

COUNTY OF SHASTA

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2005

COUNTY OF SHASTA

COUNTY OFFICIALS

JUNE 30, 2005

<u>OFFICIALS</u>	<u>POSITION</u>
David Kehoe	Supervisor, First District
Mark Cibula	Supervisor, Second District
Glenn Hawes	Supervisor, Third District
Linda Hartman	Supervisor, Fourth District
Patricia A. Clarke	Supervisor, Fifth District
Cris Andrews	Assessor-Recorder
Rick Graham	Auditor-Controller
Cathy Darling	County Clerk/Registrar of Voters
Gerald Benito	District Attorney
Jim Pope	Sheriff-Coroner
Lori J. Scott	Treasurer-Tax Collector, Public Administrator
H. Douglas Latimer	County Administrative Officer

COUNTY OF SHASTA

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FINANCIAL SECTION

Bartig, Basler & Ray

A Professional Corporation

Certified Public Accountants and Management Consultants

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Jason J. Cardinet
Tyler K. Hunt

Curtis A. Orgill
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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors and Grand Jury
County of Shasta
Redding, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Shasta, California (the "County"), as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shasta Regional Transportation Planning Agency (RTPA), which represents 25.8 percent of the assets, 27 percent of the net assets and 48.4 percent of the revenue of the County's aggregate discretely presented component units. Those statements were audited by other auditors whose report, dated November 11, 2005 for the RTPA, was unqualified, and our opinion, insofar as it relates to the amount included for the RTPA is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Shasta, as of June 30, 2005, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Supervisors and Grand Jury
County of Shasta

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover, dated October 21, 2005 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules on pages 3 through 19 and 71 through 72 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

October 21, 2005
Roseville, California

MANAGEMENT'S DISCUSSION & ANALYSIS (MD &A)

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

Within this section of Shasta County's annual financial report, the County's management provides narrative discussion and analysis of the financial activities of the County for the fiscal year ended June 30, 2005. Readers are encouraged to consider the information presented here in conjunction with the accompanying financial statements and disclosures following this section. The discussion focuses on the County's primary government and, unless otherwise noted, does not include separately reported component units.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the most recent fiscal year by \$170,236,499 (*net assets*). Of this amount, \$55,849,853 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors in accordance with the County's fund designation and fiscal policies. The remaining net assets are \$49,424,799 restricted for specific purpose (*restricted net assets*), and \$64,961,847 invested in capital assets, net of related debt. The government's total net assets increased by \$17,186,132.
- The County governmental funds reported combined fund balances of \$98,929,978, a decrease of \$(2,666,734) in comparison with the prior year.
- The County's unreserved fund balance for the general fund was \$89,122,520, or 33% of total general fund expenditures.
- The County's investment in capital assets increased by \$14,177,271.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements. This report also contains other Supplementary Information in addition to the basic financial statements themselves.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

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

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

- The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation. The business-type activities of the County include the Fall River Mills Airport, Solid Waste Disposal, West Central Landfill and County Service Areas that provide water and sewer services. Fiduciary activities are not included in the government-wide statements since these assets are not available to fund County programs.

The County's financial reporting includes the funds of the County (primary government) and organizations for which the County is accountable (component units). Most of these legally separated organizations operate like County departments, serve as financing vehicles for County services (revenue bond issuers), or are governed by a board that is substantively identical to the County's board. These organizations are blended into the primary government for financial reporting purposes and include: lighting districts, permanent road divisions, county service areas, the Shasta County Water Agency, the Shasta County Air Quality Management District, the Shasta County Fire Protection District, the Shasta County Redevelopment Agency, the Shasta Joint Financing Authority, the In-Home Supportive Services Public Authority, and the Sheriff's Inmate Welfare Fund. Other organizations operate more independently or provide services directly to the citizens, though the County remains accountable for their activities. These organizations, the Children and Families First Commission and the Regional Transportation Planning Agency, are included in the County's overall reporting entity but are reported separately from the primary government. More complete information about the County's component units can be found in Note 1.

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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 fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund; the Public Safety Fund; and the other governmental funds combined into a single, aggregated column. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the airport, solid waste disposal, landfill, water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses five internal service funds to account for its fleet maintenance, insurance, information systems, facilities management, and County utilities functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Disposal and West Central Landfill operations are considered to be major funds of the County; and are separately presented with combined other enterprise funds and combined internal service funds in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds is provided in the form of *combining statements* elsewhere in this report.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

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.

Required Supplementary Information is presented concerning the County's General Fund and Major Special Revenue Funds budgetary schedules. The County adopts an annual appropriated budget for each fiscal year. A budgetary comparison schedule has been provided for the General Fund and the Public Safety Fund to demonstrate compliance with this budget.

Other Supplementary Information presented is the combining statements referred to earlier in connection with the non-major governmental, enterprise, and internal service funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, combined assets exceeded liabilities by \$170,236,499 at the close of the most recent fiscal year. Of these combined net assets 39% reflects the County's investment in capital assets. Another 29% of the County's net assets are subject to external restrictions on how they may be used. In addition, a portion of the remaining 32%, referred to as *unrestricted*, is dedicated for spending on specific programs or services.

The County's Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
Current and Other Assets	\$ 144,852	\$ 146,853	\$ 17,979	\$ 15,937	\$ 162,831	\$ 162,790
Capital Assets	110,537	96,154	17,516	17,721	128,053	113,875
Total Assets	<u>255,389</u>	<u>243,007</u>	<u>35,495</u>	<u>33,658</u>	<u>290,884</u>	<u>276,665</u>
Current and Other Liabilities	15,390	38,374	243	215	15,633	38,589
Long-Term Liabilities	87,283	67,692	17,731	17,334	105,014	85,026
Total Liabilities	<u>102,673</u>	<u>106,066</u>	<u>17,974</u>	<u>17,549</u>	<u>120,647</u>	<u>123,615</u>
Invested in Capital Assets, net of related debt	52,955	58,257	12,652	11,613	65,607	69,870
Restricted	49,281	34,542	144	143	49,425	34,685
Unrestricted	50,480	44,142	4,724	4,353	55,204	48,495
Total Net Assets	<u>\$ 152,716</u>	<u>\$ 136,941</u>	<u>\$ 17,520</u>	<u>\$ 16,109</u>	<u>\$ 170,236</u>	<u>\$ 153,050</u>

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

A significant portion of the County's net assets [\$55,849,853] represents unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors. The majority of these net assets have been designated for specific purposes and are not available for general use.

Another significant portion of the County's net assets [\$64,961,847] reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the County's net assets [\$49,424,799] represent resources that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the County reported positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental activities and business-type activities.

The County's net assets increased by \$17,186,132 during the current fiscal year. The net increase in unrestricted net assets represent the degree to which increases in ongoing revenues exceeded increases in ongoing expenses.

COUNTY OF SHASTA

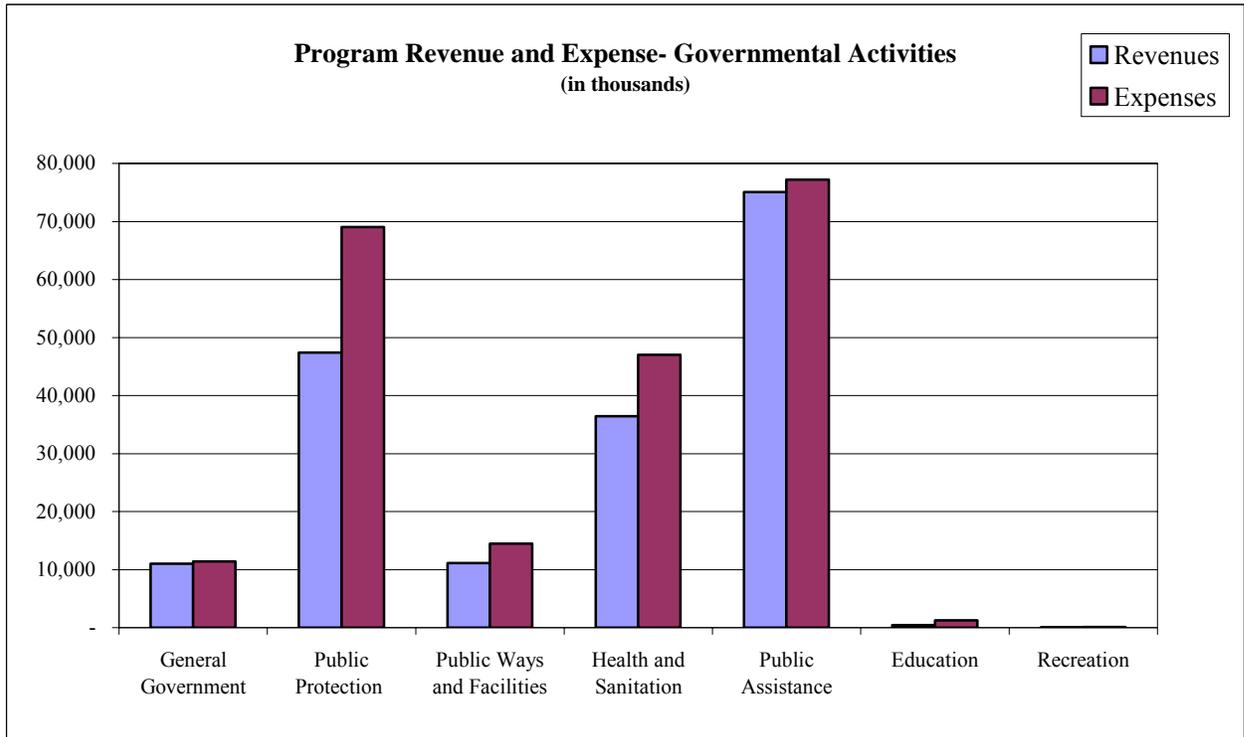
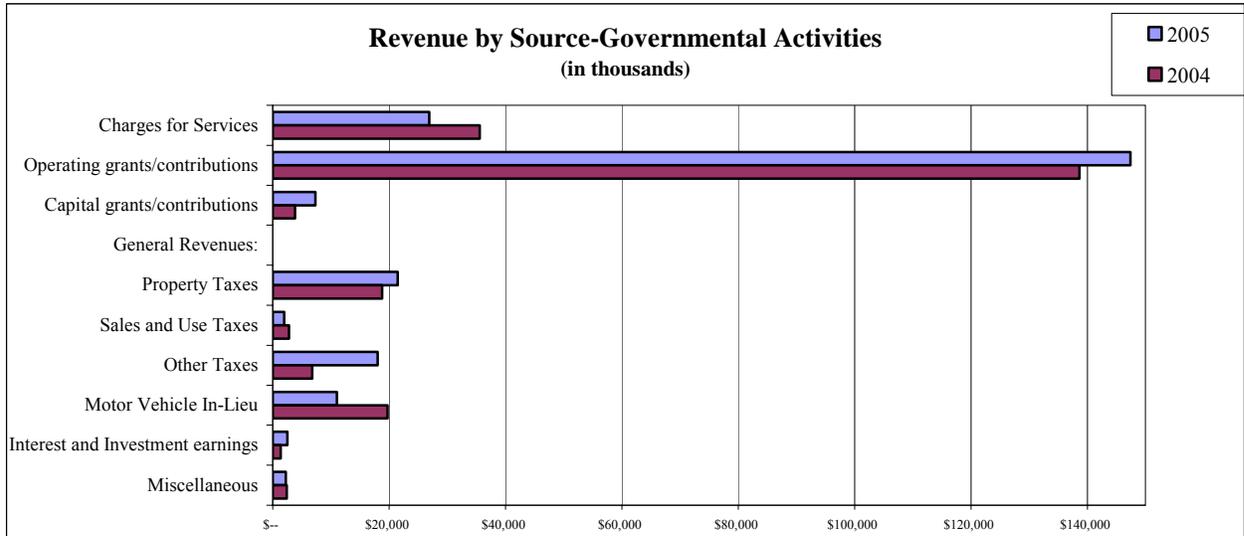
Management's Discussion and Analysis June 30, 2005

The County's Changes in Net Activities (in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2004</u>	<u>FY 2003</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 26,904	\$ 35,575	\$ 4,076	\$ 4,139	\$ 30,980	\$ 39,714
Operating grants/contributions	147,400	138,664	733	222	148,133	138,886
Capital grants/contributions	7,333	3,855	187	130	7,520	3,985
General Revenues:						
Property Taxes	21,459	18,803	17	26	21,476	18,829
Sales and Use Taxes	1,955	2,797	--	--	1,955	2,797
Other Taxes	18,037	6,770	--	--	18,037	6,770
Motor Vehicle In-Lieu	10,997	19,743	--	--	10,997	19,743
Interest and Investment earnings	2,528	1,385	293	95	2,821	1,480
Miscellaneous	2,221	2,423	7	--	2,228	2,423
Transfers	--	--	--	--	--	--
Total Revenues	<u>238,834</u>	<u>230,015</u>	<u>5,313</u>	<u>4,612</u>	<u>244,147</u>	<u>234,627</u>
Expenses						
General Government	11,421	11,721	--	--	11,421	11,721
Public Protection	69,054	65,099	--	--	69,054	65,099
Public Ways and Facilities	14,476	12,235	--	--	14,476	12,235
Health and Sanitation	47,018	45,284	--	--	47,018	45,284
Public Assistance	77,229	77,934	--	--	77,229	77,934
Education	1,241	1,454	--	--	1,241	1,454
Recreation	99	211	--	--	99	211
Interest and Fiscal Charges	2,832	3,009	--	--	2,832	3,009
Airport	--	--	68	68	68	68
Solid Waste	--	--	1,258	3,690	1,258	3,690
Landfill	--	--	995	975	995	975
County Service Areas (water/sewer)	--	--	1,581	1,595	1,581	1,595
Total Expenses	<u>223,370</u>	<u>216,947</u>	<u>3,902</u>	<u>6,328</u>	<u>227,272</u>	<u>223,275</u>
Change in Net Assets	15,464	13,068	1,411	(1,716)	16,875	11,352
Net Assets - Beginning	136,941	123,669	16,109	17,825	153,050	141,494
Prior Period Adjustments	310	204	--	--	310	204
Net Assets - Ending	<u>\$ 152,715</u>	<u>\$ 136,941</u>	<u>\$ 17,520</u>	<u>\$ 16,109</u>	<u>\$ 170,235</u>	<u>\$ 153,050</u>

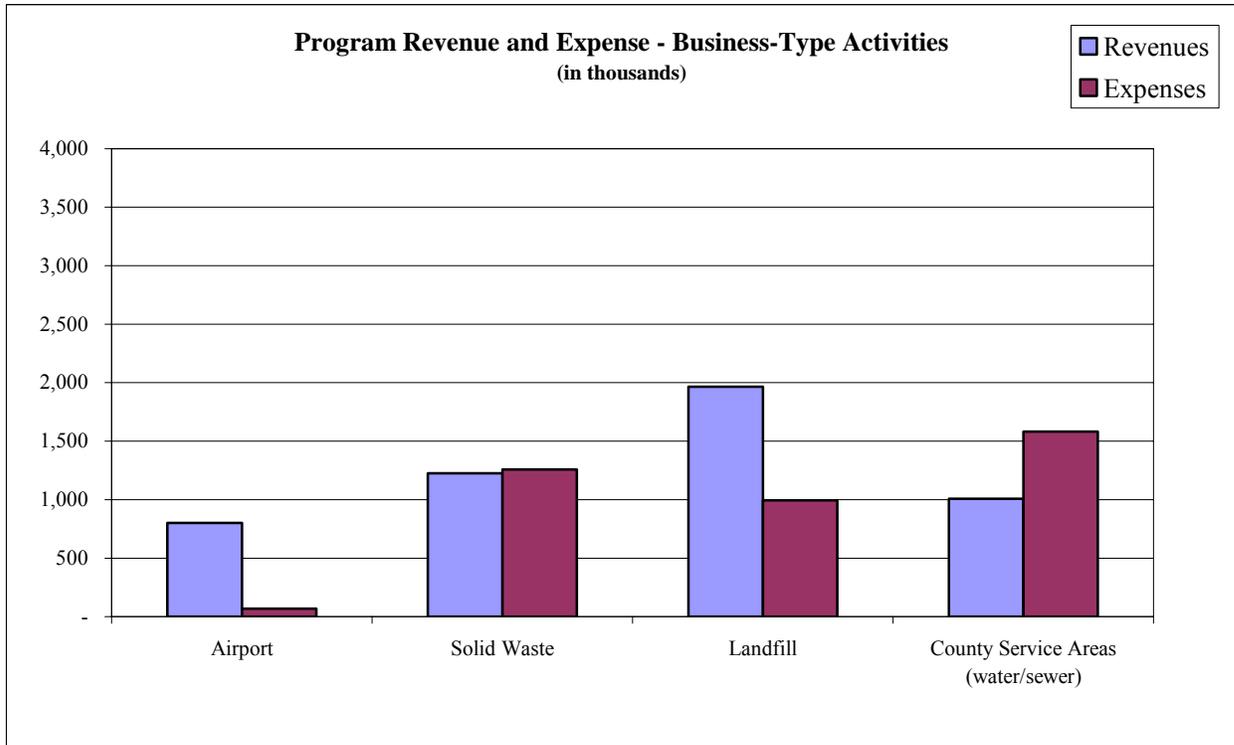
COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005



COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

Net Change in Fund Balance Governmental Funds

	FY 2005	FY 2004	Increase(Decrease)	
			Amount	Percent
Fund Balance - Beginning	\$ 101,596,712	\$ 116,928,858	\$ (15,332,146)	-13.11%
Revenues	238,716,805	223,198,445	15,518,360	6.95%
Expenditures	(241,959,413)	(239,175,412)	(2,784,001)	1.16%
Other Financing Sources (Uses)	265,509	473,797	(208,288)	-43.96%
Prior Period Adjustments	310,365	171,024	139,341	81.47%
Fund Balance - Ending	<u>\$ 98,929,978</u>	<u>\$ 101,596,712</u>	<u>\$ (2,666,734)</u>	

At June, 30, 2005, the County's governmental funds reported combined fund balances of \$98,929,978. Of these combined fund balances, \$89,122,520 constitutes *unreserved fund balance of the General and Special Revenue Funds*, which is available to meet the County's current and future needs. The remainder of fund balance is *reserved* to indicate that it is *not* available for new spending. \$682,507 is committed to pay debt service and \$9,124,951 is reserved to liquidate contractual commitments of the period.

The General Fund is the chief operating fund of the County. At June 30, 2005, unreserved fund balance was \$45,986,202, while total fund balance reached \$49,635,022. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved fund balance represents 33% of total General Fund expenditures, while the total fund balance represents 36% of total General Fund expenditures.

The County's management also designates (earmarks) unreserved fund balance to a particular function, project, or activity. Fund balance may also be designated for purposes beyond the current year. However, designated fund balance is available for appropriation at any time. Of the \$45,986,202 General Fund unreserved fund balance, 65% is designated.

Total governmental funds Fund Balance decreased by \$(2,666,734) in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund increased \$4,917,804 and Public Safety Fund increased \$1,798,569. The non-major governmental funds decreased by \$(9,383,107).

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

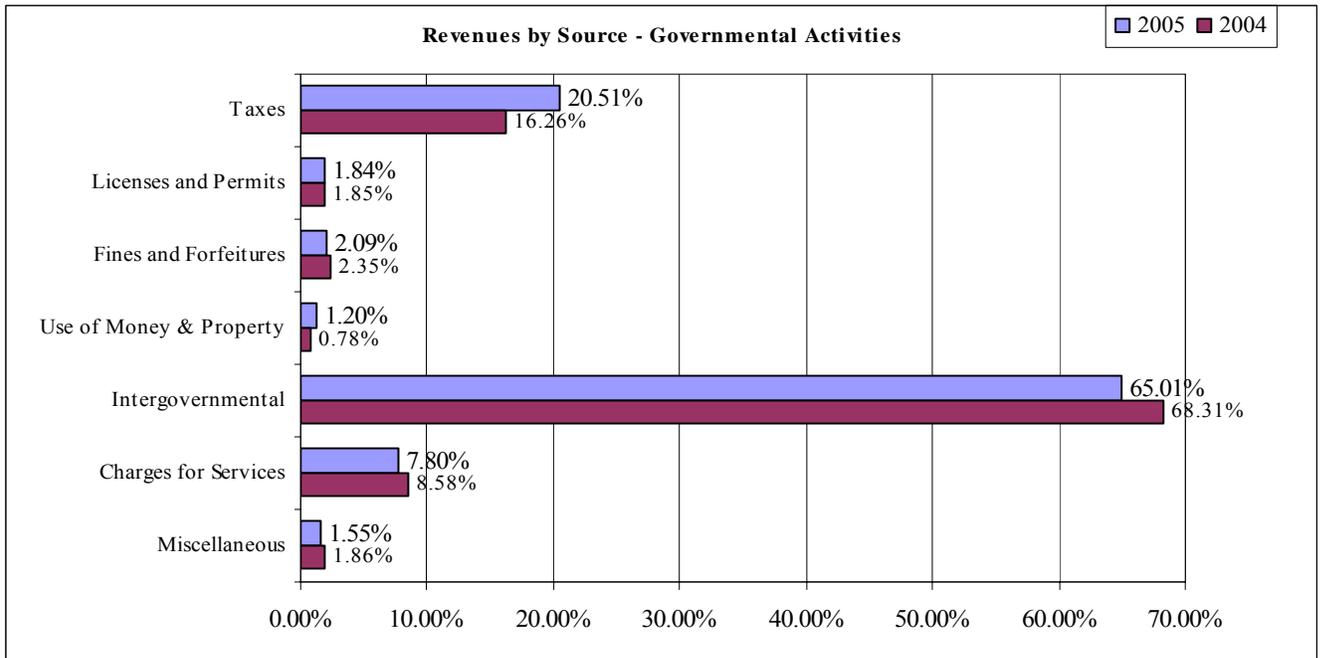
COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

Revenues Classified by Source Governmental Funds

	FY 2005		FY 2004		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 48,961,821	20.51%	\$ 36,303,088	16.26%	\$ 12,658,733	34.87%
Licenses and Permits	4,386,327	1.84%	4,130,804	1.85%	255,523	6.19%
Fines and Forfeitures	4,993,470	2.09%	5,254,713	2.35%	(261,243)	-4.97%
Use of Money & Property	2,874,786	1.20%	1,736,589	0.78%	1,138,197	65.54%
Intergovernmental	155,180,755	65.01%	152,457,601	68.31%	2,723,154	1.79%
Charges for Services	18,625,480	7.80%	19,158,100	8.58%	(532,620)	-2.78%
Miscellaneous	3,694,166	1.55%	4,157,550	1.86%	(463,384)	-11.15%
Total Revenue by Source	\$ 238,716,805	100.00%	\$ 223,198,445	100.00%	\$ 15,518,360	

The following graph shows an illustrative picture of where the County funds come from.



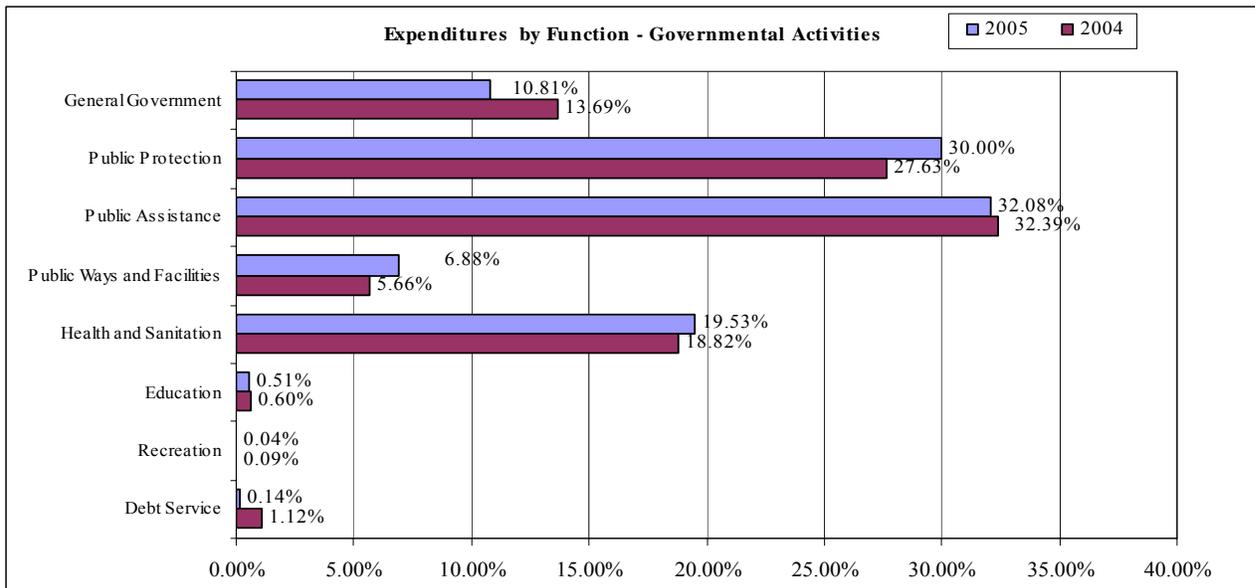
COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

The following table presents expenditures by function compared to prior year amounts.

	Expenditures Classified by Function Governmental Funds					
	FY 2005		FY 2004		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
	\$	%	\$	%	\$	%
General Government	\$ 26,166,475	10.81%	\$ 32,750,278	13.69%	\$(6,583,803)	-20.10%
Public Protection	72,591,370	30.00%	66,080,184	27.63%	6,511,186	9.85%
Public Assistance	77,619,111	32.08%	77,471,726	32.39%	147,385	0.19%
Public Ways and Facilities	16,648,006	6.88%	13,540,660	5.66%	3,107,346	22.95%
Health and Sanitation	47,244,529	19.53%	45,013,191	18.82%	2,231,338	4.96%
Education	1,243,820	0.51%	1,429,512	0.60%	(185,692)	-12.99%
Recreation	98,336	0.04%	214,323	0.09%	(115,987)	-54.12%
Debt Service	347,766	0.14%	2,675,538	1.12%	(2,327,772)	-87.00%
Total by Function	\$ 241,959,413	100.00%	\$ 239,175,412	100.00%	\$ 2,784,001	

The following graph shows an illustrative picture of how County funds were spent.



Other financing sources and uses are presented below to illustrate changes from the prior year.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

Other Financing Sources (Uses) Governmental Funds

	FY 2005	FY 2004	Increase(Decrease)	
			Amount	Percent
Proceeds from Sale of Capital Assets	\$ 147,295	\$ 202,452	\$(55,157)	-27.24%
Proceeds from Debt	-0-	5,594,932	(5,594,932)	-100.00%
Payments to Refunding Escrow Agent	-0-	(5,550,000)	5,550,000	-100.00%
Transfers In	22,758,092	18,200,611	4,557,481	25.04%
Transfers Out	(22,639,878)	(17,974,198)	(4,665,680)	25.96%
Net financing sources(uses)	<u>\$ 265,509</u>	<u>\$ 473,797</u>	<u>\$(208,288)</u>	

Proceeds from sale of capital assets are the result of sale transactions involving property that was not needed for public use by the County.

Proprietary funds reporting focuses on determining operating income, changes in net assets (or cost recovery), financial position, and cash flows using the full accrual basis of accounting.

Enterprise funds report the business-type activities of the County. Enterprise funds are used to account for its solid waste, landfill, airport, and water/sewer operations.

Net Change in Fund Net Assets Enterprise Funds

	FY 2005	FY 2004	Increase(Decrease)	
			Amount	Percent
Total Net Assets - Beginning	\$ 16,109,090	\$ 17,825,138	\$ (1,716,048)	-9.63%
Operating Revenues	3,966,705	4,047,351	(80,646)	-1.99%
Operating Expenses	(3,583,212)	(5,831,173)	2,247,961	-38.55%
Non-Operating Revenues (Expenses)	1,027,933	67,774	960,159	1416.71%
Total Net Assets - Ending	<u>\$ 17,520,516</u>	<u>\$ 16,109,090</u>	<u>\$ 1,411,426</u>	

Unrestricted net assets of the enterprise funds at fiscal year end were \$5,369,654 with \$143,964 restricted for debt services and \$12,006,898 invested in capital assets, net of related debt.

The net assets of the enterprise funds increased \$1,411,426 over the prior fiscal year. Operating revenues decreased 2% and operating expenses increased 39%. Higher interest and miscellaneous revenues over the prior year were the main source of the increase in net assets.

Internal service funds are an accounting device to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to account for its information technology services, vehicle maintenance, risk management, facilities maintenance, and utilities functions.

COUNTY OF SHASTA

Management's Discussion and Analysis
June 30, 2005

Net Change in Fund Net Assets
Internal Service Funds

	FY 2005	FY 2004	Increase(Decrease)	
			Amount	Percent
Total Net Assets - Beginning	\$ 3,269,613	\$ 4,045,303	\$ (775,690)	-19.18%
Operating Revenues	22,752,431	20,015,017	2,737,414	13.68%
Operating Expenses	(20,827,421)	(20,856,848)	29,427	-0.14%
Non-Operating Revenues (Expenses)	1,604,114	292,554	1,311,560	448.31%
Operating Transfers In (Out)	(118,214)	(226,413)	108,199	-47.79%
Total Net Assets - Ending	<u>\$ 6,680,523</u>	<u>\$ 3,269,613</u>	<u>\$ 3,410,910</u>	

Total net assets of the internal service funds at fiscal year end were \$6,680,523 and include \$2,969,214 invested in capital assets.

The net assets of the internal service funds increased \$3,410,910 over the prior fiscal year. Operating revenues increased 14% and operating expenses decreased less than 0.5%.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the Board of Supervisors revised the County's budget many times. Each time a grant or specific revenue enhancement is made available to a County program that requires new appropriations, a budget amendment is required.

The mid-year review is a formal process by which each department is analyzed for expense and revenue trends. Adjustments are recommended where indicated and monitored for the remainder of the year. Unless there is some unforeseen and unusual circumstance that causes a budget overrun, a draw on the Contingency Reserve is not recommended.

Differences between the original budget and the final amended budget resulted in an \$1,711,110 increase in appropriations. The components of appropriations variance are briefly summarized as follows: \$1,552,926 increase in general government; \$496,732 increase in public protection; \$(300,000) decrease in public ways and facilities; \$(65,558) decrease in public health and sanitation; \$82,100 increase in public assistance; \$(48,840) decrease in education; and \$(6,250) decrease in recreation.

Even with these adjustments, actual expenditures were \$12,853,966 below final budget amounts. Resources available for appropriation were \$6,102,686 higher than final budget amounts. Major components of this increase were from license, fines, interest and charges for services being higher than anticipated.

Differences between the original budget and the final amended budget is summarized in the table below:

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

Budgetary Comparison General Fund

	Original Budget	Final Budget	Net Change	
			Amount	Percent
Total Revenues	\$ 158,742,862	\$ 159,148,847	\$ 405,985	0.26%
Total Expenditures	(150,648,869)	(152,359,979)	(1,711,110)	1.12%
Other Financing Sources (Uses)	(21,124,522)	(21,013,987)	110,535	-0.53%
Net Change in Fund Balances	<u>\$ (13,030,529)</u>	<u>\$ (14,225,119)</u>	<u>\$ (1,194,590)</u>	

Differences between the final amended budget and actual amounts is summarized in the table below:

Budgetary Comparison General Fund

	Final Budget	Actual Amounts	Net Change	
			Amount	Percent
Total Revenues	\$ 159,148,847	\$ 165,251,533	\$ 6,102,686	3.69%
Total Expenditures	(152,359,979)	(139,506,013)	12,853,966	-9.21%
Other Financing Sources (Uses)	(21,013,987)	(20,827,716)	186,271	-0.89%
Net Change in Fund Balances	<u>\$ (14,225,119)</u>	<u>\$ 4,917,804</u>	<u>\$ 19,142,923</u>	

The County's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$128,052,385 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, leasehold improvements, equipment, and infrastructure (roads and bridges). The total increase in the County's investment in capital assets for the current fiscal year was \$ 14,177,271 [11%].

The following table shows the County's total investment in capital assets for governmental and proprietary funds.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 2,878,023	\$ 2,220,915	\$ 1,800,295	\$ 1,800,295	\$ 4,678,318	\$ 4,021,210
Structures & Improvements	87,102,510	57,526,197	37,365,630	37,130,001	124,468,140	94,656,198
Leasehold Improvements	807,477	807,477	--	--	807,477	807,477
Equipment	35,515,755	31,984,179	255,042	266,298	35,770,797	32,250,477
Infrastructure	82,791,306	81,018,297	--	--	82,791,306	81,018,297
Construction In Progress	5,838,198	24,947,618	1,415,470	810,194	7,253,668	25,757,812
Total	214,933,269	198,504,683	40,836,437	40,006,788	255,769,706	238,511,471
Accumulated Depreciation	(104,396,588)	(102,350,709)	(23,320,733)	(22,285,649)	(127,717,321)	(124,636,358)
Net Capital Assets	<u>\$ 110,536,681</u>	<u>\$ 96,153,974</u>	<u>\$ 17,515,704</u>	<u>\$ 17,721,139</u>	<u>\$ 128,052,385</u>	<u>\$ 113,875,113</u>

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

Components of the change in net capital assets are as follows:

	Additions	Retirements	Transfers & Adjustments	Depreciation	Net Change
General Government	\$ 13,917,102	\$ (4,153)	\$ (7,458)	\$ (1,741,537)	\$ 12,163,954
Public Protection	1,514,280	(28,168)	13,468	(779,936)	719,644
Public Ways & Facilities	2,914,281	(166,797)	(7,698)	(879,692)	1,860,094
Health & Sanitation	151,337	(26,457)	(2,045)	(192,783)	(69,948)
Public Assistance	155,451	(24,047)	--	(141,335)	(9,931)
Education	--	(859)	--	(15,584)	(16,443)
Recreation	--	--	--	(898)	(898)
Internal Service Funds	543,450	(57,872)	3,733	(753,076)	(263,765)
Enterprise Funds	840,905	--	--	(1,046,341)	(205,436)
Totals	<u>\$ 20,036,806</u>	<u>\$ (308,353)</u>	<u>\$ --</u>	<u>\$ (5,551,182)</u>	<u>\$ 14,177,271</u>

Major capital asset events during the current fiscal year included the following:

Completion of major bridge, road and construction projects:	Date Complete	Total Costs
McArthur Road @ Fall River Bridge	12/10/2004	1,773,009
Waterline 3 Phase Power	8/24/2004	342,817
Placer Street Building -Resource Management Permit Center	3/7/2004	1,188,319
Public Safety Building Roof Upgrade	9/22/2004	187,923
Juvenile Hall	5/1/2005	43,288
County Administration Center Building	12/17/2004	27,544,142
Oregon Street Parking Lot	7/1/2004	66,557
Continuing construction in progress of major bridge and road projects:		Cost to Date
North Street @Airport Road/Sacramento River		299,567
Buzzard Roost @ Cedar Creek		68,241
Swede Creek Road @ Swede Creek Bridge		16,124
Wildcat Road @ North Fork Battle Creek		274,042
Cove Road @ Hatchet Creek		101,775
East Fork Road @ Clear Creek		59,269
Blue Jay Lane @ Anderson Creek		98,155
Lonetree Lane @ Lone Tree Creek		86,422
Major building upgrades projects in process:		
Jail Fire Alarm System		404,059
Jail Pigeon Abatement		32,526
Jail Kitchen Floor Upgrade		1,710
Courthouse Chiller Replacement		3,614
French Gulch Park Restroom		18,939
Library Walkway		89,822
Juvenile Hall Security Improvement		14,358
Major construction projects in process:		
Public Health Laboratory		2,518,960
Fall River Mills Airport Extension		1,415,470
Shasta County Library - Redding Main		1,750,614

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total debt obligation outstanding of \$63,755,557. Of this amount, \$58,869,686 comprises bonds that are secured by the County's lease rental payments and other dedicated sources of revenue, and \$2,340,000 of special assessment debt secured by property subject to the assessment. The remainder of the County's debt represents loans secured solely by specified revenue sources.

The following table shows the composition of the County's bonds and notes outstanding for governmental and proprietary funds.

	Long-Term Debt Obligations					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Lease Revenue Bonds	\$ 55,380,000	\$ 56,035,000	\$ 3,430,000	\$ 3,955,000	\$ 58,810,000	\$ 59,990,000
Special Assessment Bonds	718,000	745,000	1,622,000	1,664,000	2,340,000	2,409,000
Water/Sewer Bonds	--	--	59,686	64,449	59,686	64,449
Capital Lease Obligations	2,201,732	2,534,555	--	--	2,201,732	2,534,555
Notes Payable	--	--	397,120	424,231	397,120	424,231
Unamortized Bond Premium	1,323,959	1,371,526	--	--	1,323,959	1,371,526
Unamortized Bond Costs	(1,376,940)	(1,433,152)	--	--	(1,376,940)	(1,433,152)
Total	58,246,751	59,252,929	5,508,806	6,107,680	63,755,557	65,360,609
Less Current Portion	(2,373,846)	(1,014,823)	(645,205)	(618,855)	(3,019,051)	(1,633,678)
Net Long-Term Debt	<u>\$ 55,872,905</u>	<u>\$ 58,238,106</u>	<u>\$ 4,863,601</u>	<u>\$ 5,488,825</u>	<u>\$ 60,736,506</u>	<u>\$ 63,726,931</u>

Reductions of the County's total outstanding debt included principal payments of \$1,014,823 with \$2,836,551 in interest for governmental activities and principal payments of \$598,855 with \$273,870 in interest for business-type activities.

Other obligations include accrued vacation and sick leave, workers' compensation and insurance claims liability, and liability for landfill closure/postclosure care costs. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's fiscal year 2005-06 budget takes into consideration the overall financial health of the County and related impacts of the California State Budget. The Governor's Budget included funding that support activities by local governmental agencies. Such programs include law enforcement, realigned mental health, public health and indigent health/social services programs, property tax administration, libraries, and housing. Reduced funding for these programs is \$368 million lower Statewide than the revised 2004-05 level.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2005

On November 2, 2004, California voters approved Proposition 1A, which rolled back the Vehicle License Fee (VLF) rate from 2 percent to 0.65 percent of the vehicle value. Funding for local governments to make up the rate difference is provided through a reallocation of property tax from schools and community colleges to cities and counties. During 2003-04, local governments did not receive a portion of the VLF backfill that was formerly paid by the state General Fund to compensate local governments for previous reductions in the VLF. This local government shortfall was considered a loan from local governments to the state General Fund, with repayment by the state due in 2006-07. Under the 2005-06 budget agreement, the state will repay the entire amount of the loan to local governments in 2005-06 – one year earlier than required. In July 2005, the County received a \$3.5 million repayment of the Motor Vehicle Licenses Fee Gap Loan. Fiscal year 2005-06 is the last year of the property tax shift, which reduced Shasta County's share from 13 percent to 11 percent.

Proposition 1A also suspended state-imposed mandates on counties, cities and special districts. For the 2005-06 fiscal year and every subsequent fiscal year, the Constitution now requires the Legislature to either; appropriate in the annual Budget Act the full payable amount that has not been previously paid, or to suspend operation of the mandate for the fiscal year for which the Budget Act is applicable. Reimbursements of over \$2.4 million from the state to the County is three-years in arrears. However, the Legislature provided funding in the budget to pay mandate claims for the 2004-05 and 2005-06 years.

The 2005-06 State Budget has also affected other aid to local governments. Funding for the Citizens' Option for Public Safety is maintained at \$100 million, while the \$100 million associated with the Juvenile Justice Crime Prevention Act program will be funded 75 percent by the Governor's Budget, with the remaining 25 percent shifted to the Board of Corrections. While funding for the Small and Rural Sheriffs program was preserved, the Property Tax Administration grant program funding was eliminated in 2005-06 and 2006-07.

Workers compensation, PERS retirement and health insurance rate increases continue to impact County departments. The latest actuarial indicates that the County's self-insured workers compensation program is under-funded by \$2.8 million utilizing a marginally acceptable 70 percent confidence level and \$4.8 million utilizing an 85 percent confidence level. The County is committing additional discretionary monies to bridge the shortage. The fiscal year 2005-06 budget included transfers of \$500,000 each to the County's General Reserves and Workers' Compensation Reserves. The un-funded liability for the PERS retirement system safety component is \$14.4 million, and the miscellaneous component an additional \$11.9 million. The County is exploring the option of pursuing a pension obligation bond through the California State Association of Counties. The County is committed to building reserves within available resources.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrative Office at 1450 Court Street, Room 309, Redding, CA 96001-1671.

**BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

COUNTY OF SHASTA

Statement of Net Assets June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Cash and investments	\$ 106,264,441	\$ 15,851,807	\$ 122,116,248	\$ 5,746,986
Receivables, net	7,139,364	160,803	7,300,167	19,116
Internal balances	547,044	(547,044)	--	--
Due from external parties	2,675,953	61,013	2,736,966	
Due from other governments	21,918,592	1,065,568	22,984,160	563,371
Inventories	485,352	10,364	495,716	--
Prepaid items	561,087	172,237	733,324	--
Special assessment receivable	943,486	1,204,138	2,147,624	--
Notes receivable	2,940,414	--	2,940,414	--
Unamortized bond issuance costs	1,376,940	--	1,376,940	--
Capital Assets:				
Non-depreciable	8,716,221	3,215,765	11,931,986	--
Depreciable, net	101,820,460	14,299,939	116,120,399	65,555
Total Assets	<u>255,389,354</u>	<u>35,494,590</u>	<u>290,883,944</u>	<u>6,395,028</u>
LIABILITIES				
Accounts payable	2,819,899	117,962	2,937,861	631,669
Salaries and benefits payable	5,816,526	--	5,816,526	--
Interest payable	690,633	119,061	809,694	--
Due to other governments	619,369	--	619,369	133,610
Deferred revenue	5,300,786	--	5,300,786	--
Deposits from others	143,313	6,966	150,279	--
Claims liability	18,888,000		18,888,000	--
Liability for closure/postclosure care costs	--	12,221,279	12,221,279	--
Long-Term Liabilities:				
Due within one year	2,373,846	645,205	3,019,051	6,302
Due beyond one year	66,020,999	4,863,601	70,884,600	--
Total Liabilities	<u>102,673,371</u>	<u>17,974,074</u>	<u>120,647,445</u>	<u>771,581</u>
NET ASSETS				
Invested in capital assets, net of related debt	52,954,949	12,006,898	64,961,847	59,838
Restricted for:				
Special revenue	34,706,695	--	34,706,695	--
Debt service	840,312	--	840,312	--
Capital projects	11,728,048	--	11,728,048	--
Other purposes	2,005,780	143,964	2,149,744	--
Unrestricted	50,480,199	5,369,654	55,849,853	5,563,609
Total Net Assets	<u>\$ 152,715,983</u>	<u>\$ 17,520,516</u>	<u>\$ 170,236,499</u>	<u>\$ 5,623,447</u>

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

COUNTY OF SHASTA

Statement of Activities For the Year Ended June 30, 2005

Functions/Programs Primary Government	Program Revenues				
Expenses	Indirect Expense Allocation	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 15,922,754	\$ (4,501,904)	\$ 4,510,914	\$ 3,358,818	\$ 3,130,964
Public protection	66,740,890	2,313,088	14,727,528	31,843,947	847,266
Public ways and facilities	14,195,467	280,212	1,269,072	6,512,609	3,352,701
Health and sanitation	46,133,792	883,887	4,353,485	32,093,983	2,042
Public assistance	76,331,177	898,087	1,891,132	73,162,435	--
Education	1,131,145	109,887	59,019	398,800	--
Recreation	95,429	3,932	3,915	29,562	--
Interest and fiscal charges	2,832,276	--	88,801	--	--
Total Governmental Activities	223,382,930	(12,811)	26,903,866	147,400,154	7,332,973
Business-Type Activities:					
Airport	65,167	3,211	63,293	732,400	5,478
Solid waste	1,259,577	(1,074)	1,224,619	--	--
Landfill	994,917	--	1,963,666	--	--
County service areas	1,569,717	10,674	824,771	723	181,103
Total Business-Type Activities:	3,889,378	12,811	4,076,349	733,123	186,581
Total Primary Government	\$ 227,272,308	\$ --	\$ 30,980,215	\$ 148,133,277	\$ 7,519,554
Component Units:					
Children and Families First	\$ 2,771,069	\$ --	\$ --	\$ 2,202,303	\$ --
Rural Transportation Planning	2,727,174	1,353	--	2,114,844	--
Total Component Units	\$ 5,498,243	\$ 1,353	\$ --	\$ 4,317,147	\$ --

General Revenues:

- Taxes:
 - Property taxes
 - Sales and use taxes
 - Other taxes
 - Motor vehicles in-lieu
 - Interest and investment earnings
 - Miscellaneous
 - Transfers

Total General Revenues and Transfers

Change in Net Assets:

- Net assets - beginning
- Prior period adjustments
- Net assets - beginning (as restated)
- Net assets - ending

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

Changes in Net Assets

Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
\$ (420,154)	\$ --	\$ (420,154)	\$ --
(21,635,237)	--	(21,635,237)	--
(3,341,297)	--	(3,341,297)	--
(10,568,169)	--	(10,568,169)	--
(2,175,697)	--	(2,175,697)	--
(783,213)	--	(783,213)	--
(65,884)	--	(65,884)	--
(2,743,475)	--	(2,743,475)	--
<u>(41,733,126)</u>	<u>--</u>	<u>(41,733,126)</u>	<u>--</u>
--	732,793	732,793	--
--	(33,884)	(33,884)	--
--	968,749	968,749	--
--	(573,794)	(573,794)	--
<u>--</u>	<u>1,093,864</u>	<u>1,093,864</u>	<u>--</u>
<u>(41,733,126)</u>	<u>1,093,864</u>	<u>(40,639,262)</u>	<u>--</u>
--	--	--	(568,766)
<u>--</u>	<u>--</u>	<u>--</u>	<u>(613,683)</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,182,449)</u>
21,458,520	17,408	21,475,928	--
1,955,088	--	1,955,088	--
18,036,687	--	18,036,687	--
10,997,072	--	10,997,072	--
2,528,450	292,842	2,821,292	112,707
2,221,650	7,312	2,228,962	649
--	--	--	--
<u>57,197,467</u>	<u>317,562</u>	<u>57,515,029</u>	<u>113,356</u>
<u>15,464,341</u>	<u>1,411,426</u>	<u>16,875,767</u>	<u>(1,069,093)</u>
136,941,277	16,109,090	153,050,367	6,696,182
310,365	--	310,365	(3,642)
<u>137,251,642</u>	<u>16,109,090</u>	<u>153,360,732</u>	<u>6,692,540</u>
<u>\$ 152,715,983</u>	<u>\$ 17,520,516</u>	<u>\$ 170,236,499</u>	<u>\$ 5,623,447</u>

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF SHASTA

Balance Sheet
Governmental Funds
June 30, 2005

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 43,104,907	\$ 1,218,025	\$ 39,267,580	\$ 83,590,512
Accounts receivable	618,177	40,891	32,969	692,037
Due from other county funds	2,906,422	174,057	493,439	3,573,918
Due from other governments	12,193,023	6,139,441	3,261,560	21,594,024
Advances to other funds	--	--	406,322	406,322
Inventories	--	--	394,080	394,080
Prepaid items	3,259	--	541,680	544,939
Special assessment receivable	--	--	943,486	943,486
Notes receivable	--	--	2,940,414	2,940,414
Totals Assets	<u><u>\$ 58,825,788</u></u>	<u><u>\$ 7,572,414</u></u>	<u><u>\$ 48,281,530</u></u>	<u><u>\$ 114,679,732</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,558,843	\$ 115,669	\$ 696,695	\$ 2,371,207
Salaries and benefits payable	2,781,196	1,543,005	1,171,947	5,496,148
Due to other county funds	84,926	310,055	490,646	885,627
Due to other governments	173,405	177,602	268,362	619,369
Deferred revenue	4,527,885	118,460	1,113,386	5,759,731
Deposits from others	6,129	--	137,184	143,313
Advances from other funds	58,382	--	415,977	474,359
Total Liabilities	<u><u>9,190,766</u></u>	<u><u>2,264,791</u></u>	<u><u>4,294,197</u></u>	<u><u>15,749,754</u></u>
Fund Balances:				
Reserved	3,648,820	345,163	5,130,968	9,124,951
Unreserved:				
Designated	30,297,053	4,404,709	23,346,090	58,047,852
Undesignated	15,689,149	557,751	--	16,246,900
Unreserved, Non-Major:				
Special revenue funds	--	--	6,015,407	6,015,407
Debt service funds	--	--	682,507	682,507
Capital projects funds	--	--	8,812,361	8,812,361
Total Fund Balances	<u><u>49,635,022</u></u>	<u><u>5,307,623</u></u>	<u><u>43,987,333</u></u>	<u><u>98,929,978</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 58,825,788</u></u>	<u><u>\$ 7,572,414</u></u>	<u><u>\$ 48,281,530</u></u>	<u><u>\$ 114,679,732</u></u>

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

COUNTY OF SHASTA

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2005

Total Fund Balances - Governmental Funds (page 22)	\$ 98,929,978
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	107,885,875
Revenues that do not provide current financial resources are reported as receivables in the Statement of Net Assets.	6,464,002
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	458,944
Long-Term Debt that has not been included in the governmental fund activity.	(58,299,731)
Interest on outstanding debt not due and payable in the current period is not accrued in the governmental funds.	(690,633)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and in the Statement of Net Assets. This amount is the unamortized portion of bond issuance costs and bond premiums.	58,179
Compensated absences are not accrued in the Governmental Funds.	(8,771,154)
Internal Service Funds assets and liabilities are included in governmental activities in the Statement of Net Assets	<u>6,680,523</u>
Net assets of Governmental Activities (page 20)	<u><u>\$ 152,715,983</u></u>

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

COUNTY OF SHASTA
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2005

	General Fund	Public Safety Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 31,775,634	\$ 13,395,580	\$ 3,790,607	\$ 48,961,821
Licenses and permits	4,110,370	19,609	256,348	4,386,327
Fines and forfeitures	4,477,254	420,504	95,712	4,993,470
Use of money and property	1,626,806	(20,208)	1,268,188	2,874,786
Intergovernmental	110,397,107	8,514,911	36,268,737	155,180,755
Charges for other services	10,045,098	4,580,762	3,999,620	18,625,480
Miscellaneous revenue	2,819,264	428,656	446,246	3,694,166
Total Revenues	<u>165,251,533</u>	<u>27,339,814</u>	<u>46,125,458</u>	<u>238,716,805</u>
Expenditures:				
Current:				
General government	11,849,355	--	14,317,120	26,166,475
Public protection	15,068,184	44,594,301	12,928,885	72,591,370
Public assistance	76,802,228	--	816,883	77,619,111
Public ways and facilities	1,000	--	16,647,006	16,648,006
Health and sanitation	34,161,819	--	13,082,710	47,244,529
Education	1,243,820	--	--	1,243,820
Recreation	98,336	--	--	98,336
Debt Service	281,271	--	66,495	347,766
Total Expenditures	<u>139,506,013</u>	<u>44,594,301</u>	<u>57,859,099</u>	<u>241,959,413</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>25,745,520</u>	<u>(17,254,487)</u>	<u>(11,733,641)</u>	<u>(3,242,608)</u>
Other Financing Sources (Uses):				
Transfers in	963,314	19,247,070	2,547,708	22,758,092
Transfers out	(21,859,017)	(201,123)	(579,738)	(22,639,878)
Sale of capital assets	67,987	7,109	72,199	147,295
Total Other Financing Sources (Uses)	<u>(20,827,716)</u>	<u>19,053,056</u>	<u>2,040,169</u>	<u>265,509</u>
Net Change in Fund Balances	<u>4,917,804</u>	<u>1,798,569</u>	<u>(9,693,472)</u>	<u>(2,977,099)</u>
Fund Balances - Beginning	44,717,218	3,509,054	53,370,440	101,596,712
Prior Period Adjustments	--	--	310,365	310,365
Fund Balances - Beginning as Restated	<u>44,717,218</u>	<u>3,509,054</u>	<u>53,680,805</u>	<u>101,907,077</u>
Fund Balances - Ending	<u>\$ 49,635,022</u>	<u>\$ 5,307,623</u>	<u>\$ 43,987,333</u>	<u>\$ 98,929,978</u>

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

COUNTY OF SHASTA

Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Government-Wide Statement of Activities
For the Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds (page 24)	\$ (2,977,099)
Amounts reported for governmental activities in the Statement of Net Activities are different because:	
Governmental funds report capital outlays as expenditures.	18,491,012
In the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(3,751,767)
Governmental Funds report the disposal of assets only to the extent that proceeds are received from the sale. In the Statement of Net Activities, a gain or loss is reported for each disposal. This is the Net Book Value of the assets which were disposed.	(58,810)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the Governmental Funds.	(272,828)
Repayment of note and bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,014,824
Interest on outstanding debt is reported as an expenditure when due in the Governmental Funds, but is accrued in the Statement of Activities.	1,442
Compensated absences in the Statement of Activities is reported as an expense, but is not reported in the Governmental Funds.	(393,343)
Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The net revenue (expense) of the internal services funds is reported with Governmental Activities.	<u>3,410,910</u>
Change in Net Assets of Governmental Activities (page 21)	<u>\$ 15,464,341</u>

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

COUNTY OF SHASTA

Statement of Net Assets Proprietary Funds June 30, 2005

	Business-Type Activities				Internal Service Funds
	Solid Waste Disposal	West Central Landfill	Non-Major Enterprise Funds	Total Enterprise Funds	
ASSETS					
Current assets:					
Cash and investments	\$ 2,723,653	\$ 10,618,944	\$ 2,509,210	\$ 15,851,807	\$ 22,673,929
Receivables, net	26,780	--	134,023	160,803	280,964
Due from other county funds	4,636	35,132	30,889	70,657	117,111
Due from other governments	245,023	687,523	133,022	1,065,568	26,929
Inventories	--	--	10,364	10,364	91,272
Prepaid items	172,237	--	--	172,237	10,951
Total current assets	<u>3,172,329</u>	<u>11,341,599</u>	<u>2,817,508</u>	<u>17,331,436</u>	<u>23,201,156</u>
Noncurrent assets:					
Special assessment receivable	--	--	1,204,138	1,204,138	--
Advances to other funds	--	--	--	--	533,240
Capital assets, net	3,012,896	--	14,502,808	17,515,704	2,650,805
Total noncurrent assets	<u>3,012,896</u>	<u>--</u>	<u>15,706,946</u>	<u>18,719,842</u>	<u>3,184,045</u>
Total Assets	<u>6,185,225</u>	<u>11,341,599</u>	<u>18,524,454</u>	<u>36,051,278</u>	<u>26,385,201</u>
LIABILITIES					
Current liabilities:					
Accounts payable	4,632	--	113,330	117,962	448,692
Salaries and benefits payable	--	--	--	--	320,378
Interest payable	81,445	--	37,616	119,061	--
Due to other county funds	--	--	23,448	23,448	25,444
Deposits from others	3,000	--	3,966	6,966	--
Bonds, notes, loans payable	550,000	--	95,205	645,205	--
Total current liabilities	<u>639,077</u>	<u>--</u>	<u>273,565</u>	<u>912,642</u>	<u>794,514</u>
Noncurrent liabilities:					
Claims payable	--	--	--	--	18,888,000
Advances from other funds	--	--	533,240	533,240	22,164
Bonds, notes, loans payable	2,880,000	--	1,983,601	4,863,601	--
Landfill closure/postclosure care costs	--	12,221,279	--	12,221,279	--
Total noncurrent liabilities	<u>2,880,000</u>	<u>12,221,279</u>	<u>2,516,841</u>	<u>17,618,120</u>	<u>18,910,164</u>
Total Liabilities	<u>3,519,077</u>	<u>12,221,279</u>	<u>2,790,406</u>	<u>18,530,762</u>	<u>19,704,678</u>
NET ASSETS					
Invested in capital assets, net	(417,104)	--	12,424,002	12,006,898	2,650,805
Restricted for debt service	--	--	143,964	143,964	--
Unrestricted	3,083,252	(879,680)	3,166,082	5,369,654	4,029,718
Total Net Assets	<u>\$ 2,666,148</u>	<u>\$ (879,680)</u>	<u>\$ 15,734,048</u>	<u>\$ 17,520,516</u>	<u>\$ 6,680,523</u>

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

COUNTY OF SHASTA
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities				Internal Service Funds
	Solid Waste Disposal	West Central Landfill	Non-Major Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES					
Charges for other services	\$ 1,224,264	\$ 1,963,666	\$ 778,775	\$ 3,966,705	\$ 22,752,431
OPERATING EXPENSES					
Salaries and benefits	--	--	--	--	6,119,787
Services and supplies	582,099	--	947,046	1,529,145	6,788,992
Landfill closure/postclosure care costs	--	994,917	--	994,917	--
Insurance premiums	--	--	--	--	1,733,588
Claims paid	--	--	--	--	5,115,247
Central service costs	(1,074)	--	13,885	12,811	316,733
Depreciation	480,140	--	566,199	1,046,339	753,074
Total Operating Expenses	<u>1,061,165</u>	<u>994,917</u>	<u>1,527,130</u>	<u>3,583,212</u>	<u>20,827,421</u>
Operating Income (Loss)	<u>163,099</u>	<u>968,749</u>	<u>(748,355)</u>	<u>383,493</u>	<u>1,925,010</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest	41,303	201,704	49,829	292,836	394,297
Miscellaneous revenue	3,413	--	932,236	935,649	1,259,669
Interest and other expense	(197,337)	--	(121,639)	(318,976)	(46,627)
Sale of fixed assets	355	--	--	355	(7,827)
Total Nonoperating Revenues (Expenses)	<u>(152,266)</u>	<u>201,704</u>	<u>860,426</u>	<u>909,864</u>	<u>1,599,512</u>
Net Income (Loss) Before Contributions and Transfers	10,833	1,170,453	112,071	1,293,357	3,524,522
Capital contributions	--	--	118,069	118,069	4,602
Transfers in	271,949	--	--	271,949	163,057
Transfers out	--	(271,949)	--	(271,949)	(281,271)
Change in Net Assets	282,782	898,504	230,140	1,411,426	3,410,910
Net Assets - Beginning	<u>2,383,366</u>	<u>(1,778,184)</u>	<u>15,503,908</u>	<u>16,109,090</u>	<u>3,269,613</u>
Net Assets - Ending	<u>\$ 2,666,148</u>	<u>\$ (879,680)</u>	<u>\$ 15,734,048</u>	<u>\$ 17,520,516</u>	<u>\$ 6,680,523</u>

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

COUNTY OF SHASTA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities				Internal Service Funds
	Solid Waste Disposal	West Central Landfill	Non-Major Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities:					
Receipts from customers	\$ 1,238,078	\$ 1,785,496	\$ 648,767	\$ 3,672,341	\$ 22,575,321
Payments to suppliers	(605,188)	--	(851,710)	(1,456,898)	(10,552,833)
Payments to employees	--	--	--	--	(6,085,752)
Internal activity - payments from (to) other funds	--	--	--	--	--
Claims paid	--	--	--	--	(1,687,247)
Other receipts (payments)	1,075	--	(13,885)	(12,810)	(316,736)
Net Cash Provided (Used) by Operating Activities	<u>633,965</u>	<u>1,785,496</u>	<u>(216,828)</u>	<u>2,202,633</u>	<u>3,932,753</u>
Cash Flows from Non-Capital Financing Activities:					
Other revenue (expense)	3,412	--	204,514	207,926	1,206,663
Operating subsidies and transfers out	271,949	(271,949)	737,878	737,878	(281,271)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>275,361</u>	<u>(271,949)</u>	<u>942,392</u>	<u>945,804</u>	<u>925,392</u>
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	(82,590)	--	(758,314)	(840,904)	(471,668)
Proceeds from sale of capital assets	355	--	--	355	53,590
Transfers for capital acquisitions	--	--	--	--	163,057
Capital contributions	--	--	110,004	110,004	--
Principal payments on debt	(525,000)	--	(83,470)	(608,470)	--
Proceeds from special assessments	--	--	25,735	25,735	--
Interest payments on debt	(208,887)	--	(123,171)	(332,058)	--
Net Cash (Used) by Capital and Related Financing Activities	<u>(816,122)</u>	<u>--</u>	<u>(829,216)</u>	<u>(1,645,338)</u>	<u>(255,021)</u>
Cash Flows From Investing Activities:					
Interest on investments	37,813	174,772	43,868	256,453	336,183
Net Increase (Decrease) in Cash	131,017	1,688,319	(59,784)	1,759,552	4,939,307
Cash at Beginning of Year	<u>2,592,636</u>	<u>8,930,625</u>	<u>2,568,994</u>	<u>14,092,255</u>	<u>17,734,622</u>
Cash at End of Year	<u>\$ 2,723,653</u>	<u>\$10,618,944</u>	<u>\$ 2,509,210</u>	<u>\$ 15,851,807</u>	<u>\$ 22,673,929</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 163,099	\$ 968,749	\$ (748,355)	\$ 383,493	\$ 1,925,010
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:					
Depreciation expense	480,140	--	566,199	1,046,339	753,074
Landfill closure/postclosure care expense	--	994,917	--	994,917	--
Changes in assets and liabilities:					
Receivables, net	13,814	(178,170)	(129,985)	(294,341)	(176,289)
Inventories	--	--	(2,628)	(2,628)	7,066
Prepaid expenses and other assets	34,447	--	--	34,447	19,211
Accounts and other payables	(57,535)	--	97,941	40,406	1,404,681
Net Cash Provided (Used) by Operating Activities	<u>\$ 633,965</u>	<u>\$ 1,785,496</u>	<u>\$ (216,828)</u>	<u>\$ 2,202,633</u>	<u>\$ 3,932,753</u>

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

COUNTY OF SHASTA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$ 103,696,136	\$ 35,319,658
Accounts receivable, net	4,411	142,047
Taxes receivable, net	--	11,197,598
Due from other governments	--	11,426
Advances to other funds	--	90,201
Prepaid items	--	56,481
Due from other funds	--	17,830
Totals Assets	\$ 103,700,547	\$ 46,835,241
 LIABILITIES		
Accounts payable	\$ 4,779	\$ 3,259
Salaries and benefits payable	28,651	89,678
Due to other funds	--	2,736,387
Due to other governments	225	1,480,424
Taxes due to other funds	--	14,823,541
Deferred revenue	--	56,481
Agency funds liabilities	--	27,645,471
Total Liabilities	33,655	\$ 46,835,241
 NET ASSETS		
Net assets held in trust for investment pool participants	\$ 103,666,892	

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

COUNTY OF SHASTA

Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Year Ended June 30, 2005

ADDITIONS:	
Contributions to investment pool	\$ 464,492,028
DEDUCTIONS:	
Distributions from investment pool	<u>473,749,936</u>
CHANGE IN NET ASSETS	(9,257,908)
NET ASSETS, BEGINNING	<u>112,924,800</u>
NET ASSETS, ENDING	<u><u>\$ 103,666,892</u></u>

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

NOTES TO FINANCIAL STATEMENTS

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 1: **Summary of Significant Accounting Policies**

The Reporting Entity

The County of Shasta (the "County") is a legal subdivision of the State of California and was established as a general law County in 1850. The County's powers are exercised through a five member Board of Supervisors (the "Board") that, as the governing body of the County, is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including public protection, public assistance, health and sanitation, recreation, and general government services.

The accounting methods and procedures adopted by the County conform to accounting principles generally accepted in the United States of America as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by Statement No. 39.

A. Component Units

The governmental reporting entity consists of the County (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Legally separate, tax-exempt entities must be treated as component units if they meet all three of the following criteria: 1) the economic resources received or held by the separate organizations are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; 2) the primary government or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; 3) the economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to that primary government. Inclusion should be considered for separate entities that do not meet all three of these criteria if the entity is closely related to or financially integrated with the primary government.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities are, in substance, part of the County's operations and so data from these units are combined with data of the primary government for purposes of reporting in the accompanying basic financial statements. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize their separation from the County.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2005

Note 1: Summary of Significant Accounting Policies (continued)

A. **Component Units** (continued)

The following legally separate entities are considered *blended component units* for financial reporting purposes of the County:

Lighting Districts provide for the operation and maintenance of streetlights in certain areas of the County and are financed by property taxes and benefit assessments.

- CSA #15 Street Lighting
- Sierra Vista Street
- Lakehead Street
- Rother Riverside Street

Permanent Road Divisions are established for the benefit of private road systems. Annual parcel charges are levied to pay for the level of maintenance work desired by the property owners.

- Alpine Way
- Amber Lane
- Amber Ridge
- Blackstone Estate
- China Gulch
- Coloma Drive
- County Fields Estate
- Craig Lane
- Deer Flat Road
- Dusty Oaks
- East Stillwater Way
- CSA #10 Shasta Lake Rancho
- Fore Way Lane
- Fullerton Way
- Intermountain Road
- Lark Court
- Latona Road
- Laverne Lane
- Logan Road
- Mantone Heights
- Manzanillo Orchard
- Manor Crest
- Marianas Way
- Mule Mountain Pkwy.
- Old Stagecoach
- CSA #12 Holiday Acres
- Ponder Way
- River Hills Estates
- Santa Barbara Estates
- Shasta Meadows
- Ski Way
- Sonora Trail
- Tract 1323
- Valparaiso Way
- Vedder Road
- Victoria Highlands Est.

Water and Sewer Maintenance Districts provide water and sanitary sewer services to commercial development and residential communities. The costs of operating these units are charged to the users in the form of water charges and sewer fees.

- CSA #2 Sugarloaf Water
- CSA #3 Castella Water
- CSA #6 Jones Valley
- CSA #7 Burney Storm
- CSA #8 Palo Cedro
- CSA #11 French Gulch
- CSA #13 Alpine Meadows
- CSA #14 Belmont
- CSA #17 Cottonwood
- CSA #23 Cragview
- CSA #25 Keswick

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

A. **Component Units** (continued)

The *Shasta County Water Agency* accounts for the wholesale purchase and sale of water from the Bureau of Reclamation to various water purveyors in Shasta County.

The *Shasta County Air Quality Management District* endeavors to achieve state and federal ambient air quality standards.

The *Shasta County Fire Protection District CSA #1* provides fire suppression and protection services to unincorporated areas which are not served by either an independent fire district or by the California Department of Forestry.

The *Shasta County Redevelopment Agency* was created in October 1987 and originally was formed in order to maintain and revitalize the communities within Shasta County. The County has since partnered with the Cities of Redding and Anderson in establishing joint-agency redevelopment projects.

The *Shasta Joint Powers Financing Authority* was created on May 29, 1990, as a result of a Joint Exercise of Powers Agreement between the County and the Shasta County Redevelopment Agency. The Authority's purpose is to finance public capital improvements.

The *In-Home Supportive Services (IHSS) Public Authority* assists consumers in finding in-home supportive services personnel, provides training and support for providers and recipients and their families, and performs other functions related to the delivery of in-home supportive services.

The *Inmate Welfare Fund* was established in 1972 under California Penal Code §4025, which authorizes the sheriff of each county to establish, maintain and operate a store (commissary) in connection with the county jail to sell certain supplies to inmates of the jail. Profit from these sales and compensation attributable to the use of pay telephones primarily used by inmates are deposited into this fund and expended by the sheriff for the benefit, education, and welfare of the inmates.

The following legally separate ***discretely presented component units*** are reported in a separate column in the County's government-wide Statement of Net Assets and Statement of Activities:

The *Children and Families First Commission* was established under the authority of Proposition 10, the California Children and Families First Act of 1998. The County Board appointed all members of the Commission. The Board can remove appointed members at will. The Commission accounts for the Proposition 10 allocations and appropriations. The Commission provides most of its services directly to the citizens of the County.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

A. **Component Units** (continued)

The *Regional Transportation Planning Agency* (RTPA) provides transportation-planning services and administers the metropolitan transportation planning organization (MPO) function for local jurisdictions within the County. In 1981, the Agency, the City of Redding, the Redding Area Bus Authority, the City of Anderson, the County of Shasta, and Caltrans approved a Memorandum of Understanding outlining the obligations and responsibilities of the MPO. The Agency's governing body is not substantially the same as that of the County; however, all Agency staff are County employees. Therefore, the Agency is discretely presented in the County's financial report.

Complete audited financial statements for the discretely presented component units are issued separately and may be obtained at the unit's administrative offices.

Also included in the accompanying basic financial statements as fiduciary funds are assets of numerous self-governed school districts, independent special districts, and other independent agencies for which the County Treasurer acts as custodian of those assets. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments and other assets, and the related fiduciary responsibility of the County for disbursement of these assets. Activities of the school districts and special districts are administered by separate boards and are independent of the County Board of Supervisors. The County Auditor-Controller makes disbursements upon the request of the responsible school or self-governed district officers. The operations of these entities have been excluded from the basic financial statements as each entity conducts its own day-to-day operations and answers to its own governing board.

B. **Related Organizations**

Related organizations are excluded from the financial reporting entity because the County's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organizations. Related organizations are described as follows:

Local Agency Formation Commission of Shasta County (LAFCO) is a jointly governed organization composed of members from the County's Board, members from the city councils in the County, and representatives from the independent special districts. LAFCOs are responsible for coordinating changes in local governmental boundaries and conducting studies that review governmental structure.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Related Organizations (continued)

The *Redding Area Bus Authority* (RABA) was formed under a joint powers agreement between the County, City of Redding, City of Shasta Lake, and City of Anderson. The function of RABA is to provide the most cost effective public transportation system utilizing federal and state funding participation.

The *Shasta Area Safety Communications Agency* (SHASCOM) was created by a joint powers agreement between the County and the City of Redding. The purpose of SHASCOM is to provide dispatch services for law enforcement and fire and rescue operations.

C. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Internal balances in the Statement of Net Assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses, indirect expenses and program revenues for each function of the County's governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function or segment. Indirect expenses for centralized services and administrative overhead are allocated based on the annual County-Wide Cost Allocation Plan and are presented separately to enhance comparability of direct expenses between governments that allocate direct expense and those that do not. Program revenues include a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including *all* taxes and interest, are presented instead as general revenues.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

C. **Basis of Presentation** (continued)

Fund Financial Statements

Separate fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. The focus of governmental and proprietary fund financial statements is on major funds and each major fund is presented in a separate column. Non-major funds and internal service funds are aggregated and presented in single columns.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions.

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources and legally authorized activities of the County except those required to be accounted for in another fund.
- The *Public Safety Fund* is used to account for the law enforcement activities of the County and includes the functions of the Sheriff, the District Attorney, and the Probation Department.

The County reports the following major proprietary funds:

- The *Solid Waste Disposal Fund* accounts for the activities of solid waste collection and disposal and septage disposal.
- The *West Central Landfill Fund* is used to account for the activity associated with replacement and improvement of the County's landfill.

Additionally, the County reports the following fund types:

- *Internal Service Funds* account for vehicle operations, risk management, information technology, communications operations, janitorial services, and County utilities that provide services to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

C. **Basis of Presentation** (continued)

Fund Financial Statements (continued)

- The *Investment Trust Fund* accounts for the external portion of the County Treasurer's investment pool, which commingles resources of legally separate local governments within the County in an investment portfolio for the benefit of all participants.
- *Agency Funds* are custodial in nature and do not involve measurement of results of operations. These funds account for assets held by the County in an agency capacity for individuals or other government units.

D. **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations.

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 County in general considers revenues available if they are collected within sixty (60) days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

E. Cash and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are stated at fair value based on market prices. Earnings of the investment pool are apportioned and credited to the appropriate funds quarterly using a formula based on the average daily balance of each participating fund.

A trustee or fiscal agent manages cash and investments held separately from the pool, and these assets are reported in various funds as follows: the Juvenile Hall and Justice Center Improvement Project, as a component unit of the General Fund; the Housing Authority of Shasta County, as a component unit of Special Revenue Funds; the Housing Authority Trust Fund Account, as a component unit of Agency Funds; and the Solid Waste Fund, as a component unit of Proprietary Funds. Some cash and investments of the Shasta Joint Powers Financing Authority, a component unit of the General Fund, are accounted for in Capital Projects Funds.

For purposes of the accompanying statement of cash flows, the Enterprise and Internal Service Funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasurer's investment pool, to be cash equivalents.

F. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other County funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds are offset by a corresponding reservation of fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

The County only accrues revenues at fiscal year-end and accrues only those revenues it deems collectible; as such the County has no allowance for doubtful accounts in its governmental funds.

The County accrues expenditures, and the associated liability, as they relate to budgeted appropriations. Goods encumbered by purchase orders and received after June 15th will not be utilized until after June 30, and therefore, these expenditures are not accrued in the current fiscal year. The budget of the following fiscal year is encumbered for these liabilities and the expenditure is recorded when paid.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

F. **Receivables and Payables** (continued)

Notes receivable in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

G. **Inventories and Prepaid Items**

Inventory consists of expendable supplies held for consumption and is valued at the lower of cost (first-in, first-out) or market. The cost is recorded as an expenditure at the time individual inventory items are purchased and the balance is adjusted annually for goods on hand at the end of the fiscal year. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

H. **Capital Assets**

Capital assets, which include land, structures and improvements, equipment, and infrastructure (roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Acquisitions of capital assets are recorded as expenditures in the governmental fund types at the time of purchased and are recorded in the Fixed Assets Accounting System. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized.

Capital assets are recorded at historical cost or at estimated historical cost if purchased or constructed. In the case of structures and improvements, if historical costs were not available, engineering estimates were used to approximate historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. Self-constructed assets are recorded at the amount of direct labor and material, but not capitalized interest costs, the effect of which is material on the County's financial statements.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

H. **Capital Assets** (continued)

Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide and proprietary fund financial statements. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Class	Useful Life Years
Structures and Improvements	40 – 50
Equipment – Vehicles	3 – 10
Equipment – Other	5 – 10
Infrastructure – Roads	30
Infrastructure – Bridges	50

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. The capitalization thresholds are \$3,000 for equipment, \$25,000 for structures and improvements, and \$500,000 for infrastructure.

I. **Property Tax Levy, Collection and Maximum Rates**

The State of California’s (State) Constitution Article XIII provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless voters have approved an additional amount for the general obligation debt. Assessed value is calculated at 100 percent of market value, as defined by Article XIII A, and may not be adjusted by more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the County, cities, school districts, and other districts. The County assesses properties, enrolls values, and collects property taxes as follows:

	Secured	Unsecured
Lien/Valuation date	January 1	January 1
Levy date	September 12	July 15
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 (due November 1) April 10 (due February 1)	August 31 (due July 1)

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

I. **Property Tax Levy, Collection and Maximum Rates** (continued)

The term “unsecured” refers to taxes on personal property. These taxes are not secured by liens on the property being taxed. Property taxes are recorded as receivables in the fiscal year of the levy and are recorded as revenue when collections are apportioned.

Effective July 1, 1993, the County began apportioning secured (and secured supplemental) property tax revenue in accordance with the alternative method of distribution (the Teeter Plan) prescribed by Section 4701 of the California Revenue and Taxation Code. Current secured/supplemental apportionments continue to follow “pre-Teeter” allocation methods based on collections until year-end. At year-end, the unpaid current secured/supplemental receivable balance is apportioned and each participating agency’s delinquency is financed or “bought out” by the Teeter Plan.

The alternative method of distribution assures each participating agency receives their full current secured/supplemental collections while providing the County with future delinquent penalties and redemption interest or unpaid receivables. Under the Teeter Plan, specified amounts of delinquent or “abstract” secured or supplemental taxes are held in trust to provide revenue for future year “buy-outs” and to offset potential losses from the sale of tax-defaulted properties.

J. **Lease Obligations**

The County leases various assets under operating and capital lease agreements. In the government-wide and proprietary fund financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental or business-type activities column of the Statement of Net Assets.

K. **Long-Term Debt, Deferred Debt Expense, and Bond Discounts/Premiums**

In the government-wide and proprietary funds financial statements, outstanding debt is reported as a liability. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

L. Employee Compensated Absences

Full-time permanent employees accumulate earned but unused vacation leaves and sick pay benefits in varying amounts to specified maximums depending on status and tenure with the County. A liability for these amounts is accrued when incurred in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

M. Fund Equity

The governmental fund financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

N. Use of Estimates

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

O. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Note 2: **Cash in Treasury**

A. Cash Management

As provided for by the California Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. The investment pool is not registered within the Securities and Exchange Commission (SEC) and as required by the California Government Code, a treasury oversight committee provides oversight to the management of the pool. The respective funds' shares of the total pool are included in the accompanying combined balance sheet under the caption "Cash and Investments". These investments are stated at fair value. Interest earned on these investments is allocated quarterly to certain participating funds based on their daily cash in county treasury balances.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 2: **Cash in Treasury** (continued)

A. **Cash Management** (continued)

The County Treasurer determines the fair value of investments annually, at fiscal year-end, for the purpose of financial reporting. Participants may withdraw their investment from the pool on a dollar per dollar basis. School districts are considered involuntary participants in the investment pool and comprise 31 percent of the total external investment pool (including County Operational funds). Special districts and various trust funds approximate 29 percent of the investment pool and the extent of involuntary participation cannot be determined at this time. County operational funds comprise the remaining 40 percent of the investment pool.

At June 30, 2005, total County cash and investments were as follows:

Cash:

Cash on hand and imprest cash	\$ 1,085,078
Deposits	<u>8,895,222</u>
Total cash and deposits	<u>9,980,300</u>

Investments:

In Treasurer's pool	247,817,925
External to the Treasurer's pool	<u>9,080,803</u>
Total investments	<u>256,898,728</u>

Total cash and investments	<u>\$ 266,879,028</u>
----------------------------	-----------------------

Total cash and investments at June 30, 2005 were presented on the County's financial statements as follows:

Primary government	\$ 122,116,248
Component units	5,746,986
Investment trust fund	103,696,136
Agency funds	<u>35,319,658</u>
Total Cash and Investments	<u>\$ 266,879,028</u>

It is the policy of the County to account for outstanding warrants through an agency fund, the result of which increased the agency fund's aggregate cash balance by \$13,077,889 at June 30, 2005.

Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2005

Note 2: **Cash in Treasury** (continued)

A. **Cash Management** (continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper - Select Agencies	270 days	25%	10%
Commercial Paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium Term Notes	5 years	30%	None
Mutual Funds/Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

At June 30, 2005, the County had the following investments:

	Interest Rates	Maturities	Par	Cost	Fair Value	WAM (Years)
Investments in Investment Pool						
Local Agency Investment Fund	2.86%	7/1/2005	\$ 35,000,000	\$ 35,000,000	\$ 35,249,375	--
Repurchase Agreement	3.25%	7/1/2005	10,000,000	10,000,000	10,000,903	--
Inactive Public Deposit	2.35%	8/11/05-12/15/05	2,000,000	2,000,000	2,000,000	0.29
Commercial Paper	2.77%-3.24%	7/09/05-10/11/05	18,000,000	17,730,250	17,896,380	0.17
Federal Farm Credit	2.25%-3.49%	7/14/05-4/17/06	27,000,000	26,241,973	26,459,100	0.55
Federal Home Loan Bank Discount Note	2.68%-3.50%	7/22/05-4/20/06	51,000,000	49,539,502	50,011,500	0.54
Federal National Mortgage Discount Note	2.63%-3.50%	10/14/05-3/31/06	51,000,000	49,549,343	50,094,600	0.50
Federal Home Loan Mortgage Corp. Discount Note	2.15%-3.45%	8/23/05-4/4/06	57,000,000	55,419,920	56,037,300	0.47
Government National Mortgage Association	8%-9.5%	3/17/17-8/15/17	64,797	48,319	68,767	11.86
			<u>\$ 251,064,797</u>	<u>\$ 245,529,307</u>	<u>\$ 247,817,925</u>	
Investments outside Investment Pool						
Shasta Lake Local Agency Investment Fund	2.86%	7/1/2005	\$ 275,947	\$ 275,947	\$ 275,947	
Cash with fiscal agent			-	-	8,804,856	
			<u>\$ 275,947</u>	<u>\$ 275,947</u>	<u>\$ 9,080,803</u>	
Total Investments					<u>\$ 256,898,728</u>	

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 2: **Cash in Treasury** (continued)

A. **Cash Management** (continued)

Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

Credit Risk

State law and the County's Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law and the County's Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor's and Moody's Investors Service. The County does not have credit limits on government agency securities.

Concentration of Credit Risk

At June 30, 2005, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2005.

	<u>S&P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Investments in Investment Pool			
Local Agency Investment Fund	Unrated	Unrated	14.25%
Repurchase Agreement	Unrated	Unrated	4.07%
Inactive Public Deposit	Unrated	Unrated	0.81%
Commercial Paper	A-1	P-1	7.22%
Federal Farm Credit	not available	AAA	10.69%
Federal Home Loan Bank Discount Note	not available	AAA	20.18%
Federal National Mortgage Discount Note	not available	AAA	20.18%
Federal Home Loan Mortgage Corp. Discount Note	not available	AAA	22.57%
Government National Mortgage Association	Unrated	Unrated	0.02%
			<u>100.00%</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 2: **Cash in Treasury** (continued)

A. **Cash Management** (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. At year end, the County's investment pool and specific investments had no securities exposed to custodial credit risk.

Local Agency Investment Fund

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2005, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$35,000,000, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$60,635,664,345. Of that amount, 97.6% was invested in non-derivative financial products and 2.4% in structured notes and asset-backed securities.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2005

Note 2: **Cash in Treasury** (continued)

A. **Cash Management** (continued)

County Investment pool Condensed Financial Statements

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2005:

Statement of Net Assets

Assets:

Investments	\$ 247,817,925
Other deposits	<u>8,076,974</u>
Total assets	<u>255,894,899</u>

Liabilities:

Checks and warrants payable	<u>13,077,889</u>
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Net Assets:

Equity of internal pool participants	139,120,874
Equity of external pool participants	<u>103,696,136</u>
Total net assets	<u>\$ 242,817,010</u>

Statement of Changes in Net Assets

Investment earnings	\$ 4,014,004
Investment expenses	(698,814)
Net contributions from pool participants	<u>7,877,847</u>
Increase in Net Assets	11,193,037
Net assets at July 1, 2004	<u>231,623,973</u>
Net assets at June 30, 2005	<u>\$ 242,817,010</u>

B. **Allocations of Interest Income Among Funds**

Interest income from pooled investments is allocated first to those funds, which are required by law or administrative action to receive interest, and then to the Proprietary Funds. Interest is allocated on a quarterly basis based on the aggregate daily cash balance in each fund.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 2: **Cash in Treasury** (continued)

B. **Allocations of Interest Income Among Funds** (continued)

Cash and investments held separately from the pool are managed by a trustee or fiscal agent; include those for the Juvenile Hall and Justice Court Improvement Project, Housing Authority of Shasta County, Shasta Joint Powers Financing Authority, Solid Waste reserves, and Information Systems financing. Investments are stated at fair value.

C. **Authorized Investments**

State statutes and an adopted investment policy authorize the County to invest in bonds issued by the County of Shasta, obligations of the U.S. Treasury, its agencies and instrumentality's, registered warrants and bonds of the State of California, registered warrants and bonds of any local agency in the State of California, commercial paper rate A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record's, certificates of deposit, bankers' acceptances from banks with 'A' rating or better by a nationally recognized rating service, medium term corporate notes issued by companies rated 'A' or better by a nationally recognized rating service, mortgage pass-through securities and collateralized mortgage obligations having a rating of 'AA' or higher by a nationally recognized rating agency, repurchase agreements and the State Treasurer's investment pool. The County is also authorized to enter in reverse repurchase agreements. Investments for bond proceeds and funds held by bond fiscal agent or trustees are governed and restricted by the bond documents. The permitted investment language in each bond transaction is usually unique to each transaction and at times can either be more permissive or less permissive than the County's investment policy over other investments.

D. **Fair Value of Investments**

Accounting pronouncement GASB Statement No. 31 generally applies to investments in external investment pools (State of California LAIF and other government sponsored investment pools), investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statement. The County does not present realized and unrealized gains or losses on separate items on the face of its financial statements or in its note disclosures.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 2: **Cash in Treasury** (continued)

E. Methods and Assumptions Used to Estimate Fair Value

The County adjusts its investment accounting records to “fair value” at fiscal year end. The County’s investment custodian provides market values on each investment instrument on a monthly basis. The investments held by the County are widely traded and trading values are readily available from numerous published sources. Unrealized gains and losses are recorded at fiscal year end and the carrying values of its investments at fiscal year end are considered “fair value”.

Note 3: **Notes Receivables**

Notes receivables at year-end in the amount of \$2,940,414, as reported in the governmental non-major funds, include \$2,102,725 in loans to individuals for housing rehabilitation. The maximum original amount of these notes is \$20,000 per owner occupied home or \$20,000 per housing unit for rental owners. The maximum term of these notes is 30 years and the annual interest rate varies from 3 percent to 6 percent.

The remaining \$837,689 consist of real property rehabilitation fifteen year deferred loans to the following organizations:

Shingletown Activities Council	\$ 94,829
Happy Valley Community Foundation	\$ 104,404
City of Shasta Lake – Community Center	\$ 100,000
Whitmore Community Center	\$ 248,456
Fall River Lions Club	\$ 90,000
Cottonwood Community Center	\$ 200,000

Funding for these loans is provided by Community Development Block Grants.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2005

Note 4: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Retirements	Transfers	Balance June 30, 2005
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 2,220,915	\$ 657,108	\$ --	\$ --	\$ 2,878,023
Construction in progress	24,947,618	12,203,260	(166,626)	(31,146,054)	5,838,198
Total Capital Assets Not Being Depreciated	27,168,533	12,860,368	(166,626)	(31,146,054)	8,716,221
Capital assets being depreciated:					
Structures and improvements	57,526,197	203,269	--	29,373,044	87,102,510
Long-term leasehold improvements	807,477	--	--	--	807,477
Equipment	31,984,179	6,132,264	(2,600,688)	--	35,515,755
Infrastructure	81,018,297	--	--	1,773,009	82,791,306
Total Capital Assets Being Depreciated	171,336,150	6,335,533	(2,600,688)	31,146,053	206,217,048
Less accumulated depreciation for:					
Structures and Improvements	(21,909,396)	(1,491,507)	--	--	(23,400,903)
Long-term leasehold improvements	(404,483)	(13,191)	--	--	(417,674)
Equipment	(21,631,647)	(2,406,141)	2,458,961	--	(21,578,827)
Infrastructure	(58,405,183)	(594,001)	--	--	(58,999,184)
Total Accumulated Depreciation	(102,350,709)	(4,504,840)	2,458,961	--	(104,396,588)
Total Capital Assets Being Depreciated, Net	68,985,441	1,830,693	(141,727)	31,146,053	101,820,460
Governmental Activities Capital Assets, Net	\$ 96,153,974	\$ 14,691,061	\$ (308,353)	\$ (1)	\$ 110,536,681
Business-Type Activities					
Capital assets not being depreciated:					
Land and improvements	\$ 1,800,295	\$ --	\$ --	\$ --	\$ 1,800,295
Construction in progress	810,194	758,314	--	(153,038)	1,415,470
Total Capital Assets Not Being Depreciated	2,610,489	758,314	--	(153,038)	3,215,765
Capital assets being depreciated:					
Structures and improvements	37,130,000	82,592	--	153,038	37,365,630
Equipment	266,297	--	(11,255)	--	255,042
Total Capital Assets Being Depreciated	37,396,297	82,592	(11,255)	153,038	37,620,672
Less accumulated depreciation for:					
Structures and Improvements	(22,094,243)	(1,026,383)	--	--	(23,120,626)
Equipment	(191,404)	(19,957)	11,254	--	(200,107)
Total Accumulated Depreciation	(22,285,647)	(1,046,340)	11,254	--	(23,320,733)
Total Capital Assets Being Depreciated, Net	15,110,650	(963,748)	(1)	153,038	14,299,939
Business-Type Activities Capital Assets, Net	\$ 17,721,139	\$ (205,434)	\$ (1)	\$ --	\$ 17,515,704

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 4: **Capital Assets** (continued)

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

Governmental Activities

General Government	\$ 1,741,537
Public Protection	779,936
Public Assistance	141,335
Public Ways and Facilities	879,692
Health and Sanitation	192,783
Education	15,584
Recreation	898
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>753,075</u>

Total Depreciation Expenses Governmental Activities \$ 4,504,840

Business-Type Activities

Airport	\$ 25,720
Solid Waste	480,140
County Service Areas	<u>540,480</u>

Total Depreciation Expenses Business-Type Activities \$ 1,046,340

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 5: **Interfund Transactions**

Interfund Receivables/Payables

Due to/from Other Funds:

Interfund receivable and payable balances at June 30, 2005, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public Safety	\$ 306,063
	Nonmajor Governmental Funds	200,860
	Internal Service Funds	18,770
	Nonmajor Enterprise Funds	14,037
	Agency Funds	<u>2,366,692</u>
		<u>2,906,422</u>
Public Safety	General	212
	Nonmajor Governmental Funds	91,973
	Agency Funds	<u>81,872</u>
		<u>174,057</u>
Nonmajor Government Funds	General	26,794
	Nonmajor Governmental Funds	194,944
	Internal Service Funds	3,445
	Agency Funds	145,176
	Component Unit Funds	<u>123,080</u>
		<u>493,439</u>
Internal Service Funds	General	50,110
	Agency Funds	<u>67,001</u>
		<u>117,111</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 5: **Interfund Transactions** (continued)

Interfund Receivables/Payables (continued)

Due to/from Other Funds (continued):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste Disposal	Agency Funds	\$ 4,636
West Central Landfill	Agency Funds	<u>35,132</u>
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	234
	Nonmajor Enterprise Funds	9,230
	Agency Funds	<u>21,425</u>
		<u>30,889</u>
Agency Funds	General	7,810
	Public Safety	3,992
	Nonmajor Governmental Funds	2,635
	Internal Service Funds	3,212
	Nonmajor Enterprise Funds	<u>181</u>
		<u>17,830</u>
Component Units	Internal Service Funds	17
	Agency Funds	<u>14,453</u>
		<u>14,470</u>
		<u>\$ 3,793,986</u>

Due to/from other funds include \$496,469 detailed below, which will be repaid beyond one year.

Due to General Reserves from Shasta County Redevelopment Agency	\$ 79,713
Due to General Reserves from CSA #3 Castella Water	10,000
Due to General Reserves from Public Safety Fund	211,812
Due to Roads SVAP from CSA #12 Holiday Acres PRD	40,160
Due to Roads SVAP from Fullerton PRD	38,284
Due to Roads SVAP from East Stillwater Way PRD	<u>116,500</u>
	<u>\$ 496,469</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 5: **Interfund Transactions** (continued)

Interfund Receivables/Payables (continued)

Advances to/from Other Funds:

The following is a listing of advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Government Funds	Nonmajor Governmental Funds	\$ 406,322
Internal Service Funds	Nonmajor Enterprise Funds	<u>533,240</u>
Agency	General	58,382
	Nonmajor Governmental Funds	9,655
	Internal Service Funds	<u>22,164</u>
		<u>90,201</u>
		<u>\$ 1,029,763</u>

Transfers:

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receives restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments becomes due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2005, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Public Safety	\$ 19,187,207	Funding of operational expenditures
	Nonmajor Governmental Funds	2,547,708	Funding of operational expenditures
	Internal Service Funds	<u>124,102</u>	Purchase of vehicles
		<u>21,859,017</u>	
Public Safety	General	190,440	Funding of capital improvement projects and share of Social Services program
	Internal Service Funds	<u>10,683</u>	Purchase of vehicles
		<u>201,123</u>	

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 5: **Interfund Transactions** (continued)

Interfund Receivables/Payables (continued)

Transfers (continued):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Government Funds	General	\$ 491,603	Funding of capital improvement projects and share of Social Service program
	Public Safety	59,863	Funding of capital improvement projects
	Internal Service Funds	<u>28,272</u>	Purchase of vehicles
		<u>579,738</u>	
West Central Landfill	Solid Waste Disposal	<u>271,949</u>	Funding of capital improvement projects
Internal Service Funds	General	<u>281,271</u>	Funding of long-term debt payment for energy retrofit
		<u>\$ 23,193,098</u>	

Note 6: **Long-Term Liabilities**

A. Changes in Long-Term Obligations

The changes in the County's long-term obligations during the year consisted of the following:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds Payable:					
Lease revenue bonds	\$ 56,035,000	\$ --	\$ 655,000	\$ 55,380,000	\$ 1,445,000
Unamortized bond premium	1,371,526	--	47,567	1,323,959	--
Special assessment bonds	<u>745,000</u>	--	<u>27,000</u>	<u>718,000</u>	<u>718,000</u>
Total Bonds Payable	58,151,526	--	729,567	57,421,959	2,163,000
Claims liability	17,174,000	5,115,247	3,401,247	18,888,000	--
Capital lease obligations	2,534,555	--	332,823	2,201,732	210,846
Compensated absences	<u>8,377,811</u>	<u>393,343</u>	<u>--</u>	<u>8,771,154</u>	<u>--</u>
Governmental Activity Long-Term Liabilities	<u>\$ 86,237,892</u>	<u>\$ 5,508,590</u>	<u>\$ 4,463,637</u>	<u>\$ 87,282,845</u>	<u>\$ 2,373,846</u>
Business-Type Activities					
Bonds payable	\$ 5,683,449	\$ --	\$ 571,763	\$ 5,111,686	\$ 616,801
Notes payable	424,231	--	27,111	397,120	28,404
Liability for landfill closure/ Postclosure care cost	<u>11,226,362</u>	<u>994,917</u>	<u>--</u>	<u>12,221,279</u>	<u>--</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 17,334,042</u>	<u>\$ 994,917</u>	<u>\$ 598,874</u>	<u>\$ 17,730,085</u>	<u>\$ 645,205</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 6: **Long-Term Liabilities** (continued)

B. Summary of Long-Term Obligations

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2005</u>
<u>Governmental activities</u>						
Bonds Payable:						
Lease Revenue Bonds:						
1998 Lease Revenue Bonds – County Courthouse Improvement Project	1998	2003	3.40-4.80%	\$185,000 - \$1,385,000	\$ 9,165,000	\$ 7,520,000
2003 Lease Revenue Bonds – Administration Center	2003	2024	4.00-5.25%	\$750,000 - \$2,735,000	42,575,000	42,575,000
2003 Refunding Lease Revenue Bonds Justice Center	2004	2014	2.00-4.125%	\$420,000 - \$645,000	5,705,000	<u>5,285,000</u>
						<u>55,380,000</u>
Special Assessment Bonds:						
Quartz Hill Special Assessment Bond Series 1979 – 1A	1982	2021	5.00%	\$0 - \$55,000	998,000	610,000
Quartz Hill Special Assessment Bond Series 1979 – 1B	1982	2016	5.00%	\$0 - \$12,000	292,000	<u>108,000</u>
						<u>718,000</u>
Total Governmental Bonds Payable						<u>\$ 56,098,000</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 6: **Long-Term Liabilities** (continued)

B. Summary of Long-Term Obligations (continued)

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2005</u>
<u>Business-Type Activities</u>						
Bonds Payable:						
Solid Waste – Landfill Revenue Bonds/ 1997 Series A	1998	2010	3.85-5.00%	\$430,000 - \$625,000	\$ 6,790,000	\$ 3,430,000
CSA No. 3 (Castella) Special Assessment Bonds	1981	2021	5.00%	\$1,000 - \$10,500	134,500	79,000
CSA No. 6 (Jones Valley) 1980 Revenue Bonds	1980	2020	5.00%	\$7,000 - \$30,000	537,000	333,000
CSA No. 6 (Jones Valley) Limited Obligation Bonds	1998	2038	4.75%	\$6,357 - \$38,000	802,789	665,000
CSA No. 8 (Palo Cedro) Sewer Bonds	1990	2001	6.00-9.20%	\$20,000	857,466	20,000
CSA No. 17 (Cottonwood) Sewer Bonds – Series B	1986	2025	5.00%	\$5,000 - \$164,000	504,000	453,000
CSA No. 17 (Cottonwood) Sewer Bonds – Series C	1986	2026	7.75%	\$500 - \$8,000	114,408	92,000
CSA No. 23 (Crag View) Water Bonds – Series A	1974	2013	5.00%	\$1,000 - \$4000	103,000	32,000
CSA No. 23 (Crag View) Water Bonds – Series B	1975	2013	5.00%	\$185 - \$1,172	20,000	<u>7,686</u>
						<u>5,111,686</u>
Notes Payable:						
CSA No. 2 (Sugar Loaf) Note Payable	1978	2016	5.00%	\$1,718 - \$73,206	73,206	42,416
CSA No. 11 (French Gulch) Note Payable	1995	2019	3.41%	\$5,389 - \$24,063	420,000	285,264
Fall River Mills Airport Note Payable	1998	2011	5.05%	\$3,753 - \$9,821	90,000	59,496
CSA No. 25 (Keswick) Note Payable	1989	2008	2.50-6.20%	\$678 - \$2,925	41,600	<u>9,944</u>
						<u>397,120</u>
						<u>\$ 5,508,806</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 6: **Long-Term Liabilities** (continued)

B. Summary of Long-Term Obligations (continued)

As of June 30, 2005, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30	Governmental Activities			
	Lease Revenue Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 1,445,000	\$ 2,651,617	\$ 718,000	\$ 17,950
2007	1,490,000	2,602,242	--	--
2008	1,545,000	2,550,306	--	--
2009	1,610,000	2,493,599	--	--
2010	1,680,000	2,430,586	--	--
2011 – 2015	9,645,000	10,980,028	--	--
2016 – 2020	8,615,000	8,783,063	--	--
2021 – 2025	10,790,000	6,250,288	--	--
2026 – 2030	10,740,000	3,618,000	--	--
2031 – 2035	<u>7,820,000</u>	<u>794,750</u>	<u>--</u>	<u>--</u>
	<u>\$ 55,380,000</u>	<u>\$ 43,154,478</u>	<u>\$ 718,000</u>	<u>\$ 17,950</u>

Year Ending June 30	Business-Type Activities			
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2006	\$ 616,801	\$ 233,405	\$ 28,404	\$ 15,106
2007	618,841	205,543	29,744	13,946
2008	649,883	175,879	31,118	12,729
2009	677,427	144,262	30,992	11,451
2010	584,974	113,598	30,787	10,210
2011 – 2015	865,261	332,689	140,737	32,566
2016 – 2020	375,500	233,241	105,338	9,128
2021 – 2025	281,500	144,771	--	--
2026 – 2030	155,500	83,159	--	--
2031 – 2035	144,000	51,538	--	--
2036 – 2040	<u>142,000</u>	<u>13,870</u>	<u>--</u>	<u>--</u>
	<u>\$ 5,111,686</u>	<u>\$ 1,731,954</u>	<u>\$ 397,120</u>	<u>\$ 105,137</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 6: **Long-Term Liabilities** (continued)

B. Summary of Long-Term Obligations (continued)

Interest payments and lease revenue bonds are serviced by revenues generated from lease payments made by the General Fund on lease facilities. Capital lease obligations are paid from the general fund. Claims and judgments will be paid from the County's risk management internal service funds. A majority of the claims are paid through internal service fund charges to the general fund and enterprise funds. Compensated absences liabilities will be paid by several of the County's funds, including the general fund, special revenue funds, and several other enterprise and internal service funds.

C. Compensated Absences/Sick Time

Accumulated vacation, compensated time, administrative leave, unused holiday time, and a percentage of the accumulated sick pay (the percentage varies based on length of employment and whether management or non-management employee status), is payable upon termination. Such amounts are not accrued in governmental funds, but are recorded as long-term liabilities on the Statement of Net Assets. Non-vested sick pay benefits payables due to illness of employees are recorded as expenditures when paid.

Vacation time	\$	4,466,403
Compensated time-off		419,562
Administrative leave		287,808
Holiday credit		314,128
Sick leave – gross amount		<u>3,283,253</u>
Total	\$	<u><u>8,771,154</u></u>

Note 7: **Capital Leases**

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

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2005</u>
Fire engines	6.50 – 9.00%	\$ 10,911
Aircon Energy Retrofit	5.26%	2,082,025
CSS telephone	4.67%	<u>108,796</u>
		<u><u>\$ 2,201,732</u></u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 7: **Capital Leases** (continued)

The cost of vehicles and equipment under capital leases are as follows:

	<u>Governmental Activities</u>
Fire engines	\$ 1,010,999
Aircon Energy Retrofit	2,763,332
CSS telephone	159,064
Less: accumulated depreciation	<u>(1,336,532)</u>
	<u>\$ 2,596,863</u>

As of June 30, 2005, future minimum lease payments under capital leases was as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2006	\$ 322,685
2007	311,719
2008	311,720
2009	309,182
2010	281,271
2011-2015	<u>1,265,716</u>
Total Future Minimum Lease Payments	2,802,293
Less: Interest	<u>(600,561)</u>
Present Value of Remaining Lease Payments	<u>\$ 2,201,732</u>

Note 8: **Long-Term Debt – Enterprise Funds**

A. Estimated Liability for Solid Waste Landfill Closure and Postclosure Maintenance Costs

The County currently owns and maintains the West Central Landfill site. State and federal laws and regulations require that the County place a final cover on the landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an estimated liability is being recognized based on the future closure and postclosure maintenance costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the estimated liability of the County landfill site for closure and postclosure maintenance costs was \$12,221,279 as

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 8: **Long-Term Debt – Enterprise Funds** (continued)

A. **Estimated Liability for Solid Waste Landfill Closure and Postclosure Maintenance Costs** (continued)

of the fiscal year end, which is based on the estimated percentage usage (filled) of 48.5 percent of the landfill site. It is estimated that an additional \$12,978,721 liability will be recognized as closure and postclosure costs between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure maintenance costs (\$25,200,000) is based on the amount that would be paid if all equipment facilities and services required to close, monitor, and maintain the landfill were acquired as of the balance sheet date. However, the costs for landfill closure and postclosure maintenance costs are based on yearly estimates, reviewed by the California Integrated Waste Management Board, as prepared by the county public works department.

These cost estimates are subject to change based on such factors as inflation or deflation, changes in technology, or changes in federal or state landfill laws and regulations. The County expects that future inflation costs will be paid from the interest earnings on these contributions.

State and federal laws and regulations require the County to make annual contributions to finance closure and postclosure maintenance costs. The County has established an enterprise fund to maintain these monies.

At the current time, the landfill is technically in non-compliance with the terms of its operating permit under Subtitle D of the Environmental Protection Agency. As stated above, the estimated liability of the County landfill site closure and postclosure maintenance cost is \$12,221,279 and the County has set aside \$5,327,827, resulting in an unfunded liability of \$6,893,452. The County has developed a plan to address this situation, avoiding any substantial increases in the tipping fees.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2005

Note 9: **Component Units Condensed Financial Information**

	Children and Families First Commission	Rural Transportation Planning Agency	Total
Current and other assets	4,723,504	1,605,969	6,329,473
Capital assets	18,195	47,360	65,555
Total Assets	<u>4,741,699</u>	<u>1,653,329</u>	<u>6,395,028</u>
Current and other liabilities	6,302	--	6,302
Long term liabilities	629,938	135,341	765,279
Total Liabilities	<u>636,240</u>	<u>135,341</u>	<u>771,581</u>
Invested in capital assets, net	16,918	42,920	59,838
Restricted	-	-	-
Unrestricted	4,088,541	1,475,068	5,563,609
Total Net Assets	<u>4,105,459</u>	<u>1,517,988</u>	<u>5,623,447</u>
Revenues			
Aid from other governments	\$ 2,202,303	\$ 2,114,844	\$ 4,317,147
Use of money and property	83,905	28,802	112,707
Miscellaneous	-	649	649
Total Revenues	<u>2,286,208</u>	<u>2,144,295</u>	<u>4,430,503</u>
Expenses			
Operating expenses	2,766,265	2,728,527	5,494,792
Depreciation	4,804	-	4,804
Total Expenses	<u>2,771,069</u>	<u>2,728,527</u>	<u>5,499,596</u>
Change in net assets	(484,861)	(584,232)	(1,069,093)
Net assets, beginning	4,593,962	2,102,220	6,696,182
Prior period adjustment	<u>(3,642)</u>	<u>-</u>	<u>(3,642)</u>
Net assets, ending	<u>\$ 4,105,459</u>	<u>\$ 1,517,988</u>	<u>\$ 5,623,447</u>

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2005

Note 10: Fund Balances

The following is a summary of fund balances at June 30, 2005:

	General Fund	Public Safety Fund	Other Governmental Funds
Reserved			
General	\$ 2,824,134	\$ --	\$ --
Fiscal agents	574,717	--	--
Imprest accounts	45,015	59,706	4,400
Debt service	--	--	168,504
Inventories	--	--	394,079
Encumbrances	204,954	285,457	4,563,985
Total Reserved	3,648,820	345,163	5,130,968
Unreserved			
Designated			
General purpose use	17,900,260	--	10,449,945
Notes receivable	--	--	2,940,414
Capital projects	--	--	3,281,222
Child support services lease	--	--	1,733,333
Fiscal agent	--	--	821,421
Fair value of investments	557,433	--	241,199
Equipment acquisition	133,138	49,005	--
Tobacco settlement	7,926,256	--	--
SB90 mandated cost receivable	2,100,406	1,316,395	--
Animal control shelter	248,496	--	--
DA misdemeanor diversion program	--	13,125	--
Bureau of Land Management deficit	--	--	47,025
Total Designated Unrestricted	28,865,989	1,378,525	19,514,559
Designated Restricted			
Shingletown runaway	79,957	--	--
Vital statistics	38,740	--	146,176
Recorder modernization	686,789	--	--
Recorder micrographics	249,712	--	--
Animal control spay/neuter	12,600	--	--
Federal grazing	14,308	--	--
Parks	35,000	--	--
Quality control	23,351	--	--
Recaptured payments	31,004	--	--
Smara	75,657	--	--
Document payment program	22,413	--	--
Solid waste program	45,849	--	--
Alcohol education prevention	15,632	--	--
Alcohol programs	91,530	--	--
CPS donation	8,522	--	--
Knighten Road Beetle mitigation	--	--	306,190
CCS donation	--	--	23,248
City of Shasta Lake Grant	--	--	380,000
Asset/forfeiture	--	214,923	--
Program sales	--	76,191	--
Proposition 172 sales tax	--	2,698,235	--
DMV remote access	--	36,835	--
Car seat program	--	--	44,105
Air quality management SB 2766	--	--	765,818
Zone of Benefit Traffic Impact	--	--	2,165,994
Total Designated Restricted	1,431,064	3,026,184	3,831,531
Total Designated	30,297,053	4,404,709	23,346,090
Undesignated	15,689,149	557,751	15,510,275
Total Unreserved	45,986,202	4,962,462	38,856,365
Total Fund Balances	\$ 49,635,022	\$ 5,307,623	\$ 43,987,333

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 11: **Postemployment Benefits**

Under Resolution 92-197 (medical and dental plans – memorandum of understanding), the County shall provide payments for medical plans with PERS towards each retiree’s medical benefit premiums provided such person retires from active county service on or after the effective date of the memorandum. The County funds the plan for retirees on a pay-as-you-go (cash) basis. As of June 30, 2005, 598 participants were on the plan at a cost to the County of \$2,205,460.

Note 12: **Risk Management**

The County has a Risk Management Fund (Internal Service Fund) to consolidate the County’s Workers’ Compensation and General Liability insurance programs that are partially self-insured. Fund revenues are primarily premium charges to other funds and are planned to equal estimated payments resulting from self-insurance programs, liability insurance coverage in excess of the self-insured amount, and operating expenses.

The County maintains a self-insured retention (SIR) of \$250,000 per occurrence for its general liability program. Losses, which exceed the SIR, are covered by excess insurance policy purchased through CSAC Excess Insurance Authority.

The County maintains a self-insured retention (SIR) of \$250,000 per occurrence for its Workers’ Compensation Program. Losses, which exceed the SIR, are covered by an excess insurance policy purchased through the CSAC Excess Insurance Authority.

The actuarially determined outstanding claims liability and claims including incurred but not reported claims, adjustment expense liability (at 75 percent confidence level, after recognition of anticipated investment income) as of June 30, 2005, were as follows:

General liability	\$ 2,071,000
Workers’ compensation	<u>16,817,000</u>
Total	<u>\$ 18,888,000</u>

Unpaid Claims Liabilities

The County of Shasta establishes claims liabilities based on estimates of the ultimate costs of the claims that have been reported but not settled, and of claims that have been incurred, but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the type of insurance involved. Estimated amounts of salvage and reinsurance recoverable are considered in developing the estimates. Because actual claims costs depend on many complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. In estimating the liability, reliance is placed on both actual historical data and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 12: **Risk Management** (continued)

Unpaid Claims Liabilities (continued)

As discussed above, the County of Shasta established a liability for both reported and unreported insured events, which included estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the fund at June 30, 2005 and 2003:

	<u>2005</u>	<u>2004</u>
Balance, Beginning of Year claims liability	\$17,174,000	\$14,760,000
Current year claims and changes in estimates	5,115,247	6,628,930
Claim payments	<u>(3,401,247)</u>	<u>(4,214,930)</u>
Balance, End of Year	<u>\$18,888,000</u>	<u>\$17,174,000</u>

Note 13: **Employee Retirement Systems**

A. **Plan Description**

The County of Shasta's defined benefit pension plan, County Employees Retirement Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County Employees Retirement Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The County of Shasta selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 13: **Employee Retirement Systems** (continued)

B. Funding Policy

Active plan members in the County Employees Retirement Plan are required to contribute 7.0 percent for miscellaneous employees and 9.0 percent for safety employees of their annual covered salary. The County of Shasta is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-2005, was 9.955 percent for miscellaneous employees and 26.471 percent for law enforcement officers. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For fiscal year 2004-2005, the County of Shasta's annual pension cost was \$6,148,051 and the County of Shasta actually contributed \$6,148,051. The required contribution for fiscal year 2004-2005 was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expense); (b) projected salary increases that vary by duration of service ranging from 3.25 percent to 14.45 percent for miscellaneous members (from 3.25 percent to 13.15 percent for safety members), and (c) 3.25 percent cost-of-living adjustment. Both (a) and (b) include an inflation component 3.0 percent. The actuarial value of County Employees Retirement Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period depending on the size of investment gains and/or losses. County Employees Retirement Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2005, was 32 years for the miscellaneous plan and 19 years for the safety plan.

The three-year trend information for the Miscellaneous and Safety Plan is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2003	\$ 1,152,929	100%	\$ --
6/30/2004	1,423,982	100%	--
6/30/2005	6,148,051	100%	--

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 14: Commitments and Contingencies

A. Commitments

The Board of Supervisors entered into the following commitments for construction projects that will be completed after June 30, 2005:

1) Public Health Laboratory

September 24, 2002, approved an agreement with Nichols, Melburg & Rossetto, Architects in an amount not to exceed \$282,500, to provide architectural and engineering services, expiring 90 days after the filing of the Notice of Completion for the project.

2) Fall River Mills Airport Expansion Project

September 25, 2001, approved an agreement with Mead and Hunt Inc. (formerly Shutt Moen Associates) in an amount not to exceed \$90,000 to develop and administer the grant project and provide other airport consulting services for a period of five years. The agreement was subsequently amended on February 19, 2002, on August 5, 2003, on November 2, 2004, and on October 18, 2005 increasing the total compensation to \$1,037,000.

October 4, 2005, awarded to the low bidder, Meyers Earthwork, Inc., the contract for construction in the amount of \$3,426,583.

3) Shasta County Library – Redding Main Project

February 3, 2004, approved an agreement with Critical Solutions, Inc., in an amount not to exceed \$749,970, to provide project management services from date of signing through December 31, 2007. The agreement was subsequently amended on September 13, 2005 increasing the total compensation for an amount not to exceed \$875,509.

March 23, 2004, approved an agreement with LPA, Inc., in an amount not to exceed \$1,390,000, to provide architectural engineering services from date of signing through December 31, 2007.

January 4, 2005, awarded to the low bidder, Dean Hammond Construction, on a unit-cost basis, the contract for construction site demolition in the amount of \$164,000.

August 9, 2005, awarded to the low bidder, Gifford Construction, Inc., the construction contract in the amount of \$11,535,000.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2005

Note 14: **Commitments and Contingencies** (continued)

A. **Commitments** (continued)

4) Other Construction Projects

January 27, 2004, awarded to the low bidder, Liberty Electric, on a lump-sum basis, the contract for construction on the Shasta County Justice Center Fire Alarm Upgrades in the amount of \$266,750.

April 26, 2005, awarded to the low bidder, Shasta Constructors, Inc., on a unit-cost basis, the contract for construction of a bridge on Wildcat Road at North Fork Battle Creek in the amount of \$842,629.

June 28, 2005, signed an agreement with Randall J. Hauser, DBA ENPLAN in an amount not to exceed \$131,588.16 for archaeological surveys for the East Fork Road at Clear Creek Bridge from the date of signing through December 31, 2007.

June 28, 2005, awarded to the low bidder, Tullis Inc., on a unit-cost basis, the contract for construction on 2005 Polymer Modified Chip Seals on Various County Roads project in the amount of \$824,350.

B. **Litigation**

The County is subject to various lawsuits and claims involving public liability and other actions incidental to the ordinary course of County operations. In the opinion of management and legal counsel, the disposition of all litigations pending will not have a material effect on the County's financial statements.

C. **Grant Revenues**

The County recognizes as revenue grant monies received as reimbursement for costs incurred in certain federal and State programs it administers. Although the County's federal grant programs have been audited through June 30, 2005 in accordance with the requirements of the Federal Single Audit Act of 1997 and the related United States Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2005

Note 15: **Prior Period Adjustments**

The following adjustments to fund balances/net assets were made.

Shasta Housing Rehab Fund – An adjustment for \$(90,143) to recognize prior period loan expenses.

Shasta Housing Rehab Fund – An adjustment of \$400,508 to recognize defeased loans.

Note 16: **Deficit Fund Equity**

The Shasta RDA special revenue fund had a deficit fund balance of \$92,076 at year end. The West Central Landfill enterprise fund had deficit fund equity of \$879,680. The County plans to eliminate the deficit equity in subsequent years through a reduction in expenditures and/or subsidies from other funds.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF SHASTA

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2005**

County Employees Retirement Plan (Defined Benefit Pension Plan)

Schedule of Funding Progress

The tables below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

Miscellaneous

<u>Valuation Date</u>	<u>Entry Age Actuarial Value of Assets</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/02	\$ 247,301,071	\$ 220,135,287	\$ (27,165,784)	112.3%	\$ 59,786,943	(45.4%)
6/30/03	250,215,037	251,549,917	1,334,880	99.5%	64,366,818	2.1%
6/30/04	263,576,349	273,130,027	9,553,678	96.5%	64,935,946	14.7%

Safety Plan

<u>Valuation Date</u>	<u>Entry Age Actuarial Value of Assets</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/02	\$ 85,688,827	\$ 91,612,696	\$ 5,923,869	93.5%	\$ 13,286,679	44.6%
6/30/03	88,724,326	100,853,842	12,129,516	88.0%	12,906,022	94.0%
6/30/04	94,414,069	108,240,899	13,826,830	87.2%	12,312,264	112.3%

COUNTY OF SHASTA

General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
Revenues:				
Taxes	\$ 18,104,500	\$ 18,174,500	\$ 31,775,634	\$ 13,601,134
Licenses and permits	3,467,555	3,467,555	4,110,370	642,815
Fines and forfeitures	3,695,587	3,695,587	4,477,254	781,667
Use of money and property	1,079,000	1,145,463	1,626,806	481,343
Intergovernmental	120,230,862	120,355,516	110,397,107	(9,958,409)
Charges for services	9,197,843	9,271,853	10,045,098	773,245
Miscellaneous	2,967,515	3,038,373	2,819,264	(219,109)
Total Revenues	<u>158,742,862</u>	<u>159,148,847</u>	<u>165,251,533</u>	<u>6,102,686</u>
Expenditures:				
Current:				
General government	15,564,617	17,117,543	11,849,355	5,268,188
Public protection	15,549,595	16,046,327	15,068,184	978,143
Public ways and facilities	310,000	10,000	1,000	9,000
Health and sanitation	34,172,415	34,106,857	34,161,819	(54,962)
Public assistance	83,132,014	83,214,114	76,802,228	6,411,886
Education	1,412,631	1,363,791	1,243,820	119,971
Recreation	226,326	220,076	98,336	121,740
Debt Service	281,271	281,271	281,271	--
Total Expenditures	<u>150,648,869</u>	<u>152,359,979</u>	<u>139,506,013</u>	<u>12,853,966</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>8,093,993</u>	<u>6,788,868</u>	<u>25,745,520</u>	<u>18,956,652</u>
Other Financing Sources (Uses):				
Transfers in	7,518,893	8,486,355	963,314	(7,523,041)
Transfers out	(28,951,554)	(29,808,481)	(21,859,017)	7,949,464
Sale of fixed assets	308,139	308,139	67,987	(240,152)
Net Financing Sources (Uses)	<u>(21,124,522)</u>	<u>(21,013,987)</u>	<u>(20,827,716)</u>	<u>186,271</u>
Net Change in Fund Balances	(13,030,529)	(14,225,119)	4,917,804	19,142,923
Fund Balance - Beginning	44,717,218	44,717,218	44,717,218	--
Fund Balance - Ending	<u>\$ 31,686,689</u>	<u>\$ 30,492,099</u>	<u>\$ 49,635,022</u>	<u>\$ 19,142,923</u>

COUNTY OF SHASTA

Public Safety Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
Revenues:				
Taxes	\$ 11,618,737	\$ 11,618,737	\$ 13,395,580	\$ 1,776,843
Licenses and permits	23,925	23,925	19,609	(4,316)
Fines and forfeitures	392,620	392,620	420,504	27,884
Use of money and property	(39,500)	(39,500)	(20,208)	19,292
Intergovernmental	8,800,787	8,927,781	8,514,911	(412,870)
Charges for services	4,692,266	4,708,266	4,580,762	(127,504)
Miscellaneous	413,443	420,943	428,656	7,713
Total Revenues	<u>25,902,278</u>	<u>26,052,772</u>	<u>27,339,814</u>	<u>1,287,042</u>
Expenditures:				
Current:				
Public Protection	45,972,390	45,876,206	44,594,301	1,281,905
Total Expenditures	<u>45,972,390</u>	<u>45,876,206</u>	<u>44,594,301</u>	<u>1,281,905</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(20,070,112)</u>	<u>(19,823,434)</u>	<u>(17,254,487)</u>	<u>2,568,947</u>
Other Financing Sources (Uses):				
Transfers in	19,294,021	19,794,021	19,247,070	(546,951)
Transfers out	(44,144)	(790,822)	(201,123)	589,699
Sale of fixed assets	--	--	7,109	7,109
Net Financing Sources (Uses)	<u>19,249,877</u>	<u>19,003,199</u>	<u>19,053,056</u>	<u>49,857</u>
Net Change in Fund Balance	(820,235)	(820,235)	1,798,569	2,618,804
Fund Balance - Beginning	3,509,054	3,509,054	3,509,054	--
Fund Balance - Ending	<u>\$ 2,688,819</u>	<u>\$ 2,688,819</u>	<u>\$ 5,307,623</u>	<u>\$ 2,618,804</u>

COUNTY OF SHASTA

Required Supplementary Information For the Fiscal Year Ended June 30, 2005

BASIS OF BUDGETING

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

Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds are authorized by the County Administrative Office and must be approved by the Board of Supervisors.

The Board of Supervisors must approve supplemental appropriations normally financed by unanticipated revenues during the year. Pursuant to Board Resolution, the County Administrative Office is authorized to approve any budget transfer within a budget unit provided that such approval does not exceed \$10,000 nor increase the total appropriations of the budget. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year by resolutions approved by the Board of Supervisors.

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

The amounts reported on the budgetary basis differ from the basis used to present the basic financial statements in accordance with generally accepted accounting principles (GAAP). Annual budgets are prepared on the modified accrual basis of accounting plus encumbrances for governmental fund types and on the accrual basis plus encumbrances for proprietary funds. Intrafund transfers (transfers between operating units in the same governmental type fund) are included in the Budgetary Comparison Schedules as Other Financing Sources (uses) transfers in or out. The effects of these intrafund transfers are eliminated in the fund financial statement to conform with GAAP.

SUPPLEMENTARY INFORMATION

**COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS**

COUNTY OF SHASTA

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments	\$ 26,775,386	\$ 855,490	\$ 11,636,704	\$ 39,267,580
Accounts receivable	32,969	--	--	32,969
Due from other county funds	476,582	2,772	14,085	493,439
Due from other governments	2,895,811	--	365,749	3,261,560
Advances to other funds	406,322	--	--	406,322
Inventories	394,080	--	--	394,080
Prepaid items	541,680	--	--	541,680
Special Assessment Receivable	194,944	748,542	--	943,486
Notes receivable	2,940,414	--	--	2,940,414
Total Assets	<u>\$ 34,658,188</u>	<u>\$ 1,606,804</u>	<u>\$ 12,016,538</u>	<u>\$ 48,281,530</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	478,178	--	218,517	696,695
Salaries and benefits payable	1,171,947	--	--	1,171,947
Due to other county funds	420,673	--	69,973	490,646
Advances from other funds	415,977	--	--	415,977
Due to other governments	268,362	--	--	268,362
Deposits from others	137,184	--	--	137,184
Deferred revenue	364,844	748,542	--	1,113,386
Total Liabilities	<u>3,257,165</u>	<u>748,542</u>	<u>288,490</u>	<u>4,294,197</u>
 Fund Balances:				
Reserved	3,804,400	168,504	1,158,064	5,130,968
Unreserved:				
Designated	21,581,216	7,251	1,757,623	23,346,090
Undesignated	6,015,407	682,507	8,812,361	15,510,275
Total Fund Balance	<u>31,401,023</u>	<u>858,262</u>	<u>11,728,048</u>	<u>43,987,333</u>
Total Liabilities and Fund Balances	<u>\$ 34,658,188</u>	<u>\$ 1,606,804</u>	<u>\$ 12,016,538</u>	<u>\$ 48,281,530</u>

COUNTY OF SHASTA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2005

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ 3,790,607	\$ --	\$ --	\$ 3,790,607
Licenses and permits	256,348	--	--	256,348
Fines & forfeitures	95,712	--	--	95,712
Use of money and property	881,107	16,032	371,049	1,268,188
Intergovernmental	33,137,773	--	3,130,964	36,268,737
Charges for other services	3,910,819	88,801	--	3,999,620
Miscellaneous revenue	446,248	--	(2)	446,246
Total Revenues	<u>42,518,614</u>	<u>104,833</u>	<u>3,502,011</u>	<u>46,125,458</u>
Expenditures:				
Current				
General government	--	--	14,317,120	14,317,120
Public protection	12,928,885	--	--	12,928,885
Public assistance	816,883	--	--	816,883
Public ways and facilities	16,647,006	--	--	16,647,006
Health and sanitation	13,082,710	--	--	13,082,710
Debt Service	--	66,495	--	66,495
Total Expenditures	<u>43,475,484</u>	<u>66,495</u>	<u>14,317,120</u>	<u>57,859,099</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(956,870)</u>	<u>38,338</u>	<u>(10,815,109)</u>	<u>(11,733,641)</u>
Other Financing Sources (Uses):				
Transfers in	2,547,708	--	--	2,547,708
Transfers out	(431,500)	--	(148,238)	(579,738)
Sale of Fixed Assets	72,199	--	--	72,199
Total Other Financing Sources (Uses)	<u>2,188,407</u>	<u>--</u>	<u>(148,238)</u>	<u>2,040,169</u>
Net Change in Fund Balances	1,231,537	38,338	(10,963,347)	(9,693,472)
Fund Balances - Beginning	29,859,121	819,924	22,691,395	53,370,440
Prior Period Adjustments	310,365	--	--	310,365
Fund Balances - Beginning as Restated	<u>30,169,486</u>	<u>819,924</u>	<u>22,691,395</u>	<u>53,680,805</u>
Fund Balances - Ending	<u>\$ 31,401,023</u>	<u>\$ 858,262</u>	<u>\$ 11,728,048</u>	<u>\$ 43,987,333</u>

SPECIAL REVENUE FUNDS

COUNTY OF SHASTA

Combining Balance Sheet
Special Revenue Funds
June 30, 2005

	Endangered Species	Substance Abuse Fund	Roads Fund	Roads SVAP Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 312,797	\$ 235,540	\$ 9,025,942	\$ 426,807
Accounts receivable	--	--	--	--
Due from other county funds	1,036	8,798	28,640	194,944
Due from other governments	--	--	514,871	--
Advances to other funds	--	--	--	406,322
Inventories	--	--	394,080	--
Prepaid items	--	--	--	--
Special Assessment Receivable	--	--	--	--
Notes receivable	--	--	--	--
Total Assets	<u><u>\$ 313,833</u></u>	<u><u>\$ 244,338</u></u>	<u><u>\$ 9,963,533</u></u>	<u><u>\$ 1,028,073</u></u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	4,880	8,570	212,523	--
Salaries and benefits payable	--	15,756	341,533	--
Due to other county funds	--	31,891	5,510	--
Advances from other funds	--	--	9,655	--
Due to other governments	--	--	7,172	--
Deposits from others	--	--	137,184	--
Deferred revenue	--	--	--	--
Total Liabilities	<u>4,880</u>	<u>56,217</u>	<u>713,577</u>	<u>--</u>
 Fund Balances:				
Reserved	--	100	2,348,165	--
Unreserved:				
Designated	308,953	102,746	5,498,514	990,596
Undesignated	--	85,275	1,403,277	37,477
Total Fund Balance	<u>308,953</u>	<u>188,121</u>	<u>9,249,956</u>	<u>1,028,073</u>
Total Liabilities and Fund Balances	<u><u>\$ 313,833</u></u>	<u><u>\$ 244,338</u></u>	<u><u>\$ 9,963,533</u></u>	<u><u>\$ 1,028,073</u></u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued) Special Revenue Funds June 30, 2005

	Child Support Services	County Transit Fund	Public Health	Shasta Housing Fund
ASSETS				
Cash and investments	\$ 2,510,003	\$ 7,759	\$ 9,245,852	\$ 476,421
Accounts receivable	--	--	31,011	398
Due from other county funds	8,646	4,798	158,234	--
Due from other governments	183,754	--	1,549,693	341,159
Advances to other funds	--	--	--	--
Inventories	--	--	--	--
Prepaid items	1,680	--	--	380,000
Special Assessment Receivable	--	--	--	--
Notes receivable	--	--	--	2,940,414
Total Assets	<u>\$ 2,704,083</u>	<u>\$ 12,557</u>	<u>\$ 10,984,790</u>	<u>\$ 4,138,392</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	7,971	4,788	136,939	46,742
Salaries and benefits payable	283,850	--	498,870	8,318
Due to other county funds	12	--	37,133	4,517
Advances from other funds	--	--	--	--
Due to other governments	31	--	32,640	--
Deposits from others	--	--	--	--
Deferred revenue	--	--	336,426	28,418
Total Liabilities	<u>291,864</u>	<u>4,788</u>	<u>1,042,008</u>	<u>87,995</u>
Fund Balances:				
Reserved	47,588	--	599,202	--
Unreserved:				
Designated	2,364,631	7,768	6,000,578	4,050,397
Undesignated	--	1	3,343,002	--
Total Fund Balance	<u>2,412,219</u>	<u>7,769</u>	<u>9,942,782</u>	<u>4,050,397</u>
Total Liabilities and Fund Balances	<u>\$ 2,704,083</u>	<u>\$ 12,557</u>	<u>\$ 10,984,790</u>	<u>\$ 4,138,392</u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
Special Revenue Funds
June 30, 2005

	<u>County Water Agency</u>	<u>Air Quality Management</u>	<u>Fire Protection CSA #1</u>	<u>Shasta RDA</u>
ASSETS				
Cash and investments	\$ 309,145	\$ 1,447,619	\$ 1,505,471	\$ --
Accounts receivable	--	--	--	--
Due from other county funds	11,508	5,020	40,533	--
Due from other governments	115,559	83,970	23,814	--
Advances to other funds	--	--	--	--
Inventories	--	--	--	--
Prepaid items	--	160,000	--	--
Special Assessment Receivable	--	--	--	--
Notes receivable	--	--	--	--
Total Assets	<u>\$ 436,212</u>	<u>\$ 1,696,609</u>	<u>\$ 1,569,818</u>	<u>\$ --</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	22,931	125	23,270	--
Salaries and benefits payable	--	20,602	3,018	--
Due to other county funds	1	2	9	92,076
Advances from other funds	--	--	--	--
Due to other governments	--	--	228,519	--
Deposits from others	--	--	--	--
Deferred revenue	--	--	--	--
Total Liabilities	<u>22,932</u>	<u>20,729</u>	<u>254,816</u>	<u>92,076</u>
Fund Balances:				
Reserved	244,069	100	336,414	--
Unreserved:				
Designated	169,211	1,445,887	265,035	--
Undesignated	--	229,893	713,553	(92,076)
Total Fund Balance	<u>413,280</u>	<u>1,675,880</u>	<u>1,315,002</u>	<u>(92,076)</u>
Total Liabilities and Fund Balances	<u>\$ 436,212</u>	<u>\$ 1,696,609</u>	<u>\$ 1,569,818</u>	<u>\$ --</u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
Special Revenue Funds
June 30, 2005

	In-Home Support Services	Inmate Welfare Fund	Lighting Districts
ASSETS			
Cash and investments	\$ --	\$ 241,223	\$ 315,392
Accounts receivable	--	1,560	--
Due from other county funds	--	4,241	2,980
Due from other governments	82,991	--	--
Advances to other funds	--	--	--
Inventories	--	--	--
Prepaid items	--	--	--
Special Assessment Receivable	--	--	--
Notes receivable	--	--	--
Total Assets	<u>\$ 82,991</u>	<u>\$ 247,024</u>	<u>\$ 318,372</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	3,291	--	--
Salaries and benefits payable	--	--	--
Due to other county funds	53,225	218	2
Advances from other funds	--	--	--
Due to other governments	--	--	--
Deposits from others	--	--	--
Deferred revenue	--	--	--
Total Liabilities	<u>56,516</u>	<u>218</u>	<u>2</u>
Fund Balances:			
Reserved	50	--	--
Unreserved:			
Designated	--	3,785	290,199
Undesignated	26,425	243,021	28,171
Total Fund Balance	<u>26,475</u>	<u>246,806</u>	<u>318,370</u>
Total Liabilities and Fund Balances	<u>\$ 82,991</u>	<u>\$ 247,024</u>	<u>\$ 318,372</u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued) Special Revenue Funds June 30, 2005

	County Service Areas	Permanent Road Divisions	Total Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 110,640	\$ 604,775	\$ 26,775,386
Accounts receivable	--	--	32,969
Due from other county funds	1,282	5,922	476,582
Due from other governments	--	--	2,895,811
Advances to other funds	--	--	406,322
Inventories	--	--	394,080
Prepaid items	--	--	541,680
Special Assessment Receivable	40,160	154,784	194,944
Notes receivable	--	--	2,940,414
Total Assets	\$ 152,082	\$ 765,481	\$ 34,658,188
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	--	6,148	478,178
Salaries and benefits payable	--	--	1,171,947
Due to other county funds	40,283	155,794	420,673
Advances from other funds	--	406,322	415,977
Due to other governments	--	--	268,362
Deposits from others	--	--	137,184
Deferred revenue	--	--	364,844
Total Liabilities	40,283	568,264	3,257,165
 Fund Balances:			
Reserved	--	228,712	3,804,400
Unreserved:			
Designated	82,916	--	21,581,216
Undesignated	28,883	(31,495)	6,015,407
Total Fund Balance	111,799	197,217	31,401,023
Total Liabilities and Fund Balances	\$ 152,082	\$ 765,481	\$ 34,658,188

COUNTY OF SHASTA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	<u>Endangered Species</u>	<u>Substance Abuse Fund</u>	<u>Roads Funds</u>	<u>Road SVAP Fund</u>
Revenues:				
Taxes	\$ --	\$ --	\$ 2,121,489	\$ --
Licenses and permits	--	--	19,148	--
Fines & forfeitures	--	--	--	--
Use of money and property	6,601	9,139	159,305	--
Intergovernmental	--	726,191	12,090,314	--
Charges for other services	--	12,056	898,378	41,600
Miscellaneous revenue	--	--	95,340	--
Total Revenues	<u>6,601</u>	<u>747,386</u>	<u>15,383,974</u>	<u>41,600</u>
Expenditures:				
Current				
General government	--	--	--	--
Public protection	23,353	--	--	--
Public assistance	--	--	--	--
Public ways and facilities	--	--	15,627,360	4,623
Health and sanitation	--	754,973	--	--
Total Expenditures	<u>23,353</u>	<u>754,973</u>	<u>15,627,360</u>	<u>4,623</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,752)</u>	<u>(7,587)</u>	<u>(243,386)</u>	<u>36,977</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	--	--	(230,822)	--
Sale of Fixed Assets	--	--	54,310	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(176,512)</u>	<u>--</u>
Net Change in Fund Balances	<u>(16,752)</u>	<u>(7,587)</u>	<u>(419,898)</u>	<u>36,977</u>
Fund Balances - Beginning	325,705	195,708	9,669,854	991,096
Prior Period Adjustments	--	--	--	--
Fund Balances - Beginning as Restated	<u>325,705</u>	<u>195,708</u>	<u>9,669,854</u>	<u>991,096</u>
Fund Balances - Ending	<u>\$ 308,953</u>	<u>\$ 188,121</u>	<u>\$ 9,249,956</u>	<u>\$ 1,028,073</u>

continued

COUNTY OF SHASTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Special Revenue Funds For the Fiscal Year Ended June 30, 2005

	Child Support Services	County Transit Fund	Public Health	Shasta Housing Fund
Revenues:				
Taxes	\$ --	\$ 111,188	\$ --	\$ --
Licenses and permits	--	--	4,282	--
Fines & forfeitures	--	--	7,488	--
Use of money and property	65,248	(31)	129,507	102,897
Intergovernmental	8,024,549	--	10,502,138	333,475
Charges for other services	--	--	1,775,803	666
Miscellaneous revenue	10,865	--	130,555	--
Total Revenues	<u>8,100,662</u>	<u>111,157</u>	<u>12,549,773</u>	<u>437,038</u>
Expenditures:				
Current				
General government	--	--	--	--
Public protection	8,071,807	--	--	--
Public assistance	--	--	--	408,902
Public ways and facilities	--	111,162	--	--
Health and sanitation	--	--	11,579,943	--
Total Expenditures	<u>8,071,807</u>	<u>111,162</u>	<u>11,579,943</u>	<u>408,902</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>28,855</u>	<u>(5)</u>	<u>969,830</u>	<u>28,136</u>
Other Financing Sources (Uses):				
Transfers in	--	--	606,493	--
Transfers out	--	--	(200,678)	--
Sale of Fixed Assets	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>405,815</u>	<u>--</u>
Net Change in Fund Balances	28,855	(5)	1,375,645	28,136
Fund Balances - Beginning	2,383,364	7,774	8,567,137	3,711,896
Prior Period Adjustments	--	--	--	310,365
Fund Balances - Beginning as Restated	<u>2,383,364</u>	<u>7,774</u>	<u>8,567,137</u>	<u>4,022,261</u>
Fund Balances - Ending	<u>\$ 2,412,219</u>	<u>\$ 7,769</u>	<u>\$ 9,942,782</u>	<u>\$ 4,050,397</u>

continued

COUNTY OF SHASTA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	County Water Agency	Air Quality Management	Fire Protection CSA #1	Shasta RDA
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ 107,299	\$ --	\$ 1,363,863	\$ --
Licenses and permits	--	199,088	33,830	--
Fines & forfeitures	--	88,090	134	--
Use of money and property	6,104	28,592	27,581	(1,778)
Intergovernmental	343,138	611,260	76,582	--
Charges for other services	49,020	29,314	900,999	--
Miscellaneous revenue	--	419	4,841	--
Total Revenues	<u>505,561</u>	<u>956,763</u>	<u>2,407,830</u>	<u>(1,778)</u>
Expenditures:				
Current				
General government	--	--	--	--
Public protection	--	--	4,319,903	--
Public assistance	--	--	--	--
Public ways and facilities	618,019	--	--	--
Health and sanitation	--	747,794	--	--
Total Expenditures	<u>618,019</u>	<u>747,794</u>	<u>4,319,903</u>	<u>--</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(112,458)</u>	<u>208,969</u>	<u>(1,912,073)</u>	<u>(1,778)</u>
Other Financing Sources (Uses):				
Transfers in	39,453	--	1,901,762	--
Transfers out	--	--	--	--
Sale of Fixed Assets	--	11,100	6,789	--
Total Other Financing Sources (Uses)	<u>39,453</u>	<u>11,100</u>	<u>1,908,551</u>	<u>--</u>
Net Change in Fund Balances	(73,005)	220,069	(3,522)	(1,778)
Fund Balances - Beginning	486,285	1,455,811	1,318,524	(90,298)
Prior Period Adjustments	--	--	--	--
Fund Balances - Beginning as Restated	<u>486,285</u>	<u>1,455,811</u>	<u>1,318,524</u>	<u>(90,298)</u>
Fund Balances - Ending	<u>\$ 413,280</u>	<u>\$ 1,675,880</u>	<u>\$ 1,315,002</u>	<u>\$ (92,076)</u>

continued

COUNTY OF SHASTA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	<u>In-Home Support Services</u>	<u>Inmate Welfare Fund</u>	<u>Lighting Districts</u>
Revenues:			
Taxes	\$ --	\$ --	\$ 86,019
Licenses and permits	--	--	--
Fines & forfeitures	--	--	--
Use of money and property	(1,699)	337,218	5,789
Intergovernmental	427,943	--	2,164
Charges for other services	--	--	10,531
Miscellaneous revenue	--	204,228	--
Total Revenues	<u>426,244</u>	<u>541,446</u>	<u>104,503</u>
Expenditures:			
Current			
General government	--	--	--
Public protection	--	513,822	--
Public assistance	407,981	--	--
Public ways and facilities	--	--	67,441
Health and sanitation	--	--	--
Total Expenditures	<u>407,981</u>	<u>513,822</u>	<u>67,441</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18,263</u>	<u>27,624</u>	<u>37,062</u>
Other Financing Sources (Uses):			
Transfers in	--	--	--
Transfers out	--	--	--
Sale of Fixed Assets	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	18,263	27,624	37,062
Fund Balances - Beginning	8,212	219,182	281,308
Prior Period Adjustments	--	--	--
Fund Balances - Beginning as Restated	<u>8,212</u>	<u>219,182</u>	<u>281,308</u>
Fund Balances - Ending	<u>\$ 26,475</u>	<u>\$ 246,806</u>	<u>\$ 318,370</u>

continued

COUNTY OF SHASTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Special Revenue Funds For the Fiscal Year Ended June 30, 2005

	County Service Areas	Permanent Road Divisions	Total Non-Major Governmental Funds
Revenues:			
Taxes	\$ --	\$ 749	\$ 3,790,607
Licenses and permits	--	--	256,348
Fines & forfeitures	--	--	95,712
Use of money and property	1,121	5,513	881,107
Intergovernmental	--	19	33,137,773
Charges for other services	45,751	146,701	3,910,819
Miscellaneous revenue	--	--	446,248
Total Revenues	46,872	152,982	42,518,614
Expenditures:			
Current			
General government	--	--	--
Public protection	--	--	12,928,885
Public assistance	--	--	816,883
Public ways and facilities	17,500	200,901	16,647,006
Health and sanitation	--	--	13,082,710
Total Expenditures	17,500	200,901	43,475,484
Excess (Deficiency) of Revenues Over Expenditures	29,372	(47,919)	(956,870)
Other Financing Sources (Uses):			
Transfers in	--	--	2,547,708
Transfers out	--	--	(431,500)
Sale of Fixed Assets	--	--	72,199
Total Other Financing Sources (Uses)	--	--	2,188,407
Net Change in Fund Balances	29,372	(47,919)	1,231,537
Fund Balances - Beginning	82,427	245,136	29,859,121
Prior Period Adjustments	--	--	310,365
Fund Balances - Beginning as Restated	82,427	245,136	30,169,486
Fund Balances - Ending	\$ 111,799	\$ 197,217	\$ 31,401,023

CAPITAL PROJECTS FUNDS

COUNTY OF SHASTA

Combining Balance Sheet
 Non-Major Capital Projects Funds
 June 30, 2005

	Accumulated Capital Outlay	Courthouse Renovation	Library Building	Administration Building	Total Non-Major Capital Projects Funds
ASSETS					
Cash and investments	\$ 1,583,302	\$ 822,089	\$ 3,100,298	\$ 6,131,015	\$ 11,636,704
Accounts receivable	--	--	--	--	--
Due from other county funds	5,347	--	8,521	217	14,085
Due from other governments	--	--	365,749	--	365,749
Total Assets	<u>\$ 1,588,649</u>	<u>\$ 822,089</u>	<u>\$ 3,474,568</u>	<u>\$ 6,131,232</u>	<u>\$ 12,016,538</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	--	--	61,567	156,950	218,517
Due to other county funds	69,973	--	--	--	69,973
Total Liabilities	<u>69,973</u>	<u>--</u>	<u>61,567</u>	<u>156,950</u>	<u>288,490</u>
Fund Balances:					
Reserved	--	--	1,089,789	68,275	1,158,064
Unreserved:					
Designated	893,822	822,089	16,679	25,033	1,757,623
Undesignated	624,854	--	2,306,533	5,880,974	8,812,361
Total Fund Balance	<u>1,518,676</u>	<u>822,089</u>	<u>3,413,001</u>	<u>5,974,282</u>	<u>11,728,048</u>
Total Liabilities and Fund Balances	<u>\$ 1,588,649</u>	<u>\$ 822,089</u>	<u>\$ 3,474,568</u>	<u>\$ 6,131,232</u>	<u>\$ 12,016,538</u>

COUNTY OF SHASTA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Capital Projects Funds
For the Fiscal Year Ended June 30, 2005

	Accumulated Capital Outlay	Courthouse Renovation	Library Building	Administration Building	Total Non-Major Capital Projects Funds
Revenues:					
Use of money and property	\$ 31,834	\$ 11,621	\$ 35,116	\$ 292,478	\$ 371,049
Intergovernmental	--	--	3,130,964	--	3,130,964
Miscellaneous revenue	--	(2)	--	--	(2)
Total Revenues	<u>31,834</u>	<u>11,619</u>	<u>3,166,080</u>	<u>292,478</u>	<u>3,502,011</u>
Expenditures:					
Current					
General government	--	--	1,292,100	13,025,020	14,317,120
Total Expenditures	<u>--</u>	<u>--</u>	<u>1,292,100</u>	<u>13,025,020</u>	<u>14,317,120</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>31,834</u>	<u>11,619</u>	<u>1,873,980</u>	<u>(12,732,542)</u>	<u>(10,815,109)</u>
Other Financing Sources (Uses):					
Transfers out	(142,649)	(5,589)	--	--	(148,238)
Total Other Financing Sources (Uses)	<u>(142,649)</u>	<u>(5,589)</u>	<u>--</u>	<u>--</u>	<u>(148,238)</u>
Net Change in Fund Balances	(110,815)	6,030	1,873,980	(12,732,542)	(10,963,347)
Fund Balances - Beginning	<u>1,629,491</u>	<u>816,059</u>	<u>1,539,021</u>	<u>18,706,824</u>	<u>22,691,395</u>
Fund Balances - Ending	<u>\$ 1,518,676</u>	<u>\$ 822,089</u>	<u>\$ 3,413,001</u>	<u>\$ 5,974,282</u>	<u>\$11,728,048</u>

NONMAJOR ENTERPRISE FUNDS

COUNTY OF SHASTA

Combining Statement of Net Assets Non-Major Enterprise Funds June 30, 2005

	Falls River Mills Airport	CSA #3 Castella Water	CSA #2 Sugarloaf Water	CSA #6 Jones Valley Water
ASSETS				
Current assets:				
Cash and investments	\$ 39,646	\$ 92,636	\$ 17,527	\$ 214,975
Receivables, net	--	6,371	4,946	20,091
Due from other county funds	234	320	8,327	6,341
Due from other governments	133,022	--	--	--
Inventories	10,364	--	--	--
Total current assets	<u>183,266</u>	<u>99,327</u>	<u>30,800</u>	<u>241,407</u>
Noncurrent assets:				
Special assessment receivable	--	68,530	--	652,554
Capital assets, net	1,959,341	410,936	82,379	2,120,507
Total noncurrent assets	<u>1,959,341</u>	<u>479,466</u>	<u>82,379</u>	<u>2,773,061</u>
Total Assets	<u>2,142,607</u>	<u>578,793</u>	<u>113,179</u>	<u>3,014,468</u>
LIABILITIES				
Current liabilities:				
Accounts payable	108,675	86	98	593
Interest payable	1,753	1,975	983	14,879
Due to other county funds	167	10,000	12,226	1,055
Deposits from others	--	--	--	--
Bonds, notes, loans payable	6,948	3,500	3,257	23,000
Total current liabilities	<u>117,543</u>	<u>15,561</u>	<u>16,564</u>	<u>39,527</u>
Noncurrent Liabilities:				
Advances from other funds	--	--	--	--
Bonds, notes, loans payable	52,548	75,500	39,159	975,000
Total noncurrent liabilities	<u>52,548</u>	<u>75,500</u>	<u>39,159</u>	<u>975,000</u>
Total Liabilities	<u>170,091</u>	<u>91,061</u>	<u>55,723</u>	<u>1,014,527</u>
NET ASSETS				
Invested in capital assets, net	1,899,845	331,936	39,963	1,122,507
Restricted for debt service	--	73,886	5,378	32,500
Unrestricted	72,671	81,910	12,115	844,934
Total Net Assets	<u>\$ 1,972,516</u>	<u>\$ 487,732</u>	<u>\$ 57,456</u>	<u>\$ 1,999,941</u>

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued) Non-Major Enterprise Funds June 30, 2005

	CSA # 8 Palo Cedro	CSA #13 Alpine Meadows	CSA #25 Keswick Water	CSA #11 French Gulch
ASSETS				
Current assets:				
Cash and investments	\$ 1,196,482	\$ 21,665	\$ 90,788	\$ 68,741
Receivables, net	24,294	2,759	7,313	5,496
Due from other county funds	4,157	72	1,147	2,325
Due from other governments	--	--	--	--
Inventories	--	--	--	--
Total current assets	<u>1,224,933</u>	<u>24,496</u>	<u>99,248</u>	<u>76,562</u>
Noncurrent assets:				
Special assessment receivable	--	--	--	--
Capital assets, net	2,444,706	162,949	369,182	1,284,176
Total noncurrent assets	<u>2,444,706</u>	<u>162,949</u>	<u>369,182</u>	<u>1,284,176</u>
Total Assets	<u>3,669,639</u>	<u>187,445</u>	<u>468,430</u>	<u>1,360,738</u>
LIABILITIES				
Current liabilities:				
Accounts payable	191	45	160	199
Interest payable	--	--	104	2,432
Due to other county funds	--	--	--	--
Deposits from others	1,682	--	--	--
Bonds, notes, loans payable	20,000	--	2,695	15,504
Total current liabilities	<u>21,873</u>	<u>45</u>	<u>2,959</u>	<u>18,135</u>
Noncurrent Liabilities:				
Advances from other funds	--	--	--	--
Bonds, notes, loans payable	--	--	7,248	269,761
Total noncurrent liabilities	<u>--</u>	<u>--</u>	<u>7,248</u>	<u>269,761</u>
Total Liabilities	<u>21,873</u>	<u>45</u>	<u>10,207</u>	<u>287,896</u>
NET ASSETS				
Invested in capital assets, net	2,424,706	162,949	359,239	998,911
Restricted for debt service	--	--	7,099	25,101
Unrestricted	1,223,060	24,451	91,885	48,830
Total Net Assets	<u>\$ 3,647,766</u>	<u>\$ 187,400</u>	<u>\$ 458,223</u>	<u>\$ 1,072,842</u>

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued)
 Non-Major Enterprise Funds
 June 30, 2005

	CSA # 17 Cotton- wood	CSA #23 Crag View Water	Total Non-Major Enterprise Funds
ASSETS			
Current assets:			
Cash and investments	\$ 700,999	\$ 65,751	\$ 2,509,210
Receivables, net	55,518	7,235	134,023
Due from other county funds	7,482	484	30,889
Due from other governments	--	--	133,022
Inventories	--	--	10,364
Total current assets	<u>763,999</u>	<u>73,470</u>	<u>2,817,508</u>
Noncurrent assets:			
Special assessment receivable	483,054	--	1,204,138
Capital assets, net	5,560,979	107,653	14,502,808
Total noncurrent assets	<u>6,044,033</u>	<u>107,653</u>	<u>15,706,946</u>
Total Assets	<u>6,808,032</u>	<u>181,123</u>	<u>18,524,454</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,082	201	113,330
Interest payable	14,498	992	37,616
Due to other county funds	--	--	23,448
Deposits from others	2,284	--	3,966
Bonds, notes, loans payable	15,500	4,801	95,205
Total current liabilities	<u>35,364</u>	<u>5,994</u>	<u>273,565</u>
Noncurrent Liabilities:			
Advances from other funds	533,240	--	533,240
Bonds, notes, loans payable	529,500	34,885	1,983,601
Total noncurrent liabilities	<u>1,062,740</u>	<u>34,885</u>	<u>2,516,841</u>
Total Liabilities	<u>1,098,104</u>	<u>40,879</u>	<u>2,790,406</u>
NET ASSETS			
Invested in capital assets, net	5,015,979	67,967	12,424,002
Restricted for debt service	--	--	143,964
Unrestricted	693,949	72,277	3,166,082
Total Net Assets	<u>\$ 5,709,928</u>	<u>\$ 140,244</u>	<u>\$ 15,734,048</u>

COUNTY OF SHASTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Non-Major Enterprise Funds For the Fiscal Year Ended June 30, 2005

	Falls River Mills Airport	CSA #3 Castella Water	CSA #2 Sugarloaf Water	CSA #6 Jones Valley Water
OPERATING REVENUES:				
Charges for services	\$ 36,034	\$ 38,514	\$ 25,239	\$ 99,128
Total Operating Revenues	<u>36,034</u>	<u>38,514</u>	<u>25,239</u>	<u>99,128</u>
OPERATING EXPENSES:				
Services and supplies	36,307	46,835	31,828	138,226
Central Service Costs	3,211	484	369	330
Depreciation	25,719	21,726	4,801	115,229
Total Operating Expenses	<u>65,237</u>	<u>69,045</u>	<u>36,998</u>	<u>253,785</u>
Operating Income (Loss)	<u>(29,203)</u>	<u>(30,531)</u>	<u>(11,759)</u>	<u>(154,657)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest	272	1,771	335	4,361
Miscellaneous Revenue	762,159	5,376	10,021	75,241
Interest and Other Expense	(3,139)	(3,950)	(2,121)	(48,876)
Total Non-Operating Revenues (Expenses)	<u>759,292</u>	<u>3,197</u>	<u>8,235</u>	<u>30,726</u>
Net Income (Loss) before Contributions and Transfers	<u>730,089</u>	<u>(27,334)</u>	<u>(3,524)</u>	<u>(123,931)</u>
Capital Contributions	5,478	--	--	15,091
Change in Net Assets	<u>735,567</u>	<u>(27,334)</u>	<u>(3,524)</u>	<u>(108,840)</u>
Net Assets - Beginning	<u>1,236,949</u>	<u>515,066</u>	<u>60,980</u>	<u>2,108,781</u>
Net Assets - Ending	<u>\$ 1,972,516</u>	<u>\$ 487,732</u>	<u>\$ 57,456</u>	<u>\$ 1,999,941</u>

continued

COUNTY OF SHASTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)
 Non-Major Enterprise Funds
 For the Fiscal Year Ended June 30, 2005

	CSA # 8 Palo Cedro	CSA #13 Alpine Meadows	CSA #25 Keswick Water	CSA #11 French Gulch
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:				
Charges for services	\$ 146,606	\$ 16,891	\$ 40,040	\$ 41,261
Total Operating Revenues	<u>146,606</u>	<u>16,891</u>	<u>40,040</u>	<u>41,261</u>
OPERATING EXPENSES:				
Services and supplies	133,261	16,497	55,409	45,596
Central Service Costs	2,703	440	1,870	488
Depreciation	92,731	7,188	14,268	41,522
Total Operating Expenses	<u>228,695</u>	<u>24,125</u>	<u>71,547</u>	<u>87,606</u>
Operating Income (Loss)	<u>(82,089)</u>	<u>(7,234)</u>	<u>(31,507)</u>	<u>(46,345)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest	23,398	385	1,779	1,348
Miscellaneous Revenue	(7)	(2)	11,993	27,225
Interest and Other Expense	--	--	(465)	(9,964)
Total Non-Operating Revenues (Expenses)	<u>23,391</u>	<u>383</u>	<u>13,307</u>	<u>18,609</u>
Net Income (Loss) before Contributions and Transfers	<u>(58,698)</u>	<u>(6,851)</u>	<u>(18,200)</u>	<u>(27,736)</u>
Capital Contributions	--	--	--	--
Change in Net Assets	<u>(58,698)</u>	<u>(6,851)</u>	<u>(18,200)</u>	<u>(27,736)</u>
Net Assets - Beginning	<u>3,706,464</u>	<u>194,251</u>	<u>476,423</u>	<u>1,100,578</u>
Net Assets - Ending	<u><u>\$ 3,647,766</u></u>	<u><u>\$ 187,400</u></u>	<u><u>\$ 458,223</u></u>	<u><u>\$ 1,072,842</u></u>

continued

COUNTY OF SHASTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)
 Non-Major Enterprise Funds
 For the Fiscal Year Ended June 30, 2005

	CSA # 17 Cotton- wood	CSA #23 Crag View Water	Non-Major Enterprise Funds
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:			
Charges for services	\$ 296,126	\$ 38,936	\$ 778,775
Total Operating Revenues	<u>296,126</u>	<u>38,936</u>	<u>778,775</u>
OPERATING EXPENSES:			
Services and supplies	406,411	36,676	947,046
Central Service Costs	3,254	736	13,885
Depreciation	238,934	4,081	566,199
Total Operating Expenses	<u>648,599</u>	<u>41,493</u>	<u>1,527,130</u>
Operating Income (Loss)	<u>(352,473)</u>	<u>(2,557)</u>	<u>(748,355)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest	14,822	1,358	49,829
Miscellaneous Revenue	33,370	6,860	932,236
Interest and Other Expense	(51,139)	(1,985)	(121,639)
Total Non-Operating Revenues (Expenses)	<u>(2,947)</u>	<u>6,233</u>	<u>860,426</u>
Net Income (Loss) before Contributions and Transfers	<u>(355,420)</u>	<u>3,676</u>	<u>112,071</u>
Capital Contributions	97,500	--	118,069
Change in Net Assets	<u>(257,920)</u>	<u>3,676</u>	<u>230,140</u>
Net Assets - Beginning	<u>5,967,848</u>	<u>136,568</u>	<u>15,503,908</u>
Net Assets - Ending	<u><u>\$ 5,709,928</u></u>	<u><u>\$ 140,244</u></u>	<u><u>\$15,734,048</u></u>

COUNTY OF SHASTA

Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended June 30, 2005

	Falls River Mills Airport	CSA #3 Castella Water	CSA #2 Sugarloaf Water	CSA #6 Jones Valley Water
Cash Flows from Operating Activities:				
Receipts from customers	\$ (97,222)	\$ 41,295	\$ 24,282	\$ 102,730
Payments to suppliers	59,067	(49,297)	(27,518)	(137,817)
Other receipts (payments)	(3,211)	(484)	(369)	(330)
Net Cash Provided (Used) by Operating Activities	<u>(41,366)</u>	<u>(8,486)</u>	<u>(3,605)</u>	<u>(35,417)</u>
Cash Flows from Non-Capital Financing Activities:				
Other revenue (expense)	29,759	5,654	10,373	76,627
Operating subsidies and transfers out	737,878	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>767,637</u>	<u>5,654</u>	<u>10,373</u>	<u>76,627</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(758,314)	--	--	--
Capital contributions	--	--	--	15,091
Principal payments on capital debt	(6,415)	(3,000)	(3,103)	(23,000)
Proceeds from capital-type special assessments		3,177		7,945
Interest payments on capital debt	(3,328)	(4,025)	(2,277)	(49,178)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(768,057)</u>	<u>(3,848)</u>	<u>(5,380)</u>	<u>(49,142)</u>
Cash Flows from Investing Activities:				
Interest on Investments	498	1,534	291	3,818
Net Cash Provided (Used) by Investing Activities	<u>498</u>	<u>1,534</u>	<u>291</u>	<u>3,818</u>
Net Increase (Decrease) in Cash	(41,288)	(5,146)	1,679	(4,114)
Cash and cash equivalents, beginning of year	80,934	97,782	15,848	219,089
Cash and cash equivalents, end of year	<u>\$ 39,646</u>	<u>\$ 92,636</u>	<u>\$ 17,527</u>	<u>\$ 214,975</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (29,203)	\$ (30,531)	\$ (11,759)	\$ (154,657)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:				
Depreciation expense	25,719	21,726	4,801	115,229
Changes in assets and liabilities:				
Receivables, net	(133,235)	2,783	(957)	3,602
Inventories	(2,628)	--	--	--
Accounts and other payables	97,981	(2,464)	4,310	409
Net Cash Provided (Used) by Operating Activities	<u>\$ (41,366)</u>	<u>\$ (8,486)</u>	<u>\$ (3,605)</u>	<u>\$ (35,417)</u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued)
 Non-Major Enterprise Funds
 For the Year Ended June 30, 2005

	CSA # 8 Palo Cedro	CSA #13 Alpine Meadows	CSA #25 Keswick Water	CSA #11 French Gulch
Cash Flows from Operating Activities:				
Receipts from customers	\$ 146,430	\$ 16,712	\$ 39,973	\$ 41,072
Payments to suppliers	(132,783)	(16,500)	(58,060)	(45,450)
Other receipts (payments)	(2,703)	(440)	(1,870)	(488)
Net Cash Provided (Used) by Operating Activities	<u>10,944</u>	<u>(228)</u>	<u>(19,957)</u>	<u>(4,866)</u>
Cash Flows from Non-Capital Financing Activities:				
Other revenue (expense)	(7)	(2)	11,604	28,674
Operating subsidies and transfers out	--	--	--	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(7)</u>	<u>(2)</u>	<u>11,604</u>	<u>28,674</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	--	--	--	--
Capital contributions	--	--	(2,587)	
Principal payments on capital debt	--	--	--	(15,006)
Proceeds from capital-type special assessments	--	--	--	
Interest payments on capital debt	--	--	(492)	(10,092)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>(3,079)</u>	<u>(25,098)</u>
Cash Flows from Investing Activities:				
Interest on Investments	20,486	334	1,571	1,190
Net Cash Provided (Used) by Investing Activities	<u>20,486</u>	<u>334</u>	<u>1,571</u>	<u>1,190</u>
Net Increase (Decrease) in Cash	31,423	104	(9,861)	(100)
Cash and cash equivalents, beginning of year	<u>1,165,059</u>	<u>21,561</u>	<u>100,649</u>	<u>68,841</u>
Cash and cash equivalents, end of year	<u>\$ 1,196,482</u>	<u>\$ 21,665</u>	<u>\$ 90,788</u>	<u>\$ 68,741</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (82,089)	\$ (7,234)	\$ (31,507)	\$ (46,345)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:				
Depreciation expense	92,731	7,188	14,268	41,522
Changes in assets and liabilities:				
Receivables, net	(176)	(177)	(67)	(190)
Inventories	--	--	--	--
Accounts and other payables	478	(5)	(2,651)	147
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,944</u>	<u>\$ (228)</u>	<u>\$ (19,957)</u>	<u>\$ (4,866)</u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued) Non-Major Enterprise Funds For the Year Ended June 30, 2005

	CSA # 17 Cotton- wood	CSA #23 Crag View Water	Total Non-Major Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from customers	\$ 293,852	\$ 39,643	\$ 648,767
Payments to suppliers	(406,733)	(36,619)	(851,710)
Other receipts (payments)	(3,254)	(736)	(13,885)
Net Cash Provided (Used) by Operating Activities	<u>(116,135)</u>	<u>2,288</u>	<u>(216,828)</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	35,061	6,771	204,514
Operating subsidies and transfers out	--	--	737,878
Net Cash Provided (Used) by Noncapital Financing Activities	<u>35,061</u>	<u>6,771</u>	<u>942,392</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	--	--	(758,314)
Capital contributions	97,500	--	110,004
Principal payments on capital debt	(28,183)	(4,763)	(83,470)
Proceeds from capital-type special assessments	14,613	--	25,735
Interest payments on capital debt	(51,556)	(2,223)	(123,171)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>32,374</u>	<u>(6,986)</u>	<u>(829,216)</u>
Cash Flows from Investing Activities:			
Interest on Investments	12,958	1,188	43,868
Net Cash Provided (Used) by Investing Activities	<u>12,958</u>	<u>1,188</u>	<u>43,868</u>
Net Increase (Decrease) in Cash	(35,742)	3,261	(59,784)
Cash and cash equivalents, beginning of year	736,741	62,490	2,568,994
Cash and cash equivalents, end of year	<u>\$ 700,999</u>	<u>\$ 65,751</u>	<u>\$ 2,509,210</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (352,473)	\$ (2,557)	\$ (748,355)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	238,934	4,081	566,199
Changes in assets and liabilities:			
Receivables, net	(2,275)	707	(129,985)
Inventories	--	--	(2,628)
Accounts and other payables	(321)	57	97,941
Net Cash Provided (Used) by Operating Activities	<u>\$ (116,135)</u>	<u>\$ 2,288</u>	<u>\$ (216,828)</u>

INTERNAL SERVICE FUNDS

COUNTY OF SHASTA

Combining Statement of Net Assets Internal Service Funds June 30, 2005

	Fleet Management	Risk Management	Information Systems
ASSETS			
Current assets:			
Cash and investments	\$ 2,273,052	\$ 18,737,463	\$ 948,255
Receivables, net	15,062	265,902	--
Due from other county funds	6,325	58,535	2,154
Due from other governments	836	18,562	7,531
Inventories	42,553	--	--
Prepaid items	--	9,891	1,060
Total current assets	2,337,828	19,090,353	959,000
Noncurrent Assets:			
Advances to other funds	--	533,240	--
Capital assets, net	2,146,948	4,146	498,867
Total noncurrent assets	2,146,948	537,386	498,867
Total Assets	4,484,776	19,627,739	1,457,867
LIABILITIES			
Current liabilities:			
Accounts payable	75,787	340,054	3,292
Salaries and benefits payable	19,385	36,281	158,364
Due to other county funds	--	20,778	1,464
Total current liabilities	95,172	397,113	163,120
Noncurrent liabilities:			
Advances from other funds	--	22,164	--
Claims payable	--	18,888,000	--
Total noncurrent liabilities	--	18,910,164	--
Total Liabilities	95,172	19,307,277	163,120
NET ASSETS			
Invested in capital assets, net	2,146,948	4,146	498,867
Unrestricted	2,242,656	316,316	795,880
Total Net Assets	\$ 4,389,604	\$ 320,462	\$ 1,294,747

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued)
Internal Service Funds
June 30, 2005

	<u>Facilities Management</u>	<u>County Utilities</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current assets:			
Cash and investments	\$ 607,909	\$ 107,250	\$ 22,673,929
Receivables, net	--	--	280,964
Due from other county funds	16,027	34,070	117,111
Due from other governments	--	--	26,929
Inventories	48,719	--	91,272
Prepaid items	--	--	10,951
Total current assets	<u>672,655</u>	<u>141,320</u>	<u>23,201,156</u>
Noncurrent Assets:			
Inventories	--	--	533,240
Capital assets, net	844	--	2,650,805
Total noncurrent assets	<u>844</u>	<u>--</u>	<u>3,184,045</u>
Total Assets	<u>673,499</u>	<u>141,320</u>	<u>26,385,201</u>
LIABILITIES			
Current liabilities:			
Accounts payable	29,559	--	448,692
Salaries and benefits payable	106,348	--	320,378
Due to other county funds	2,363	839	25,444
Total current liabilities	<u>138,270</u>	<u>839</u>	<u>794,514</u>
Noncurrent liabilities:			
Advances from other funds	--	--	22,164
Claims payable	--	--	18,888,000
Total noncurrent liabilities	<u>--</u>	<u>--</u>	<u>18,910,164</u>
Total Liabilities	<u>138,270</u>	<u>839</u>	<u>19,704,678</u>
NET ASSETS			
Invested in capital assets, net	844	--	2,650,805
Unrestricted	534,385	140,481	4,029,718
Total Net Assets	<u>\$ 535,229</u>	<u>\$ 140,481</u>	<u>\$ 6,680,523</u>

COUNTY OF SHASTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2005

	Fleet Management	Risk Management	Information Systems
Operating Revenues:			
Charges for services	\$ 2,522,749	\$ 10,523,393	\$ 5,330,995
Operating Expenses:			
Salaries and benefits	378,046	709,286	3,063,362
Services and supplies	1,138,861	1,527,829	2,070,109
Insurance premiums	--	1,733,588	--
Claims paid	--	5,115,247	--
Central Service Costs	67,517	16,706	141,825
Depreciation	590,643	1,341	158,627
Total Operating Expenses	<u>2,175,067</u>	<u>9,103,997</u>	<u>5,433,923</u>
Operating Income (Loss)	<u>347,682</u>	<u>1,419,396</u>	<u>(102,928)</u>
Non-Operating Revenues (Expenses):			
Interest	36,008	347,497	10,816
Miscellaneous revenue	4,779	1,253,152	--
Miscellaneous expense	--	(46,627)	--
Gain (loss) on disposition of capital assets	1,597	--	(9,424)
Total Non-Operating Revenues (Expenses)	<u>42,384</u>	<u>1,554,022</u>	<u>1,392</u>
Net Income (Loss) before Contributions and Transfers	390,066	2,973,418	(101,536)
Capital Contributions			
Interfund Contributed Capital	--	--	3,733
Transfers in	81,888	--	17,172
Transfers out	--	--	--
Change in Net Assets	471,954	2,973,418	(80,631)
Net Assets - Beginning	<u>3,917,650</u>	<u>(2,652,956)</u>	<u>1,375,378</u>
Net Assets - Ending	<u>\$ 4,389,604</u>	<u>\$ 320,462</u>	<u>\$ 1,294,747</u>

continued

COUNTY OF SHASTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)
 Internal Service Funds
 For the Year Ended June 30, 2005

	Facilities Management	County Utilities	Total Internal Service Funds
Operating Revenues:			
Charges for services	\$ 3,091,187	\$ 1,284,107	\$ 22,752,431
Operating Expenses:			
Salaries and benefits	1,969,093	--	6,119,787
Services and supplies	1,047,518	1,004,675	6,788,992
Insurance premiums	--	--	1,733,588
Claims paid	--	--	5,115,247
Central Service Costs	90,685	--	316,733
Depreciation	2,463	--	753,074
Total Operating Expenses	<u>3,109,759</u>	<u>1,004,675</u>	<u>20,827,421</u>
Operating Income (Loss)	<u>(18,572)</u>	<u>279,432</u>	<u>1,925,010</u>
Non-Operating Revenues (Expenses):			
Interest	2,282	(2,306)	394,297
Miscellaneous revenue	1,738	--	1,259,669
Miscellaneous expense	--	--	(46,627)
Gain (loss) on disposition of capital assets	--	--	(7,827)
Total Non-Operating Revenues (Expenses)	<u>4,020</u>	<u>(2,306)</u>	<u>1,599,512</u>
Net Income (Loss) before Contributions and Transfers	<u>(14,552)</u>	<u>277,126</u>	<u>3,524,522</u>
Capital Contributions			
Interfund Contributed Capital	869	--	4,602
Transfers in	63,997	--	163,057
Transfers out	--	(281,271)	(281,271)
Change in Net Assets	50,314	(4,145)	3,410,910
Net Assets - Beginning	<u>484,915</u>	<u>144,626</u>	<u>3,269,613</u>
Net Assets - Ending	<u>\$ 535,229</u>	<u>\$ 140,481</u>	<u>\$ 6,680,523</u>

COUNTY OF SHASTA

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,516,043	\$ 10,308,770	\$ 5,330,364
Payments to suppliers	(1,193,852)	(5,187,944)	(2,074,155)
Payments to employees	(374,954)	(700,381)	(3,057,417)
Claims paid	--	(1,687,247)	--
Other receipts (payments)	<u>(67,517)</u>	<u>(16,706)</u>	<u>(141,825)</u>
Net Cash Provided (Used) by Operating Activities	<u>879,720</u>	<u>2,716,492</u>	<u>56,967</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	4,779	1,200,146	--
Transfers out	<u>--</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,779</u>	<u>1,200,146</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(316,041)	--	(155,627)
Proceeds from sale of capital assets	52,741	--	849
Transfers for capital acquisition	81,888	--	17,172
Capital contributions	<u>(6,935)</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(188,347)</u>	<u>--</u>	<u>(137,606)</u>
Cash Flows from Investing Activities:			
Interest on Investments	<u>30,887</u>	<u>295,027</u>	<u>9,241</u>
Net Increase (Decrease) in Cash	727,039	4,211,665	(71,398)
Cash at Beginning of Year	<u>1,546,013</u>	<u>14,525,798</u>	<u>1,019,653</u>
Cash at End of Year	<u>\$ 2,273,052</u>	<u>\$ 18,737,463</u>	<u>\$ 948,255</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 347,682	\$ 1,419,396	\$ (102,928)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	590,643	1,341	158,627
Changes in assets and liabilities:			
Receivables, net	(5,869)	(214,622)	(645)
Inventories	8,777	--	--
Prepaid expenses and other assets	11,000	8,211	--
Accounts and other payables	<u>(72,513)</u>	<u>1,502,166</u>	<u>1,913</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 879,720</u>	<u>\$ 2,716,492</u>	<u>\$ 56,967</u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2005

	Facilities Management	Shasta County Utilities	Total Internal Service Funds
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,169,937	\$ 1,250,207	\$ 22,575,321
Payments to suppliers	(1,084,692)	(1,012,190)	(10,552,833)
Payments to employees	(1,953,000)	--	(6,085,752)
Claims paid	--	--	(1,687,247)
Other receipts (payments)	(90,688)	--	(316,736)
Net Cash Provided (Used) by Operating Activities	<u>41,557</u>	<u>238,017</u>	<u>3,932,753</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	1,738	--	1,206,663
Transfers out	--	(281,271)	(281,271)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,738</u>	<u>(281,271)</u>	<u>925,392</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	--	--	(471,668)
Proceeds from sale of capital assets	--	--	53,590
Transfers for capital acquisition	63,997	--	163,057
Capital contributions	6,935	--	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>70,932</u>	<u>--</u>	<u>(255,021)</u>
Cash Flows from Investing Activities:			
Interest on Investments	2,389	(1,361)	336,183
Net Increase (Decrease) in Cash	116,616	(44,615)	4,939,307
Cash at Beginning of Year	<u>491,293</u>	<u>151,865</u>	<u>17,734,622</u>
Cash at End of Year	<u><u>\$ 607,909</u></u>	<u><u>\$ 107,250</u></u>	<u><u>\$ 22,673,929</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (18,572)	\$ 279,432	\$ 1,925,010
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	2,463	--	753,074
Changes in assets and liabilities:			
Receivables, net	78,750	(33,903)	(176,289)
Inventories	(1,711)	--	7,066
Prepaid expenses and other assets	--	--	19,211
Accounts and other payables	(19,373)	(7,512)	1,404,681
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 41,557</u></u>	<u><u>\$ 238,017</u></u>	<u><u>\$ 3,932,753</u></u>