
Noncurrent Liabilities	12,852,791	23,560,019	132,805,610	140,812,491	161,360,306
<b>Total Liabilities</b>	<b>27,719,559</b>	<b>36,779,765</b>	<b>150,450,571</b>	<b>157,063,438</b>	<b>175,008,848</b>
<b>Deferred Inflows of Resources</b>					
Deferred Pension	-	-	11,179,685	11,924,117	20,041,219
<b>Net Position</b>					
Net Investment in Capital Assets	72,707,379	70,413,624	72,132,762	69,203,295	68,552,478
Restricted	56,296,697	66,935,186	72,074,699	80,385,377	97,488,693
Unrestricted	16,643,871	11,837,791	(95,887,513)	(102,749,705)	(117,888,830)
<b>Total Net Position</b>	<b>\$145,647,947</b>	<b>\$149,186,601</b>	<b>\$48,319,949</b>	<b>\$46,838,967</b>	<b>\$48,152,341</b>

\* In FY 14-15 the County recorded the net pension liability (NPL), as required by the GASB Statement No. 68. Like all government agencies, the County's net position has largely declined since then.

# STATEMENT OF ACTIVITIES

The Statement of Activities reports the County's revenues and expenses during the fiscal year, as well as any transaction that increases or decreases its net position. Revenues are classified by source and expenses are classified by function.

## FUNDING RESOURCES FOR COUNTY SERVICES - GOVERNMENTAL ACTIVITIES

	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
<b>Revenues</b>					
Program Revenues	\$108,802,634	\$109,397,280	\$113,539,943	\$116,006,201	\$124,606,990
General Revenues	35,365,504	35,456,549	37,492,017	37,666,171	38,141,994
<b>Total Revenues</b>	<b>144,168,138</b>	<b>144,853,829</b>	<b>151,031,960</b>	<b>153,672,372</b>	<b>162,748,984</b>
<b>Expenses</b>					
General government	13,698,994	11,002,694	11,551,921	12,471,524	16,903,374
Public protection	52,494,159	47,486,379	42,751,973	44,724,272	44,710,643
Public ways and facilities	11,726,561	7,970,863	12,704,606	12,155,851	12,013,466
Health and sanitation	38,866,528	34,294,236	39,832,337	42,334,223	42,211,937
Public assistance	27,245,801	38,115,626	40,032,697	40,729,505	43,204,478
Education	1,282,051	1,485,826	1,596,059	1,635,440	1,582,023
Recreation and culture	685,553	649,470	708,523	741,375	759,553
Community development	538,943	176,547	30,329	11,576	0
Interest on long-term debt	141,396	265,402	346,519	349,588	50,139
<b>Total Expenses</b>	<b>146,679,986</b>	<b>141,447,043</b>	<b>149,554,964</b>	<b>155,661,393</b>	<b>161,435,610</b>
Increase (Decrease) in Net Position	(2,511,848)	3,538,654	1,476,996	(1,480,982)	1,313,374
Net Position - Beginning of the Year (as restated)	148,159,795	145,647,947	46,842,953	48,319,949	46,838,967
<b>Net Position-End of the Year</b>	<b>\$145,647,947</b>	<b>\$149,186,601</b>	<b>\$48,319,949</b>	<b>\$46,838,967</b>	<b>\$48,152,341</b>

## FUNDING RESOURCES FOR COUNTY SERVICES - GOVERNMENTAL ACTIVITIES FY 16-17



# REVENUES AND EXPENSES

**PROGRAM REVENUES** are derived directly from the program itself or from parties outside the County's taxpayers or citizenry. It includes Operating Grants and Contributions, monies received from parties outside the County that are generally restricted to one or more specific programs; Charges for Services, revenues that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided; and Capital Grants and Contributions, monies received for capital purposes to purchase, construct, or renovate capital assets associated with a specific program.

**GENERAL REVENUES** are taxes and other items, such as unrestricted interest revenue not reported as program revenues.

**GENERAL GOVERNMENT** includes expenses incurred by the Board of Supervisors, Clerk of the Board/Registrar of Voters, Auditor-Controller, Assessor, County Administrative Office, County Counsel and Treasurer-Tax Collector.

**PUBLIC PROTECTION** consists of Clerk-Recorder, Sheriff-Coroner, District Attorney, Probation, Trial Courts, Sheriff Court Operations, Grand Jury, Child Support Services and Public Defender.

**PUBLIC WAYS AND FACILITIES** consist of repairs and maintenance of public roads and parking facilities by Development Services.

**HEALTH AND SANITATION** includes public health and behavioral health provided by Health and Human Services and environmental health services provided by Development Services.

**PUBLIC ASSISTANCE** is comprised of a variety of social services, as well as housing and community services.

**EDUCATION** includes the operating costs of providing library services.

**RECREATIONAL AND CULTURAL SERVICES** represents the operation of the Sutter County museum.

**INTEREST ON LONG-TERM DEBT** accounts for indirect expenses for interest paid on general long-term debt incurred by the governmental functions.

# PENSION & RETIREE MEDICAL

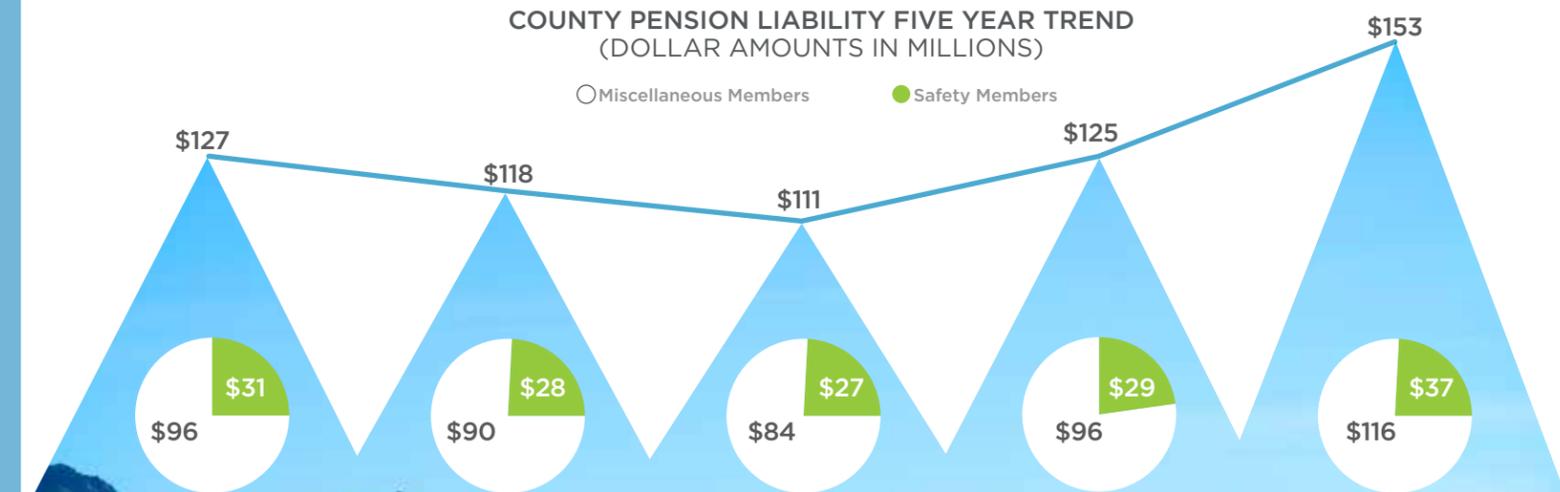
COUNTY OPEB ARC VS. UAAL  
TEN YEAR BIENNIAL TREND



Sutter County is a CalPERS employer and we provide a pension plan with defined benefits. Additionally, we also provide a partially paid retiree medical benefit plan for our employees. The County contributions to CalPERS coupled with employee contributions funds the pension plan. CalPERS invests these funds on our behalf with the expectation that they will earn an average yield of 7.0% - 7.5%. These contributions and earnings will fully provide for employee pension benefits when they retire. The County's required employer contributions are growing each year as we pay off our unfunded pension liability.

The County provides other postemployment benefits (OPEB), primarily healthcare benefits, to eligible retired employees to receive a monthly stipend that helps to offset the costs of maintaining health insurance following retirement from service. The County pays for OPEB on a pay-as-you-go basis and therefore does not have any resources set aside for the long-term liability. Instead, the County funds the plan by contributing only the current year's retiree payments.

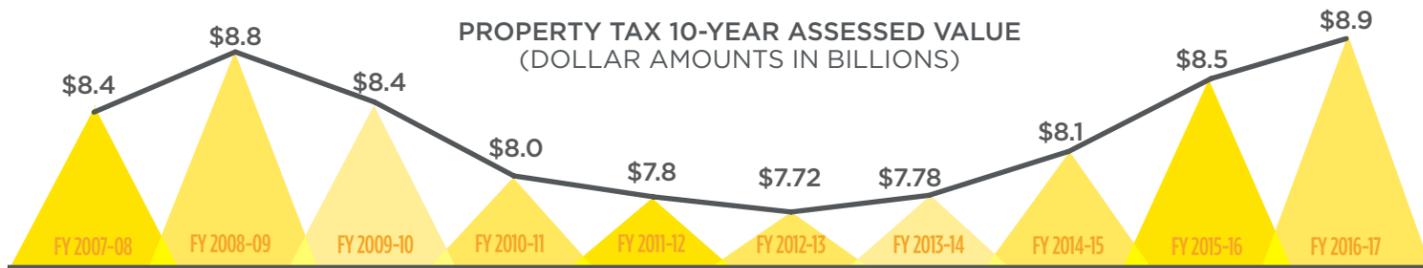
COUNTY PENSION LIABILITY FIVE YEAR TREND  
(DOLLAR AMOUNTS IN MILLIONS)



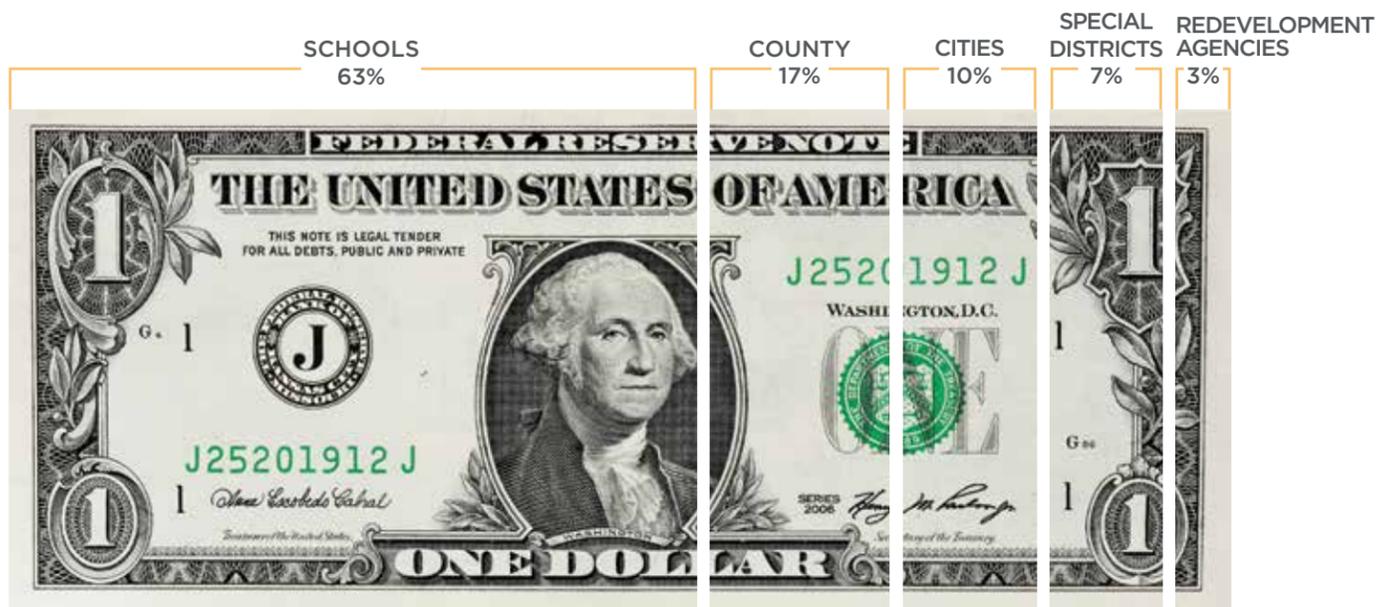
# PROPERTY TAX



Property tax is a major source of revenue for local governments in California. In FY 2016-2017 \$105.6 million in property tax collections were distributed to county government, cities, schools, redevelopment trust funds, and special districts in Sutter County. The County relies on property tax as the main source of revenue to pay for county-wide services. Sutter County's total assessment roll for FY 2016-2017 was valued at \$8.93 billion and increased by 10% to \$9.33 billion for FY 2017-2018. Compared to FY 2007-08 total assessment roll of \$8.47 billion, the County's assessed value has increased \$861.3 million over the last ten years.



## WHERE THE PROPERTY TAX DOLLAR GOES



\*The dollar does not take into account the sales tax compensation and State property tax swaps, such as triple flip and VLF.  
 \*\* Any remaining balance after payment of enforceable obligations in the Redevelopment Property Tax Trust Fund is distributed back to the taxing entities.

# SUTTER COUNTY AGRICULTURE

## CROP VALUES 1940 VS. 2016

	1940	2016
Rice	\$1,144,000	\$127,469,000
Walnut	\$111,000	\$118,750,000
Peach	\$2,640,000	\$56,801,000
Nursery	\$17,383	\$35,651,000
Tomato	\$10,000	\$34,889,000

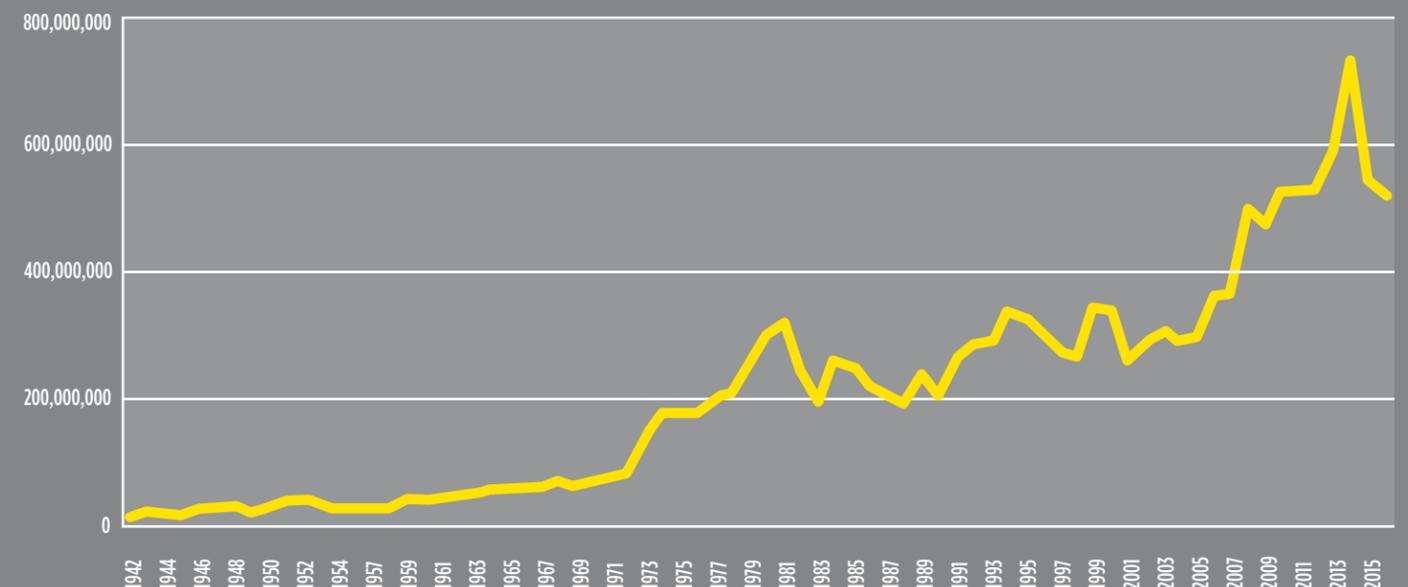
The County Agricultural Commissioner, as defined by law, is responsible for the local administration of federal, state and county laws, rules and regulations that protect the public's health, safety and welfare, the environment, agriculture and the consumer.

In addition to maintaining a comprehensive pest and disease management regulatory system protecting agricultural production and the environment, our office plays a vital role in facilitating trade of agricultural commodities domestically and internationally to over 90 countries. In 2016, Vietnam, Hong Kong, Turkey, China and Germany were the top countries importing Sutter County commodities. The main commodities exported were walnuts, prunes and seed.

Agriculture remains the backbone of Sutter County's economy. The chart below depicts the Gross Production Value from 1942-2015. The large spike in 2014 was due to extremely high walnut prices which tapered the following year. About 88% of the County's land is used for agricultural purposes. In 2016, the top five crops were rice, walnuts, processing peaches, nursery products and processing tomatoes. According to the 2012 Census, Sutter County has 1,358 farms with an average farm size of 276 acres.

To learn more about the Agricultural Commissioner's Office and the services we provide including crop reports dating back to 1940, please visit our website at <http://www.co.sutter.ca.us/doc/government/depts/ag/aghome>.

## GROSS PRODUCTION VALUE: 1942-2015





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County of Sutter, California  
Annual Financial Report



[www.suttercounty.org](http://www.suttercounty.org)

Sources used in compilation of the report: The County of Sutter FY 2016-2017 Annual Financial Report, County of Sutter Crop Report, and the California Public Retirement Actuarial Reports for the County of Sutter.