TUOLUMNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY

Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, and Required Supplementary Information

For the Year Ended June 30, 2018

Certified Public Accountants

TUOLUMNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2018

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MGO Certified Public Accountants

Independent Auditor's Report

Governing Board
Tuolumne County Economic Development Authority
Sonora, California

We have audited the accompanying financial statements of the governmental activities and the general fund of the Tuolumne County Economic Development Authority (Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Tuolumne County Economic Development Authority as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP
3000 S Street, Suite 300
Sacramento, CA 95816

Emphasis of Matter

Subsequent Event

As discussed in Note I to the basic financial statements, on February 5, 2019, the County of Tuolumne (County) and the City of Sonora (City) voted to withdraw from the Authority and plan to dissolve the Authority by June 30, 2019, in accordance with the terms of the Joint Powers Agreement. Per the Joint Powers Agreement, the County and the City are liable for any unfunded liabilities after the dissolution of the Authority. Our opinions are not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability, and schedule of the Authority's pension contributions, 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.

Macias Gini & O'Connell LLP

Sacramento, California
April 19, 2019

This section of the Tuolumne County Economic Development Authority (Authority) financial report presents a discussion and analysis of the Authority's financial performance during the year ended June 30, 2018. Please read it in conjunction with the Authority's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Authority exceeded the assets and deferred outflows of resources at the close of the 2017-18 fiscal year by $309,183 (deficit *net position*). Of this amount, $10,022 was invested in capital assets, $51,592 was restricted for specific purposes (*restricted*), leaving a deficit of $370,797 (*unrestricted*).
- The reason for the deficit net position is the net pension liability and its related deferred outflows and inflows that net to $491,348, which is to be funded by contributions from the County of Tuolumne (County) and City of Sonora (City).
- The Authority's total net position decreased by $50,420 during the 2017-18 fiscal year. This was a result of the net of revenues of $484,578 and expenses of $534,998.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components 1) the financial statements and 2) the notes to the financial statements. In addition to this management's discussion and analysis, this report also contains other required supplementary information.

The **financial statements** combine what are known as the government-wide and fund financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of Authority finances and include the following statements:

- The *statement of net position* presents information on all Authority assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statement of net position is presented as the right column on page 8.
- The *statement of activities* presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., compensated absences and net pension liability and related amounts). The statement of activities is presented as the right column on page 9.

Fund financial statements reflect a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements. The general fund financial statements are presented as the left columns on pages 8 and 9.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Reconciliations between both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance and the government-wide statement of net position and statement of activities, respectively, are provided to facilitate the comparison. These reconciliations are presented as the adjustments columns on pages 8 and 9.

The Authority adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided on page 10 for the general fund to demonstrate compliance with this budget.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-22 of this report.

Other required supplementary information concerning the Authority's proportionate share of the net pension liability and pension contributions can be found on pages 23 and 24.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The statement of net position and the statement of activities provide an indication of the Authority's financial well-being.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities and deferred inflows of resources exceeded liabilities and deferred outflows of resources by $309,183 at June 30, 2018.

The following table summarizes the statement of net position changes between June 30, 2018 and 2017:

	2018	% Change	2017
Current assets	$ 207,926	13.9%	$ 182,627
Capital assets	10,022	n/a	-
Total assets	217,948	19.3%	182,627
Deferred outflows of resources	128,307	4.2%	123,124
Current liabilities	6,904	11.0%	6,218
Compensated absences	28,879	-4.4%	30,194
Net pension liability	617,976	17.0%	528,102
Total liabilities	653,759	15.8%	564,514
Deferred inflows of resources	1,679	n/a	-
Investment in capital assets	10,022	n/a	-
Restricted	51,592	-9.6%	57,075
Unrestricted	(370,797)	17.4%	(315,838)
Total net position	$ (309,183)	19.5%	$ (258,763)

A portion of the Authority's net position ($10,022) represents the Authority's investment in capital assets. The Authority uses these capital assets to provide services; consequently, they are *not* available for future spending. An additional portion of net position ($51,592) represents resources that are subject to external restrictions on how they may be used. That leaves a remaining deficit balance of $370,797 as the *unrestricted net position.*

Activities: The following table summarizes the statement of activities changes for the years ended June 30, 2018 and 2017:

	2018	% Change	2017
Expenses			
Salaries and benefits	$ 389,830	18.4%	$ 329,348
Services and supplies	137,922	39.2%	99,102
Grants	6,900	-28.7%	9,675
Depreciation	346	n/a	-
Total expenses	534,998	22.1%	438,125
Program Revenues			
Charges for service	7,340	-4.9%	7,715
Operating grants and contributions:			
County of Tuolumne	344,292	26.7%	271,839
City of Sonora	102,841	17.9%	87,261
Federal	-	-100.0%	33,119
Other governments	-	-100.0%	45,000
Others	8,000	n/a	-
Donations	3,000	-79.8%	14,855
General Revenues			
Interest	1,567	72.4%	909
Other	17,538	940.2%	1,686
Total revenues	484,578	4.8%	462,384
Changes in net position	(50,420)	-307.8%	24,259
Net position, beginning of year	(258,763)	-8.6%	(283,022)
Net position, end of year	$ (309,183)	19.5%	$ (258,763)

For the year ended June 30, 2018, the following significant changes should be noted:

- Salaries and benefits increased by $60,482, which was primarily the result of changes in the net pension liability and related deferred outflows and inflows of resources ($86,370 in 2018 versus $13,066 in 2017), which was in large part due to CalPERS' reducing its discount rate from 7.65% to 7.15% during 2018.
- Services and supplies increased by $38,820 primarily due to an increase in travel and training of $18,495 and professional services of $13,133.
- Contributions from the County and City increased $72,453 and $15,580, respectively, primarily to offset an expected decrease in other revenues and an expected increase in expenses.
- Other operating grants and contributions decreased $81,974 for non-recurring Federal and other government assistance, as expected.
- Other revenues increased $15,852, mostly due to a $10,118 settlement of a property damage claim.

FUND FINANCIAL ANALYSIS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of June 30, 2018, the Authority reported ending fund balance of $201,022. The restricted portion of fund balance is $51,592 and committed is $65,653, leaving an unassigned balance of $83,777. As a measure of the general fund's liquidity, it may be useful to compare fund balance to fund expenditures. Fund balance represents 43.7% of expenditures.

The fund balance increased $24,613, a decrease of $4,433 from the prior year increase of $29,046. The majority was the result of the following significant changes:

- Salaries and benefits decreased $19,787 primarily because terminated staff were not replaced.
- Services and supplies increased $38,820 primarily due to an increase in travel and training of $18,495 and professional services of $13,133.
- Contributions from the County and City increased $72,453 and $15,580, respectively, primarily to offset expected decreases in other grants and contributions and increases in expenditures.
- Other operating grants and contributions decreased $81,974 for non-recurring Federal and other government assistance, as expected.
- Other revenues increased $15,852, mostly due to a $10,118 settlement for the damage to the Authority's robot.
- Capital outlay increased $10,368, attributable to the purchase of a replacement robot (see previous point) during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Authority made budgetary amendments increasing appropriations $18,359 mostly to account for the purchase of a robot for $10,368. For the year, $15,800 was originally budgeted from beginning available fund balance. Actual revenues realized were $22,846 more than budgetary estimates, mostly attributable to a $10,118 settlement of a property damage claim and an $8,000 PG&E grant that was more than the $1,000 budgeted. Expenditures were $35,926 less than budgetary estimates, mostly attributable to less than expected compensated absences paid out of $10,474, education and travel of $4,800, and contingencies of $7,610.

CAPITAL ASSETS

As of June 30, 2018, the Authority's capital assets (net of accumulated depreciation) totaled $10,022. The following table summarizes the changes in capital assets between June 30, 2018 and 2017.

	2018	% Change	2017
Building and Improvements	$ 19,905	0.0%	$ 19,905
Equipment	13,734	59.0%	8,637
Less accumulated depreciation	(23,617)	-17.3%	(28,542)
	$ 10,022	n/a	$ -

During fiscal year 2017-18, the Authority purchased a robot for $10,368.

DISSOLUTION OF AUTHORITY

On February 5, 2019, both the County and the City voted to withdraw from the Authority and plan to dissolve the Authority by June 30, 2019 in accordance with the terms of the Joint Powers Agreement.

Per the Joint Powers Agreement, the County and the City are liable for any unfunded liabilities after the dissolution of the Authority.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Deborah Bautista, County Clerk & Auditor-Controller, 2 South Green Street, Sonora, CA 95370.

TUOLUMNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY

Governmental Fund Balance Sheet
and Statement of Net Position
June 30, 2018

	Governmental Fund Balance Sheet	Adjustments (Note B)	Statement of Net Position
Assets			
Cash and investments	$ 199,031	$ -	$ 199,031
Accounts receivable	325	-	325
Due from other governments	8,570	-	8,570
Capital assets, net		10,022	10,022
Total assets	$ 207,926	10,022	217,948
Deferred Outflows of Resources			
Related to pension		128,307	128,307
Liabilities			
Accounts payable	$ 2,609	-	2,609
Salaries payable	4,295	-	4,295
Compensated absences		28,879	28,879
Long-term obligations:			
Net pension liability		617,976	617,976
Total liabilities	6,904	646,855	653,759
Deferred Inflows of Resources			
Related to pension		1,679	1,679
Fund Balance/Net Position			
Fund balance:			
Restricted	51,592	(51,592)	
Committed	65,653	(65,653)	
Unassigned	83,777	(83,777)	
Total fund balance	201,022		
Total liabilities and fund balance	$ 207,926		
Net position:			
Investment in capital assets		10,022	10,022
Restricted		51,592	51,592
Unrestricted		(370,797)	(370,797)
Total net position		$ (510,205)	$ (309,183)

See accompanying notes to the basic financial statements.

TUOLUMNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY

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

	Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	Adjustments (Note C)	Statement of Activities
Expenditures/Expenses			
Salaries and benefits	$ 304,775		
Services and supplies	137,922		
Capital outlay	10,368		
Grants	6,900		
Total Economic Development	459,965	$ 75,033	$ 534,998
Program Revenues			
Charges for service	7,340	-	7,340
Operating grants and contributions:			
County of Tuolumne	344,292		
City of Sonora	102,841		
Other	8,000		
Donations	3,000	-	458,133
Net Program Expense		(75,033)	(69,525)
General Revenues			
Interest	1,567	-	1,567
Other	17,538	-	17,538
Total general revenues		-	19,105
Total revenues	484,578		
Changes in fund balance/net position	24,613	(75,033)	(50,420)
Fund balance/net position, beginning of year	176,409	(435,172)	(258,763)
Fund balance/net position, end of year	$ 201,022	$ (510,205)	$ (309,183)

See accompanying notes to the basic financial statements.

TUOLUMNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Charges for service	$ 8,200	$ 8,200	$ 7,340	$ (860)
Intergovernmental				
County of Tuolumne	344,292	344,292	344,292	-
City of Sonora	102,841	102,841	102,841	-
Other governments	1,000	1,000	8,000	7,000
Donations	1,000	1,000	3,000	2,000
Interest	99	99	1,567	1,468
Other	4,300	4,300	17,538	13,238
Total revenues	461,732	461,732	484,578	22,846
Expenditures				
Salaries and benefits	327,238	316,888	304,775	12,113
Services and supplies	126,875	151,025	137,922	13,103
Capital outlay	-	10,368	10,368	-
Grants	10,000	10,000	6,900	3,100
Contingencies	13,419	7,610	-	7,610
Total expenditures	477,532	495,891	459,965	35,926
Changes in fund balance	$ (15,800)	$ (34,159)	24,613	$ 58,772
Fund balance, beginning of year			176,409	
Fund balance, end of year			$ 201,022	

See accompanying notes to the basic financial statements.

NOTE A – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Tuolumne County Economic Development Authority (Authority) was created on December 15, 2008 through a Joint Powers Agreement (JPA) between the County of Tuolumne (County) and the City of Sonora (City).

The Authority was created to provide a united, coordinated, orderly, positive and more effective means for implementing and carry into execution an Economic Development Authority for the general benefit of all the people of Tuolumne County, California. General economic development programs shall include, but are not limited to: 1) business retention and expansion; 2) business attraction; 3) business assistance programs; 4) identification of appropriate locations for and creation of “shovel ready” commercial and industrial properties including but not limited to adaptive reuse; 5) support the creation, expansion and rehabilitation of public infrastructure needed to support and sustain local business and industries (e.g. roads, water, power, sewer, telecommunications, etc.); 6) assist with educational and training opportunities tailored to equip and support the community’s workforce; and 7) pursuit of funding sources to facilitate all of the above.

The Authority is authorized by the provisions of Title I, Division 7, Chapter 5 (commencing with Section 6500) of the Government Code of the State of California, which authorizes the joint exercise by agreement of two or more public agencies of any power common to them.

The Authority is administered by a governing board of seven (7) members. The composition of the members are: two (2) members of and designated by the Tuolumne County Board of Supervisors; two (2) members of and designated by the Sonora City Council; and three (3) at-large members appointed by the City and County members of the governing board.

The Treasurer-Tax Collector of the County is designated as the Treasurer of the Authority and as such the County acts as the depository of the Authority. The Clerk and Auditor-Controller of the County is designated as the Auditor-Controller of the Authority and as such the County performs all accounting and payroll functions of the Authority. The County Counsel of the County is designated as the legal advisor to the Authority.

The Authority has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America (GAAP), which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The Authority is considered a primary government since it has a separate governing body, is legally separate, and is fiscally independent of other state and local governments. The accompanying financial statements present information on the activities of the reporting entity, including the Authority and its component unit.

Blended Component Unit

Although a legally separate entity, the following component unit is governed by the Authority’s governing board and there is a financial benefit or burden relationship between it and the Authority; and therefore is presented as a blended component unit and reported as part of the primary government. The primary government is financially accountable for this component unit. This blended component unit has a June 30 fiscal year-end.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Economic Prosperity Council (Council) – The Council was formed in May 2008 to encourage economic prosperity in Tuolumne County. The Council's focus is on research, education, and business assistance to local entrepreneurs. The Council is included in the general fund in these financial statements.

Accounting Principles

The financial statements of the Authority have been prepared in conformity with 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 accounting policies of the Authority are described as follows.

Government-wide and Fund Financial Statements

The Authority's financial statements have been condensed to present both the government-wide and general governmental fund financial information in one set of financial statements.

The government-wide financial information (i.e., statement of net position and statement of activities) is presented as the right hand column of the financial statements presented on pages 8 and 9. This information includes the financial activities of the overall Authority.

The statement of net position is designed to display the financial position of the entity.

The statement of activities demonstrates the degree to which the direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include grants and contributions, mainly from the County and City who benefit from the services provided, that are restricted to meeting the operational or capital requirements of a particular program or function. Revenues that are not classified as program revenues are presented instead as general revenues.

The general governmental fund financial information is presented as the left hand column of the financial statements presented on pages 8 and 9. The middle column of these financial statements reconciles the two other columns, and the reconciling amounts are explained in further detail in notes B and C.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE A – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The general governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 365 days of the end of the current fiscal period. Revenues considered susceptible to accrual include grants and contributions. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for long-term obligations such as compensated absences and pensions, which are accrued when due and payable.

The Authority reports the general fund as the only major governmental fund. The general fund is the operating fund and accounts for all financial resources. The major revenue sources of this fund are the contributions from the County and City.

Cash and Investments

The Authority involuntarily participates in the external investment pool of the County, which is not rated by national credit rating agencies, by depositing its cash in the County Treasury. Interest earned is apportioned quarterly based on the relationship of its daily balance to the total pooled cash and investments. The weighted average to maturity of the pool's investments is 297 days. The County Treasurer has a written investment policy, approved by the Board of Supervisors. Under the provisions of the County's Investment Policy, and in accordance with Section 53601 of the California Government Code, the County is authorized to invest in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, local government investment pools such as the California Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP), prime commercial paper as rated by Standard and Poor's Corporation or Moody's Commercial Paper Record, money market funds, mortgage pass-through securities, medium-term corporate notes, bankers' acceptance, repurchase and reverse repurchase agreements, negotiable certificates of deposit, supranational securities, obligations of the State of California, obligations of any of the other 49 states, and obligations of local agencies within California, including obligations of the County. The Authority's portion of the pool is measured at fair value. However, investments in external investment pools are not subject to the fair value hierarchy established by generally accepted accounting principles. At June 30, 2018, the Authority's portion of the pool totaled $147,439. The value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool. Information regarding the investments within the County's pool, including the related risks, can be found in the County's Comprehensive Annual Financial Report.

At June 30, 2018, the Council had $51,592 on deposit with a local bank, which is covered by FDIC deposit insurance.

Due From Other Governments

These amounts represent receivables from federal, state and other local governments. The receivable of $8,570 due was the June contribution from the City of Sonora.

NOTE A – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date of donation. Vehicles and equipment are depreciated over an estimated useful life (3-10 years) on the straight-line basis.

Compensated Absences

The employee accumulates personal time in accordance with the County's Executive/Confidential Unit Compensation Plan. The amount of personal time vested and accrued depends on years of service and date of hire. Employees with a minimum personal time accrual balance in excess of 80 hours shall be entitled to cash out those hours in excess of 80 hours and up to a maximum of 200 hours in a fiscal year.

Pension Plan

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

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date:	June 30, 2016, rolled forward to June 30, 2017
Measurement Date:	June 30, 2017
Measurement Period:	July 1, 2016 to June 30, 2017

Net Position/Fund Balance

The government-wide financial statements utilize a net position presentation. The Authority's net position is categorized as follows:

- *Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category. At June 30, 2018, the Authority had an investment in capital assets of $10,022.
- *Restricted* – This category represents assets externally restricted by creditors, grantors, contributors, or laws or regulations of other governments and restricted by law through constitutional provisions or enabling legislation reduced by liabilities related to those assets. At June 30, 2018, the Authority had net position of $51,592 restricted for the Council.
- *Unrestricted* – The category represents net position not restricted for any project or other purpose. At June 30, 2018, the Authority had a deficit unrestricted net position of $370,797.

NOTE A – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The governmental fund utilizes a classified fund balance presentation. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which amounts can be spent as follows:

- *Restricted* – to reflect amounts that can only be used for specific purposes pursuant to constraints either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. At June 30, 2018, restricted funds of $51,592 were held by the Council.
- *Committed* – to reflect amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Authority. The formal action necessary to establish (and modify or rescind) a commitment is either a three-fifths vote if done as part of the passage of the final budget, or a four-fifths vote if done any other time. At June 30, 2018, the Authority committed $35,653 for employee leave and $30,000 set aside by the governing board to help with cash flows and unfunded liabilities.
- *Assigned* – to reflect amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. At June 30, 2018, the Authority had no assigned fund balance.
- *Unassigned* – to reflect amounts that have not been restricted, committed, or assigned to specific purposes. At June 30, 2018, the Authority had an unassigned fund balance of $83,777.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned fund balance amounts are available for use, it is the Authority's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE B – ADJUSTMENTS BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION

The financial statement presented on page 8 includes an adjustments column that reconciles the balance sheet of the general governmental fund and the governmental activities statement of net position. These adjustments are further detailed below while reconciling the fund balance of the general governmental fund and net position of the governmental activities.

Fund balance		$ 201,022
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.		10,022
Deferred outflows and inflows of resources for pension items in governmental activities are not financial resources and therefore are not reported in the governmental fund.		
Deferred outflows of resources	$ 128,307	
Deferred inflows of resources	(1,679)	126,628
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Compensated absences	$ (28,879)	
Net pension liability	(617,976)	(646,855)
Net position		$ (309,183)

NOTE C – ADJUSTMENTS BETWEEN GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

The financial statement presented on page 9 includes an adjustments column that reconciles the general governmental fund revenues, expenditures, and changes in fund balance and the governmental activities statement of activities. These adjustments are further detailed below while reconciling the changes in fund balance of the general governmental fund and the changes in net position of the governmental activities.

Changes in fund balance		$ 24,613
Governmental fund reports capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:		
Capital outlay	$ 10,368	
Depreciation	(346)	10,022
The change in compensated absences is reported as an expense in the statement of activities; however, it does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental fund.		1,315
Governmental fund reports pension contributions made during the year as expenditures. The statement of activities report pension expense as the change in the related liabilities and other related items.		(86,370)
Changes in net position		$ (50,420)

NOTE D – **BUDGETARY INFORMATION**

The Authority's governing board approves all budgeted revenues and expenditures. Budgeted revenues and expenditures represent the original and final budget as modified by amendments during the year. The governing board approves all amendments. The legal level of budgetary control is at the major object level. The budgetary process is on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

NOTE E – **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets, being depreciated:				
Building and improvements	$ 19,904	$ -	$ -	$ 19,904
Equipment	8,637	10,368	(5,271)	13,734
Total capital assets, being depreciated	28,541	10,368	(5,271)	33,638
Less accumulated depreciation for:				
Building and improvements	(19,904)	-	-	(19,904)
Equipment	(8,637)	(346)	5,271	(3,712)
Total accumulated depreciation	(28,541)	(346)	5,271	(23,616)
Total capital assets, being depreciated, net	$ -	$ 10,022	$ -	$ 10,022

NOTE F – **COMPENSATED ABSENCES**

Compensated absences activity for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental activities:					
Compensated absences	$ 30,194	$ 29,184	$ (30,499)	$ 28,879	$ 28,879

NOTE G – **PENSION PLAN**

General Information about the Pension Plan

Plan Description – All of the Authority's qualified employees are eligible to participate in the County's Miscellaneous Pension Plan (Plan), an agent multi-employer defined benefit pension plan administered by CalPERS. Departments and funds of the County and agencies associated with the County, including the Authority, are in a cost-sharing arrangement in which all risks and costs are shared proportionately. A full description of the Plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2016, Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website at www.calpers.ca.gov under Forms and Publications.

The California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions under the Plan and other requirements are established by State statute and County resolution.

Benefits Provided – The benefits for the Plan are based on members' years of services, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

Hire date	**Prior to March 13, 2011 (Tier 1)**	**March 13, 2011 to December 31, 2012 (Tier 2)**	**On or After January 1, 2013 (Tier 3)**
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 67	50 to 67	52 to 67
Monthly benefits, as a % of eligible compensation	1.426 to 2.418%	1.092 to 2.418%	1.000 to 2.500%

NOTE G – **PENSION PLAN (CONTINUED)**

Contributions – Section 20814(c) of the California Public Employees Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if the plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. For the measurement period ended June 30, 2017 (the measurement date) for the Plan, the employee contribution rates were 7.000% for Tiers 1 and 2 and 6.250% for Tier 3 of member earnings and the employer's contribution rate was 19.844% of member earnings. For the year ended June 30, 2018, the contributions were $42,479.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

As of June 30, 2018, the Authority reported a liability of $617,976 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The Authority's proportion of the net pension liability was based on its 2016-17 fiscal year total contributions to the Plan relative to all 2016-17 fiscal year contributions to the Plan. The Authority's proportion of the Plan's net pension liability as of June 30, 2017 and 2016, were 0.69614% and 0.67213%, respectively, for an increase of 0.02401.

For the year ended June 30, 2018, the Authority recognized pension expense of $128,849. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 42,479	$ -
Differences between expected and actual experience	1,042	1,679
Change in assumptions	52,746	-
Net differences between projected and actual earnings on plan investments	18,470	-
Change in Authority's proportion	8,556	-
Differences between Authority's contributions and Authority's proportionate share of contributions	5,014	-
Totals	$ 128,307	$ 1,679

NOTE G – **PENSION PLAN (CONTINUED)**

The $42,479 reported as deferred outflows of resources related to pension resulting from the pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The remainder reported as deferred outflows and inflows of resources will be recognized as pension expense as follows:

Year Ending June 30	
2019	$ 58,892
2020	27,409
2021	7,885
2022	(10,037)
Total	$ 84,149

Actuarial Assumptions – The June 30, 2016, valuation was rolled forward to determine the June 30, 2017, total pension liability, based on the following actuarial method and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table [1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

1

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

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

Change of Assumptions – During the 2017 measurement period, the discount rate was reduced from 7.65 percent to 7.15 percent.

NOTE G – **PENSION PLAN (CONTINUED)**

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

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

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

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

[1] An expected inflation of 2.5% used for this period.

[2] An expected inflation of 3.0% used for this period.

NOTE G – **PENSION PLAN (CONTINUED)**

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Authority's Proportionate Share of Plan's Net Pension Liability	$ 856,792	$ 617,976	$ 418,827

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE H – **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to and illnesses of employees; and natural disasters. The Authority participates in the County's workers' compensation, general liability, and property risk management programs. Under these programs, the Authority makes payments to the County's internal services funds based on historical cost of the amounts needed to pay prior and current year claims, and to allow for estimated incurred but not reported claims including loss adjustment expenses. There have been no settlements in excess of insurance coverage in the past three years.

NOTE I – **SUBSEQUENT EVENT**

Dissolution of the Authority

On February 5, 2019, both the County and the City voted to withdraw from the Authority and plan to dissolve the Authority by June 30, 2019, in accordance with the terms of the JPA Agreement.

The Authority, as the employer, was required to give notice of termination to the Economic Development Director. On February 28, 2019, the Authority and the Director entered into a separation and release agreement in which the Authority and the Director agreed that his last day of employment would be March 16, 2019, he would be paid six months' severance pay per his contract, which was paid on March 11, 2019, and he would be paid the balance of his personal time accrual as of March 16, 2019, which was paid on March 22, 2019, as part of his final regular paycheck.

Per the JPA agreement, the County and the City are liable for any unfunded liabilities after the dissolution of the Authority and are currently working on a plan for funding the Authority's unfunded net pension liability.

TUOLUMNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY

Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last Ten Years*

Fiscal Year	Measurement Period	Authority's Proportion of the Net Pension Liability	Authority's Proportionate Share of the Net Pension Liability	Authority's Covered Payroll	Authority's Proportionate Share of the Net Pension Liability as a Percentage of Their Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Miscellaneous Plan:						
2018	2017	0.69614%	$ 617,976	$ 206,420	299.38%	68.24%
2017	2016	0.67213%	528,102	190,796	276.79%	69.38%
2016	2015	0.66864%	405,442	160,758	252.21%	75.24%
2015	2014	0.67173%	346,609	208,483	166.25%	78.39%

Notes to Schedule:

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

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

***** GASB 68 was implemented in 2015 (2014 measurement period).

TUOLUMNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY

Required Supplementary Information (Unaudited)
Schedule of the Authority's Pension Contributions
Last Ten Years*

Measurement Period	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency	Authority's Covered Payroll	Contributions as a Percentage of Covered Payroll
Miscellaneous Plan:					
2018	$ 42,479	$ 42,479	$ -	$ 203,775	20.846%
2017	40,962	40,962	-	206,420	19.844%
2016	34,475	34,475	-	190,796	18.069%
2015	29,901	29,901	-	160,758	18.600%
2014	29,542	29,542	-	208,483	14.170%

***** GASB 68 was implemented in 2015 (2014 measurement period).