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**County Auditor-Controller**
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County of Sutter, California
Fiscal Year Ended June 30, 2007

## Letter from the Auditor-Controller, May 12, 2008

The Auditor-Controller's Office is proud to present the first annual Auditor-Controller's Office Citizens Report for the fiscal year ended June 30, 2007. This report provides an overview of the County's financial condition and a brief analysis of where the County revenues come from and where those dollars are spent. The majority of the financial information in this report came from the audited financial statements as presented in the County's Annual Financial Report or the unaudited Required Supplementary Information therein. Other information from the County's official records maintained by the Auditor-Controller's Office has been included to provide additional perspective on County finances and to address frequently asked questions. For example, much has been said recently about the County's "excellent financial condition". The reader can quickly see that in 2007 the County's unrestricted net assets balance is, in fact, a healthy $36.4 million, but also to be considered is the slightly larger $36.8 million pension debt. Had a popular report been provided in 2002 comparative figures would be unrestricted net assets of $14.8 million and pension surplus of $28.8 million. This is a reduction of resources from $43.6 million in 2002 to a deficit of $0.4 million in 2007. Decision makers and the public have the information to decide whether this is a trend to be concerned about or merely a report of historical fact.

We believe this Citizens Report is a significant step 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 and the Annual Financial Report are available at the Auditor-Controller's Office and the County website.

We invite questions and comments.

Respectfully submitted,

Robert E. Stark, CPA
Auditor-Controller of Sutter County

State of California
Office of the Controller

Award for Achieving Excellence in Financial Reporting

Presented to

County of Sutter

For its Year-End Financial Reports
For the Fiscal Year Ended June 30, 2006

This Award for Achieving Excellence in Financial Reporting is presented by the California State Controller to your County for achieving the highest quality in California government accounting and financial reporting.

JOHN CHIANG, California State Controller
Dated at Sacramento, California, this 16th day of October 2007

# County Revenues

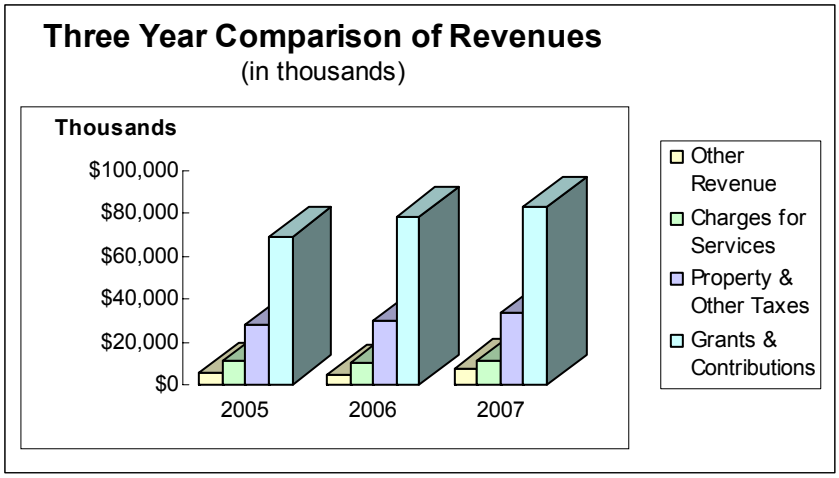
## Total Revenues

The County's total revenues for FY 06-07 were $135.8 million, an 11.0% increase over the prior year. Approximately 86.0% of these revenues come from two major sources: Grants & Contributions and Property & Other Taxes.

## Property & Other Taxes

($33.9 million, 25.0% of total revenues)
Generally, taxes finance the cost of services not covered by Grants & Contributions or Charges for Services.

- General Fund Property taxes increased $3.7 million, 16.1% over the prior year.
- Sales and use taxes increased $807,000, 25.1% over the prior year.
- Property transfer taxes decreased $181,000, 28.4% less than the prior year.
- Franchise taxes decreased $234,515 , 10.8% less than the prior year.




## Grants & Contributions

($82.9 million, 61.0% of total revenues)
Grants & Contributions are revenues received from the state and federal governments. These revenues are for mandated services such as social services, public assistance, health care, public safety and roads. These revenues are generally restricted to one or more specific programs. This category of revenue increased $4.7 million or 5.9% over the prior year.

## Charges for Services

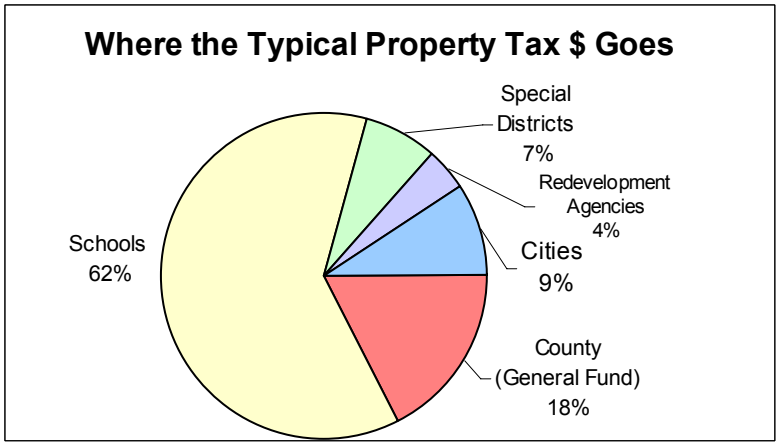
($11.5 million, 8.5% of total revenues)
These are revenues collected through charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the County. This category of revenue increased $1.4 million or 13.6% over the prior year.

## Other Revenue

($7.6 million, 5.6% of total revenues)
Other revenues consist of tobacco settlement, interest and investment earnings, and miscellaneous revenues. This category of revenue increased $3.3 million or 78.6% over the prior year.

## Property Tax Dollars

62% of each property tax dollar goes to fund public education, 18% goes towards the County's general fund and 20% goes to fund Special Districts, Redevelopment Agencies and cities. Sutter County's distribution of each property tax dollar is comparable to other counties of similar size.



# County Expenses

## Total Expenses

The County's total expenses for FY 06-07 were $121.3 million, a 5.3% increase over the prior year. This increase is primarily due to increased expenses in Public Protection and Public Ways & Facilities.

## General Government

($14.7 million, 12.1% of total expenses)
This function sets policy and provides legal, financial, management and human resource services. These include Board of Supervisors, County Administrative Office, Assessor, Auditor-Controller, County Clerk, County Counsel, Personnel and Treasurer-Tax Collector, Agriculture and Library. This category of expenses increased $618,000 or 4.4% over the prior year.

## Public Protection

($36.6 million, 30.2% of total expenses)
This function is charged with protection of people and their property in the community through law enforcement, fire protection, prosecution, incarceration and monitoring of adult and juvenile offenders and regulatory compliance. These include Sheriff, Net 5, County Jail, District Attorney, Emergency Services, Fire and Probation. This category of expenses increased $2.7 million or 8.0% over the prior year.

## Health & Welfare

($32.8 million, 27.0% of total expenses)
This function includes indigent medical services, mental health, public health and community health clinics. This category of expenses decreased $1.4 million or 4.2% less than the prior year.

## Public Assistance

($27.7 million, 22.8% of total revenues)
This function includes CalWORKs and TANF (Temporary Assistance for Needy Families), Housing Assistance, Welfare to Work and Aid for Adoption. This category of expenses increased $1.2 million or 4.6% over the prior year.

## Public Ways & Facilities

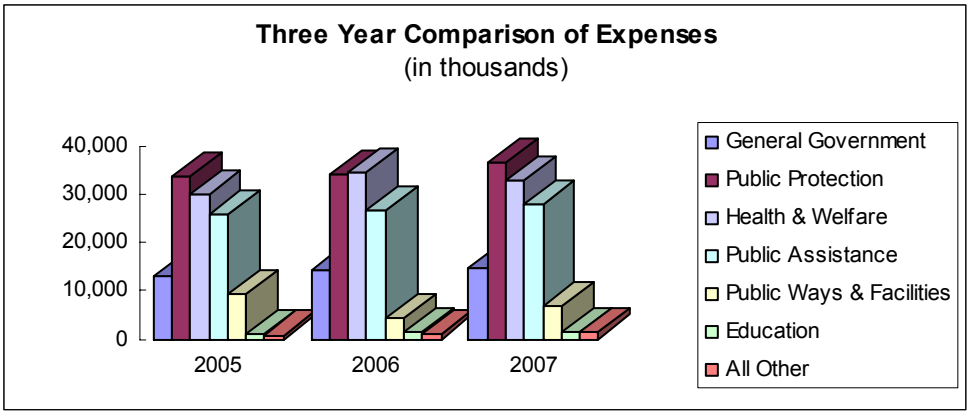
($6.7 million, 5.5% of total expenses)
This function includes the Road Department, Aviation and various Other Special Districts which provide maintenance and improvement of roads, bridges and drainage systems throughout the County and maintains the Sutter County Airport. This category of expenses increased $2.4 million or 55.4% over the prior year.

## Education

($1.2 million, 1.0% of total expenses)
This function includes contributions to Yuba College and area schools. This category of expenses decreased $34,800 or 2.7% less than the prior year.

## All Other Expenses

($1.5 million, 1.2% of total expenses)
This section includes Culture & Recreation, Community Development and Debt Service. This category of expenses increased $624,000 or 71.7% over the prior year. This is due primarily to Community Development.



# Statement of Net Assets

The government-wide Statement of Net Assets is the basic government-wide statement of position. It reports 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 County's financial position is improving or deteriorating.

## Net Assets Components

The largest component of the County's net assets, about $78.6 million or 51.6%, **was invested in capital assets, less any related outstanding debt** used to acquire those assets. Even though the County's investment in capital assets is reported net of related debt, the capital assets themselves cannot be used to liquidate the County's debt, and so the resources needed to pay these liabilities must be provided from other resources. $37.5 million or 24.6% of the County's net assets are **restricted**. Restricted means that these resources are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws/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 assets is **unrestricted net assets**. Unrestricted net assets are resources that the County may use to meet its ongoing obligations to citizens and creditors. County policy has been to annually increase or decrease the Designation for Capital Projects to balance the General Fund although no specific projects have been identified. Accordingly unrestricted assets have grown to $36.4 million. Of this amount $15,626,647 is designated to fund unspecified capital projects. These designated funds as well as other unrestricted funds are within the discretion of the Board to appropriate for any purpose.

Total unrestricted net assets are $36.4 million or 23.8% of the County's net assets for FY 06-07, compared to only $22.5 million or 16.4% over the prior fiscal year.

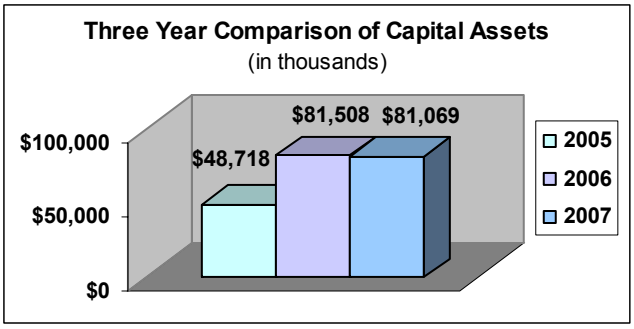
**Statements of Net Assets**

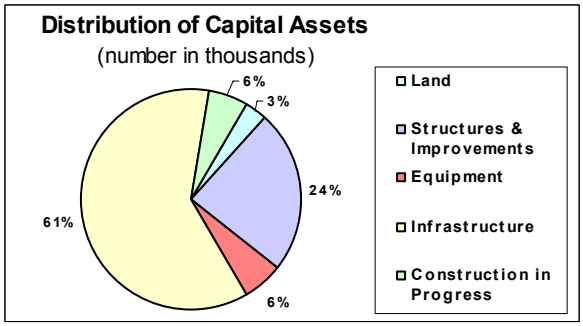
| | Fiscal Years | | |
|---|---|---|---|
| | 2007 | 2006 | Change |
| **ASSETS** | | | |
| Current and other assets | $ 84,399,930 | $ 70,304,900 | 20% |
| Capital Assets | 81,069,130 | 81,507,520 | -1% |
| Total Assets | 165,469,060 | 151,812,420 | 9% |
| **LIABILITIES** | | | |
| Long-term liabilities | 7,190,195 | 7,013,231 | 3% |
| Other liabilities | 5,736,293 | 7,170,063 | -20% |
| Total Liabilities | 12,926,488 | 14,183,294 | -9% |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 78,643,338 | 83,881,069 | -6% |
| Restricted | 37,529,871 | 31,201,421 | 20% |
| Unrestricted | 36,369,363 | 22,546,636 | 61% |
| **TOTAL NET ASSETS** | $ 152,542,572 | $ 137,629,126 | 11% |

*Readers wanting more detailed financial information should refer to the County's FY 2006-2007 Annual Financial Report available at the County Auditor-Controller's Office.*

## Capital Assets

At June 30, 2007, the County's assets totaled $165.5 million. Approximately $84.4 million represents current and other assets while $81.1 million are capital assets. Capital assets include land, structures and improvements, equipment, construction in progress and infrastructure that are used to provide services to the citizens of Sutter County. Capital assets are reported at cost. The $32.8 million increase in capital assets in FY 05/06 is associated with prior period adjustments related to a change in policy regarding estimated life of the County road system.

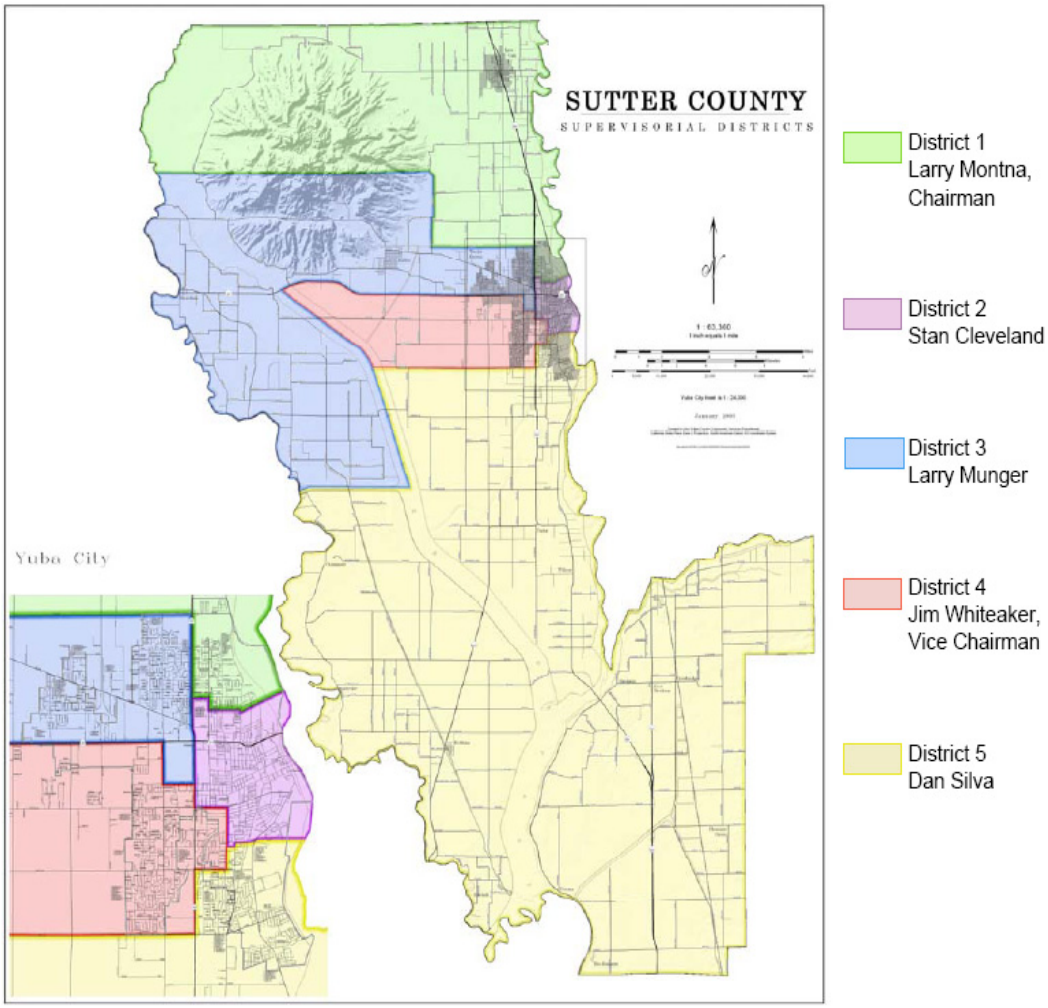


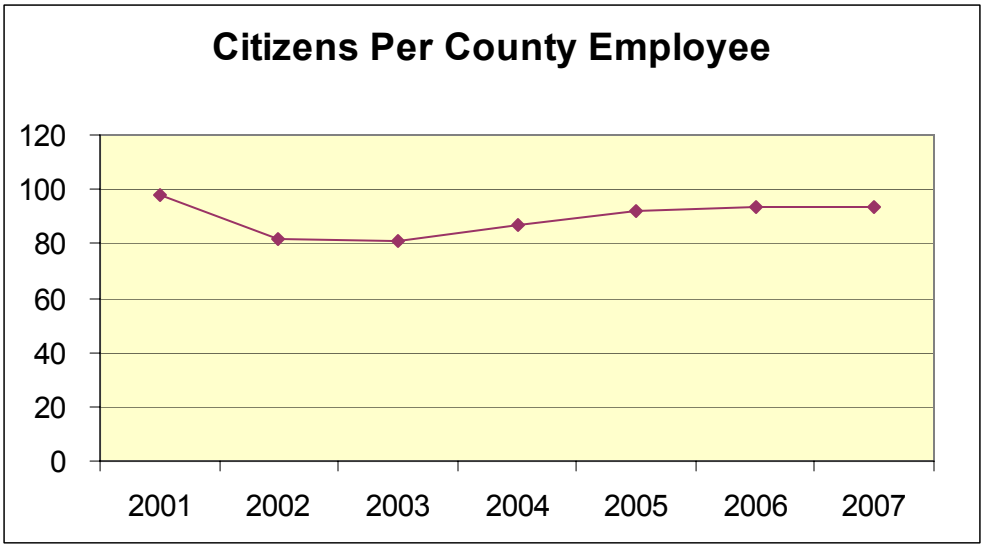



# County Overview

## Board of Supervisors

Members of the Board of Supervisors serve as the legislative body for Sutter County and provide policy direction for all branches of County government. The Board is responsible for enacting ordinances and resolutions, adopting the budget, levying taxes, and approving formal contracts and agreements. The Board of Supervisors also serves as the governing body for several special districts which provide water, sewer, and fire suppression services in the unincorporated areas. All meetings of the Board of Supervisors are open to the public. For information on the time, place, and agendas for the Board meetings, contact the Clerk of the Board at 530-822-7106 or email the Board of Supervisors at supervisors@co.sutter.ca.us.




## County Employees

Sutter County's population is 95,500. The County has 1,021 employees. That is one Sutter County employee for every 94 Sutter County citizens.

The average annual salary for the six elected Officials is $122,000. The average for the six highest paid Management employees is $157,000; all other Management employees average $87,000. The average annual salary for Miscellaneous employees is $52,000. (Salaries are as of March 10, 2008).

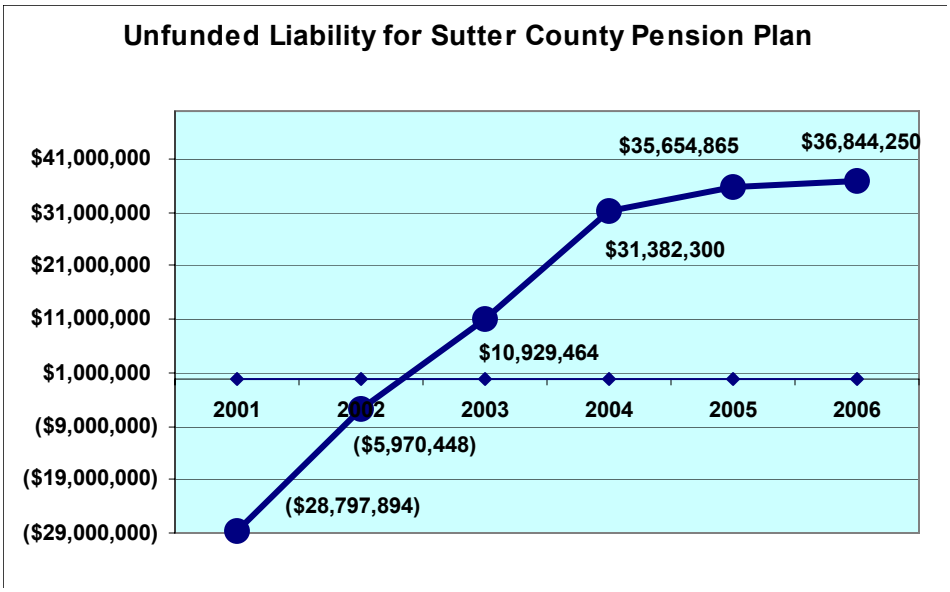
# County Defined Benefit Pension Plan

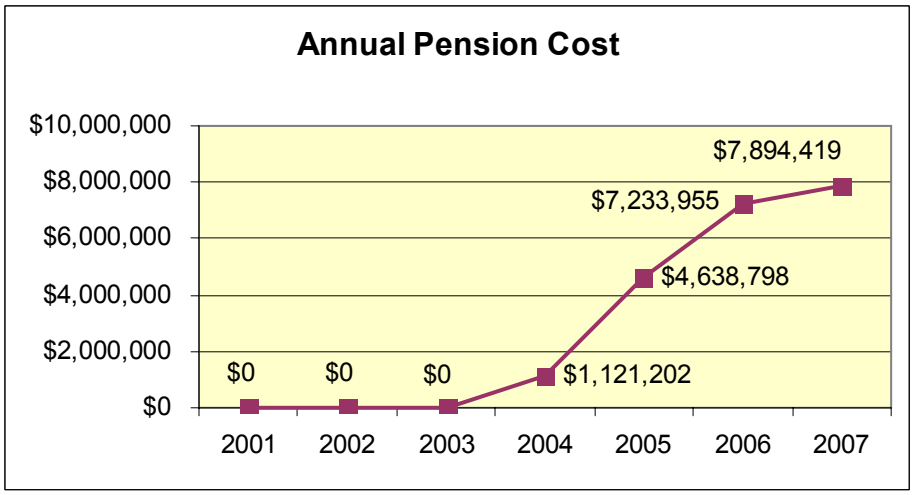
## Plan Description

Sutter County participates in Social Security and also 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.

## Funding Policy

The County also contributes the remaining amounts necessary to fund the benefits for its members. The County has committed to contribute a portion of the required employee contribution in addition to their own required contributions. The required employer contribution rate for FY 06-07 was 15.924% for miscellaneous employees and 20.498% for safety employees. PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. The unfunded liability amount for FY 05-06 was $36.8 million.




## Annual Pension Cost

For FY 06-07, the County's annual pension cost of $7,894,419 for PERS was equal to the County's actual contributions. 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 two to five year period (smoothed market value).