

**COUNTY OF BUTTE LANDFILL FUND**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**



**COUNTY OF BUTTE  
LANDFILL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

Table of Contents

	<u>Page</u>
Independent Auditors' Report .....	1-3
Financial Statements:	
Statement of Net Position .....	4
Statement of Revenues, Expenses and Changes in Fund Net Position.....	5
Statement of Cash Flows .....	6-7
Notes to Financial Statements .....	8-16
Required Supplementary Information:	
County Employees' Retirement Plan (Defined Benefit Pension Plans):	
Schedule of Proportionate Share of Net Pension Liability .....	17
Schedule of Contributions .....	18
Other Postemployment Benefits (OPEB) Plan	
Schedule of Proportionate Share of Net OPEB Liability .....	19
Schedule of Contributions .....	20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	21-22

## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
County of Butte  
Oroville, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Landfill Fund of the County of Butte, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Landfill Fund'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.

### ***Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Landfill Fund of the County of Butte, California as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the landfill fund and do not purport to and do not present fairly the financial position of the County of Butte, as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Implementation of New Accounting Standards***

As disclosed in Note 9 of the financial statements, the County implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during fiscal year 2018. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of the Fund's proportionate share of the net pension liability, schedule of contributions for the pension plan, the schedule of the Fund's proportionate share of the net other postemployment benefits (OPEB) plan, schedule of contributions for the OPEB plan, 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.

Management has omitted the management's discussion and analysis schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Board of Supervisors  
County of Butte

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2018 on our consideration of the Landfill Fund'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 solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Landfill Fund's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Sacramento, California  
December 20, 2018

**COUNTY OF BUTTE LANDFILL FUND**

Statement of Net Position  
June 30, 2018

**Assets**

Current assets:

Cash and investments	\$ 15,670,626
Imprest cash	2,800
Interest receivable	63,804
Accounts receivable	487,518
Prepaid expenses	26,105
Total current assets	16,250,853

Noncurrent assets:

Capital assets:

Nondepreciable	2,666,079
Depreciable, net	24,906,366
Total noncurrent assets	27,572,445
Total assets	43,823,298

Deferred outflows of resources - pension	428,768
Deferred outflows of resources - OPEB	240
Total deferred outflows	429,008

**Liabilities**

Current liabilities:

Accounts payable	666,055
Interest payable	35,650
Capital leases payable, current portion	264,001
COP payable, current portion	1,045,000
Compensated absences, current portion	135,388
Total current liabilities	2,146,094

Noncurrent liabilities:

Capital leases payable	497,435
COP payable	2,150,000
Landfill closure/post-closure care costs	7,625,600
Net pension liability	1,543,488
Net OPEB liability	666,268
Total noncurrent liabilities	12,482,791
Total liabilities	14,628,885

Deferred inflows of resources - pension	62,348
Deferred inflows of resources - OPEB	48,747
Total deferred inflows	111,095

**Net Position**

Net investment in capital assets	23,616,009
Unrestricted	5,896,317
Total net position	\$ 29,512,326

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

**COUNTY OF BUTTE LANDFILL FUND**

Statement of Revenues, Expenses and  
Changes in Net Position  
For the Year Ended June 30, 2018

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<b>Operating Revenues:</b>	
Landfill gate fees	\$ 8,364,653
Miscellaneous	273,389
	<hr/>
Total operating revenues	8,638,042
	<hr/>
<b>Operating Expenses:</b>	
Salaries and employee benefits	1,230,688
Operation and maintenance	4,445,979
Depreciation	732,088
Landfill closure and postclosure care costs	450,244
Total operating expenses	6,858,999
	<hr/>
Operating income	1,779,043
	<hr/>
<b>Nonoperating Revenues (Expenses):</b>	
Interest income	85,816
Intergovernmental	99,386
Transfer from the County	177,168
Transfer to County	(204,911)
Interest expense	(81,599)
Total nonoperating revenues (expenses)	75,860
	<hr/>
<b>Change in net position</b>	1,854,903
	<hr/>
Net position, beginning of year, restated	27,657,423
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Net position, end of year	\$ 29,512,326
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The accompanying notes are an integral part of these financial statements.

**COUNTY OF BUTTE LANDFILL FUND**

Statement of Cash Flows  
For the Year Ended June 30, 2018

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 8,809,136
Cash paid to suppliers for goods and services	(6,051,197)
Cash paid to employees for services	<u>(1,419,061)</u>
Net cash provided by operating activities	<u>1,338,878</u>
<b>Cash flows from noncapital financing activities:</b>	
Grant proceeds not restricted for capital purposes	99,386
Payments from Other County Funds	177,168
Payments to Other County Funds	<u>(204,911)</u>
Net cash used by noncapital financing activities	<u>71,643</u>
<b>Cash flows from capital and related financing activities:</b>	
Payments related to the acquisition of capital assets	(3,634,052)
Principal payments on long-term debt	(1,400,603)
Interest paid	<u>(83,718)</u>
Net cash used by capital and related financing activities	<u>(5,118,373)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>74,390</u>
Net cash provided by investing activities	<u>74,390</u>
Net decrease in cash and cash equivalents	(3,633,462)
Cash and cash equivalents, beginning	<u>19,306,888</u>
Cash and cash equivalents, ending	<u>\$ 15,673,426</u>
<b>Reconciliation of cash and cash equivalents to</b>	
<b>Capital leases payable, less current portion</b>	
Cash and investments	\$ 15,670,626
Imprest cash	<u>2,800</u>
Total cash and cash equivalents	<u>\$ 15,673,426</u>

continued

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

**COUNTY OF BUTTE LANDFILL FUND**

Statement of Cash Flows (continued)  
For the Year Ended June 30, 2018

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**Reconciliation of Operating Income (Loss)  
to Net Cash Provided (Used) by**

**Operating Activities:**

Operating income (loss)	\$	1,779,043
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		732,088
Changes in Assets and Liabilities		
Decrease (increase) in:		
Accounts receivable		171,094
Prepaid Expenses and Other Assets		263
Increase (decrease) in:		
Accounts Payable		(1,605,480)
Accrued Salaries		(57,058)
Compensated Absences		(58,496)
Net Pension Liability and Related Deferrals		(72,614)
Net OPEB Liability and Related Deferrals		(205)
Landfill closure/postclosure cost		450,243
Net cash provided by operating activities	\$	<u>1,338,878</u>

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

## COUNTY OF BUTTE LANDFILL FUND

Notes to Financial Statements  
June 30, 2018

### NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. General

The County of Butte Landfill Fund (Landfill) was formed to account for the County of Butte's (County) costs of providing landfill and related waste disposal services to the citizens of Butte County, in both the unincorporated and incorporated areas of the County. The disposal site is comprised of 165 acres, and is located in an unincorporated area of the County between the cities of Oroville and Chico. The landfill site was operated under contract by Waste Management, Inc. until April 2003, at which point the County took over operations.

#### B. Reporting Entity

The financial statements present information on the financial activities of the Landfill. The Landfill is a fund of the County and its financial information is included as an enterprise fund of the County's financial statements. The Landfill financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. 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 accounting policies are described below.

#### C. Basis of Accounting

The Landfill utilizes the accrual basis of accounting to account for its activities. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which liabilities are incurred.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Landfill distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from operating the sanitary landfill.

#### D. Cash and Investments

For purposes of the statement of cash flows the Landfill considers all highly liquid investments with an original maturity of three months or less when purchased, and its equity in the County's Treasurer's investment pool to be cash and cash equivalents.

#### E. Receivables

No amount has been provided as an allowance for doubtful accounts because in the opinion of management all material amounts are fully collectible.

#### F. Capital Assets

Additions by the Landfill placed in service are recorded at cost. The Landfill defines capital assets as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of one year. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

COUNTY OF BUTTE LANDFILL FUND

Notes to Financial Statements  
June 30, 2018

NOTE 1: **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

F. **Capital Assets** (continued)

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Structures and improvements	20-50 Years
Equipment	5-20 Years

G. **Compensated Absences**

The liability for compensated absences consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vested method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

H. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 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.

I. **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: **CASH AND INVESTMENTS**

Cash and investments are comprised of the following at June 30, 2018:

County's investment pool	\$	15,670,626
Imprest Cash		2,800
	\$	<u>15,673,426</u>

Investments

The County maintains a cash and investment pool (Pool) that is available for use by all County funds. At June 30, 2018, the carrying amount of the Landfill’s cash held by the County as part of the internal investment pool was \$15,670,626.

The fair value of investments in the Pool is determined monthly based upon quoted market prices. The Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by the California Government Code Section 27143. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2018 to support the values of shares in the Pool. However, management believes that the investments in the Pool are of high quality and that the risk of participation in the Pool is negligible.

**COUNTY OF BUTTE LANDFILL FUND**

Notes to Financial Statements  
June 30, 2018

The Pool values participants' shares on an amortized cost basis. Specifically, the Pool distributes income to participants quarterly based on their relative participation during the month which is calculated based on (1) realized investment gains and losses computed on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the Pool's investments. Investment income related to investments reported in certain funds is assigned to other funds based upon legal or contractual provisions.

Required disclosures for the Landfill's deposit and investment risks at June 30, 2018 were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Varies

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's annual financial report and may be obtained by contacting the County Auditor-Controller's Office at 25 County Center Drive, Suite 120, Oroville, CA 95965.

**NOTE 3: CAPITAL ASSETS**

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

	Beginning Balance	Additions	Retirements	Transfers and Adjustments	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 420,932	\$ -	\$ -	\$ -	\$ 420,932
Construction in Progress	5,845,376	3,592,687	-	(7,192,915)	2,245,147
Total Capital Assets, Not Being Depreciated	6,266,308	3,592,687	-	(7,192,915)	2,666,079
Capital Assets, Being Depreciated:					
Infrastructure	19,771,159	-	-	7,192,915	26,964,074
Structures and Improvements	100,690	-	-	-	100,690
Equipment	5,467,739	38,916	(503,981)	-	5,002,674
Total Capital Assets, Being Depreciated	25,339,588	38,916	(503,981)	7,192,915	32,067,438
Accumulated Depreciation for:					
Infrastructure	(3,222,682)	(466,188)	-	-	(3,688,870)
Structures and Improvements	(54,357)	-	-	-	(54,357)
Equipment	(3,658,376)	(265,900)	506,431	-	(3,417,845)
Total Accumulated Depreciation	(6,935,415)	(732,088)	506,431	-	(7,161,072)
Total Capital Assets, Being Depreciated, Net	18,404,173	(693,172)	2,450	7,192,915	24,906,366
Business-Type Activities Capital Assets, Net	\$ 24,670,481	\$ 2,899,515	\$ 2,450	\$ -	\$ 27,572,445

**NOTE 4: RISK MANAGEMENT**

The Landfill is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; pollution; and natural disasters. The Landfill participates in the County insurance programs to insure against these losses. Additional information on the County's risk management program can be found in the notes to the County's financial statements.

**COUNTY OF BUTTE LANDFILL FUND**

Notes to Financial Statements  
June 30, 2018

**NOTE 5: LONG-TERM LIABILITIES**

Long-term liabilities activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Capital Lease Obligations	\$ 1,137,039	\$ -	\$ 375,603	\$ 761,436	\$ 264,001
Certificates of Participation	4,220,000	-	1,025,000	3,195,000	1,045,000
Premium on Debt	-	-	-	-	-
Compensated Absences	193,887	161,108	219,607	135,388	135,388
Landfill Closure, Post-Closure Care Costs	7,175,357	450,243	-	7,625,600	-
Total Business-Type Activities	<u>\$ 12,726,283</u>	<u>\$ 12,726,283</u>	<u>\$ 1,620,210</u>	<u>\$ 11,717,424</u>	<u>\$ 1,444,389</u>

Certificates of Participation

In July of 2016, the County entered into a lease financing with Capital One Public Funding for \$4,220,000. The proceeds were used for a current refunding of the 2006 Certificates of Participation (COPs) for Neal Road Recycling and Waste Facility improvements. The refunding was undertaken to reduce total debt service payments by, approximately \$345,000 over a four year term and resulted in an economic gain of \$320,675.

As of June 30, 2018, annual debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	1,045,000	57,191	1,102,191
2020	1,065,000	38,485	1,103,485
2021	1,085,000	19,422	1,104,422
Total	<u>\$ 3,195,000</u>	<u>\$ 115,098</u>	<u>\$ 3,310,098</u>

Capital Lease

On December 24, 2012, the County entered into a Lease Purchase agreement to finance the purchase of a 2013 Caterpillar D8T Track Type Tractor for the Neal Road Recycling and Waste Facility. Commencing on December 24, 2013, principal and interest payments were due annually on the 24<sup>th</sup> day of each December. The final payment was due on December 24, 2017. The interest rate was fixed at 1.7740%.

On February, 20, 2014, the County entered into a Lease Purchase agreement to finance the purchase of a 2014 Advantage 500 Landfill Compactor for the Neal Road Recycling and Waste Facility. Commencing on February 20, 2016, principal and interest payments are due annually on the 20<sup>th</sup> day of each February. The final payment is due on February 20, 2019. The interest rate is fixed at 1.6410%.

On November 15, 2016, the County entered into a lease-purchase agreement with JPMorgan Chase Bank, N.A. to finance the purchase of a Wheel Loader and an Articulated Haul Truck for Neal Road Recycling and Waste Facility. Commencing on November 15, 2017, principal and interest payments of \$171,039 are payable annually with a final payment of \$171,039 due on November 15, 2021. The interest rate is fixed at 1.568%.

**COUNTY OF BUTTE LANDFILL FUND**

Notes to Financial Statements  
June 30, 2018

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>
2019	\$ 276,015
2020	171,039
2021	171,039
2022	171,039
2023	-
Total Minimum Lease Payments	789,132
Less: Amount Representing Interest	27,696
Present Value of Minimum Lease Payments	<u>\$ 761,436</u>

**NOTE 6: CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the County operator to place a final cover on its Neal Road Landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near to or after the date the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The County Neal Road Landfill Joint Technical Document (JTD) was revised in May 2016, resulting in change of available landfill capacity from the original design in 2002. The new calculated capacity for the Landfill is smaller compared with the original design, which resulted in a greater percent of capacity filled. According to the revised JTD document, as of August 31, 2016, with the annual inflation factor, the estimated highest closure costs, highest correction costs and highest post-closure costs are \$12,175,165, \$1,842,113, and \$10,271,138, respectively.

Annually, the Landfill adjusts estimated closure and correction costs due to changes in inflation and capacity. Such changes resulted in an increase to the Landfill closure, correction care and post-closure liability and caused an increase in expense. Based upon new estimated capacity, 30.841% capacity is reported to date as the cumulative usage as of June 30, 2018. The \$7,625,600, reported as landfill closure and corrective action and post-closure liability at June 30, 2018, represents the 30.841% of the estimated closure and corrective action and post-closure costs.

The County will recognize the remaining estimated closure costs of \$17,100,007 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure, corrective actions and post-closure maintenance in 2018. The County expects to close the landfill in the fiscal year 2031. Actual costs may be higher due to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

In addition, the County Board established a Pledge of Revenue in 2005 to demonstrate financial responsibility for post-closure maintenance of the Neal Road Landfill. The amount of \$348,534 Pledge Revenue per year in 2018 dollars for the thirty years period of post-closure maintenance, representing the most recent post-closure maintenance cost estimate of \$10,456,018.

COUNTY OF BUTTE LANDFILL FUND

Notes to Financial Statements  
June 30, 2018

NOTE 7: **COUNTY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)**

A. General Information about the Pension Plan

Landfill employees are covered under the retirement plan of the County of Butte.

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 or www.calpers.ca.gov.

Additional disclosure information regarding employee's retirement plan can be found in the County's audited financial statements.

B. Net Pension Liability

The Landfill's proportionate share of the County of Butte's net pension liability for the retirement plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the retirement plan is measured as of June 30, 2017 using standard update procedures. The principal assumptions and methods used to determine the net pension liability are shown in the County's audited financial statements.

C. Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Landfill's proportionate share 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 <u>-1% (6.15%)</u>	Discount Rate <u>(7.15%)</u>	Discount Rate <u>+1% (8.15%)</u>
Net Pension Liability	<u>\$ 2,318,593</u>	<u>\$ 1,543,488</u>	<u>\$ 900,875</u>

**COUNTY OF BUTTE LANDFILL FUND**

Notes to Financial Statements  
June 30, 2018

D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Landfill recognized pension expense of \$232,974. At June 30, 2018, the Landfill reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 138,498	\$ -
Difference between actual and expected experience	-	43,941
Changes in assumptions on plan investments	231,963	18,407
Net difference between projected and actual earnings	<u>58,307</u>	<u>-</u>
Total	<u>\$ 428,768</u>	<u>\$ 62,348</u>

Deferred outflows of resources of \$138,498 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	
<u>Ended June 30:</u>	
2018	45,691
2019	143,080
2020	71,015
2021	(31,865)
2022	<u>-</u>
<b>Total</b>	<u>\$ 227,922</u>

NOTE 8: **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

A. General Information about the Pension Plan

Landfill employees are covered under the OPEB plan of the County of Butte.

The County sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) Options.

Additional disclosure information regarding employee's OPEB plan can be found in the County's audited financial statements.

**COUNTY OF BUTTE LANDFILL FUND**

Notes to Financial Statements  
June 30, 2018

**B. Net OPEB Liability**

The Landfill's proportionate share of the County of Butte's net OPEB liability is measured as the total OPEB liability, less the plan's fiduciary net position. The net OPEB liability of the plan is measured as of June 30, 2018 using standard update procedures. The principal assumptions and methods used to determine the net pension liability are shown in the County's audited financial statements.

**C. Sensitivity of Net Pension Liability to Changes in the Discount Rate**

The following presents the Landfill's proportionate share of the net OPEB liability of the County, as well as what the Landfill's proportionate share would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	<u>-1% (3.50%)</u>	<u>(4.50%)</u>	<u>+1% (5.50%)</u>
Net OPEB Liability	<u>\$ 743,720</u>	<u>\$ 666,268</u>	<u>\$ 599,808</u>

The following presents the Landfill's proportionate share of the net OPEB liability of the County, as well as what the proportionate share of the liability would be if it were calculated using a healthcare cost trend rate 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	<u>1% Decrease (5.00% decreasing to 4.00%)</u>	<u>Trend Rate (6.00% decreasing to 5.00%)</u>	<u>1% Increase (7.00% decreasing to 6.00%)</u>
Net OPEB Liability	<u>\$ 583,044</u>	<u>\$ 666,268</u>	<u>\$ 766,075</u>

**D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the Landfill recognized OPEB expense of \$56,528. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions, and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2018, the Landfill reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ -	\$ -
Difference between actual and expected experience	-	-
Changes in assumptions on plan investments	-	48,747
Net difference between projected and actual earnings	240	-
Total	<u>\$ 240</u>	<u>\$ 48,747</u>

**COUNTY OF BUTTE LANDFILL FUND**

Notes to Financial Statements  
June 30, 2018

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	
<u>Ended June 30:</u>	
2018	7,326
2019	7,326
2020	7,326
2021	7,326
2022	7,386
Thereafter	<u>11,817</u>
<b>Total</b>	<b><u>\$ 48,507</u></b>

**NOTE 9: PRIOR PERIOD ADJUSTMENTS**

Adjustments resulting from errors or changes to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the County reports these changes as restatements of beginning fund balance or net position.

The following restatements were made during the current year.

Net position as of June 30, 2017, as previously reported	\$ 28,372,403
 <u>Implementation of New Accounting Standard</u>	
A prior period adjustment was made to the governmental and business-type activities' beginning net position to reflect the prior period costs related to the implementation of GASB Statement No. 75 "Accounting and Financial reporting for Postemployment Benefits Other than Pensions."	<u>(714,980)</u>
Total prior period adjustments	<u>(714,980)</u>
Net position as of July 1, 2017, restated	<u><u>\$ 27,657,423</u></u>

**NOTE 10: SUBSEQUENT EVENTS**

On November 8, 2018, the Camp Fire erupted in Pulga, spreading rapidly through Concow and into the Town of Paradise and Magalia. Destroying nearly 14,000 residences, scorching over 153,000 acres, and claiming at least 85 lives, the Camp Fire became the largest and deadliest fire in California history. On November 8, 2018, the Chief Administrative Officer, Shari McCracken, declared a local emergency, which was ratified by the Board of Supervisors at the November 13, 2018 Special Meeting. On November 9, 2018, Governor Brown proclaimed a State of Emergency for Butte County and made available State resources. On November 12, 2018, President Trump declared the existence of a major disaster in the State of California and ordered federal aid to supplement the State and local recovery efforts.

The Camp Fire greatly affected Butte County and necessitated evacuation orders and warnings of all persons in the affected areas. Hundreds of County employees and residents were adversely impacted by the Camp Fire. Many employees lost personal property, possessions, and/or were evacuated from their homes for several days. The Camp Fire incident has created complex administrative and personnel issues that are currently being identified and assessed.



**REQUIRED SUPPLEMENTARY INFORMATION**

**COUNTY OF BUTTE, CALIFORNIA**  
**COUNTY EMPLOYEES' RETIREMENT PLAN**  
**(DEFINED BENEFIT PENSION PLAN)**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**YEAR ENDED JUNE 30, 2018**

	6/30/2017	6/30/2016	6/30/2015	6/30/2014
* Last 10 Fiscal Years				
Proportion of the Net Pension Liability	\$ 1,543,488	\$ 1,569,014	\$ 1,643,876	\$ 1,460,366
Proportionate Share of the Net Pension Liability - Misc Plan	0.88%	1.02%	1.37%	1.36%
Covered Payroll	\$ 1,040,770	\$ 1,296,112	\$ 1,248,528	\$ 1,301,686
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	148.30%	121.06%	131.67%	112.19%
Plan's Fiduciary Net Position - Misc Plan	\$487,110,878	\$447,252,151	\$462,023,800	\$463,172,940
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.62%	74.43%	79.29%	81.21%

\* Fiscal Year 2015 was the first year of implementation. Additional years will be presented as they become available.

**COUNTY OF BUTTE, CALIFORNIA  
COUNTY EMPLOYEES' RETIREMENT PLAN  
(DEFINED BENEFIT PENSION PLAN)  
SCHEDULE OF CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2018**

* Last 10 Fiscal Years	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contributions Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
<u>2018</u>					
Pension Plan	\$ 138,505	\$ 138,505	\$ -	\$ 919,556	15.06 %
<u>2017</u>					
Pension Plan	\$ 148,282	\$ 148,282	\$ -	\$ 1,040,770	14.25 %
<u>2016</u>					
Pension Plan	\$ 161,709	\$ 161,709	\$ -	\$ 1,296,112	12.48 %
<u>2015</u>					
Pension Plan	\$ 144,810	\$ 144,810	\$ -	\$ 1,248,528	11.60 %

*\* Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.*

**COUNTY OF BUTTE, CALIFORNIA  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN  
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY  
YEAR ENDED JUNE 30, 2018**

\* Last 10 Fiscal Years

	6/30/2018
Proportion of the Net OPEB Liability	\$ 666,268
Proportionate Share of the Net OPEB Liability	1.02%
Covered Payroll	\$ 1,407,295
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	47.34%
Plan's Fiduciary Net Position	\$ 4,447,401
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.37%

\* Fiscal Year 2018 was the first year of implementation.  
Additional years will be presented as they become available.

**COUNTY OF BUTTE, CALIFORNIA  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN  
SCHEDULE OF CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2018**

* Last 10 Fiscal Years	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contributions Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
<u>2018</u>					
OPEB Plan	\$ 61,234	\$ 56,473	\$ 4,760	\$ 1,407,295	4.35 %

*\* Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.*



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Supervisors  
County of Butte  
Oroville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Landfill Fund (Fund) of the County of Butte, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Landfill Fund's basic financial statements, and have issued our report thereon dated December 20, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Landfill Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Landfill Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Landfill Fund's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Landfill Fund’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Sacramento, California  
December 20, 2018