

COUNTY OF SHASTA

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2006

COUNTY OF SHASTA

COUNTY OFFICIALS

JUNE 30, 2006

OFFICIALS

POSITION

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

Lawrence G. Lees

County Administrative Officer

COUNTY OF SHASTA

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FINANCIAL SECTION



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, 2006, 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 25.98 percent of the assets, 26.56 percent of the net assets and 49.37 percent of the revenue of the County's aggregate discretely presented component units. Those statements were audited by other auditors whose report, dated September 6, 2006 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2006, 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 27, 2006 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 70 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.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the County of Shasta's basic financial statements. The accompanying information identified in the table of contents as combining and individual nonmajor fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company



October 27, 2006
Roseville, California

MANAGEMENT'S DISCUSSION & ANALYSIS (MD &A)

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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, 2006. 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 \$201,975,594 (*net assets*). Of this amount, \$73,430,057 (*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 \$46,080,655 restricted for specific purpose (*restricted net assets*), and \$82,464,882 invested in capital assets, net of related debt. The government's total net assets increased by \$31,739,095.
- The County governmental funds reported combined fund balances of \$104,084,440 an increase of \$5,154,462 in comparison with the prior year.
- The County's unreserved fund balance for the general fund was \$95,252,910, or 36% of total general fund expenditures.
- The County's investment in capital assets increased by \$15,222,004.

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.
- 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).

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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*.

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

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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.

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.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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 \$201,975,594 at the close of the most recent fiscal year. Of these combined net assets 41% reflects the County's investment in capital assets. Another 23% of the County's net assets are subject to external restrictions on how they may be used. In addition, a portion of the remaining 36%, 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 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
Current and Other Assets	\$ 158,022	\$ 144,852	\$ 20,448	\$ 17,979	\$ 178,470	\$ 162,831
Capital Assets	124,153	110,537	19,121	17,516	143,274	128,053
Total Assets	282,175	255,389	39,569	35,495	321,744	290,884
Current and Other Liabilities	19,544	15,390	886	243	20,430	15,633
Long-Term Liabilities	81,202	87,283	18,137	17,731	99,339	105,014
Total Liabilities	100,746	102,673	19,023	17,974	119,769	120,647
Invested in Capital Assets, net of related debt	68,227	52,955	14,238	12,652	82,465	65,607
Restricted	45,934	49,281	146	144	46,080	49,425
Unrestricted	67,268	50,480	6,162	4,724	73,430	55,204
Total Net Assets	\$ 181,429	\$ 152,716	\$ 20,546	\$ 17,520	\$ 201,975	\$ 170,236

A significant portion of the County's net assets [\$73,430,057] 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 [\$82,464,882] 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 [\$46,080,655] 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.

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Management's Discussion and Analysis June 30, 2006

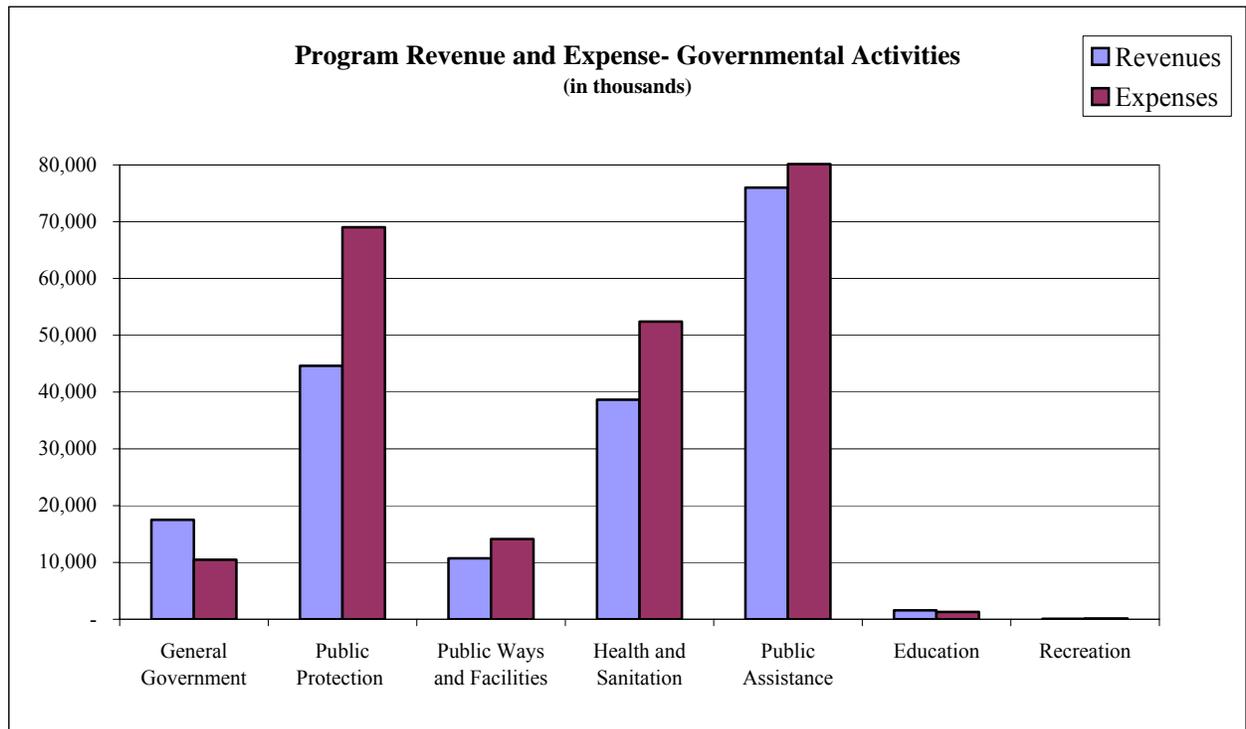
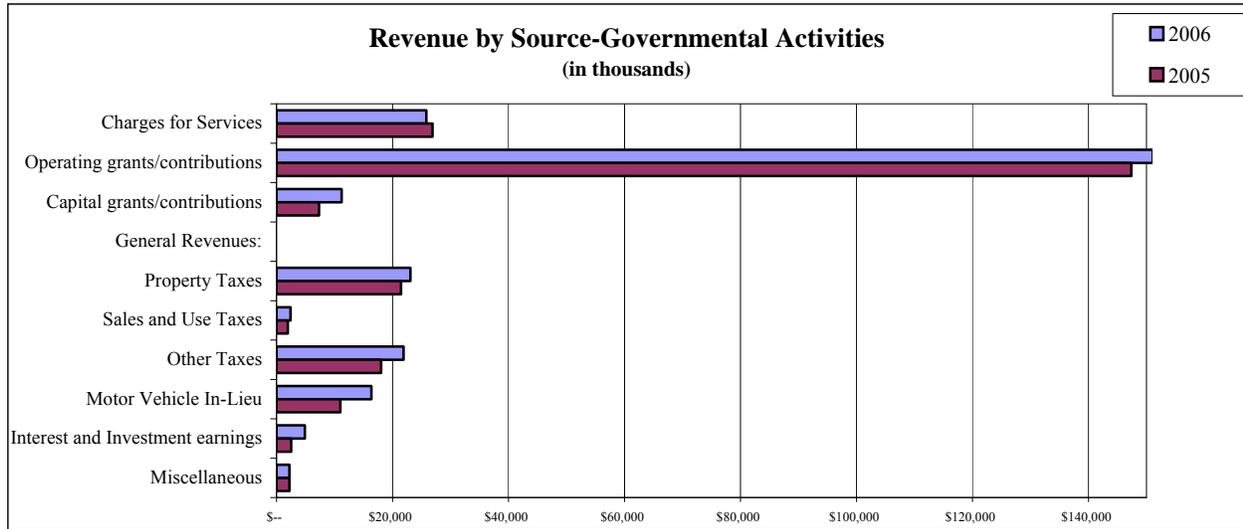
The County's net assets increased by \$31,739,095 during the current fiscal year. The net increase in unrestricted net assets represent the degree to which increases in ongoing revenues exceeded increases in ongoing expenses.

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

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
Revenues						
Program Revenues:						
Charges for Services	\$ 25,839	\$ 26,904	\$ 4,713	\$ 4,076	\$ 30,552	\$ 30,980
Operating grants/contributions	151,091	147,400	806	733	151,897	148,133
Capital grants/contributions	11,236	7,333	308	187	11,544	7,520
General Revenues:						
Property Taxes	23,094	21,459	19	17	23,113	21,476
Sales and Use Taxes	2,424	1,955	--	--	2,424	1,955
Other Taxes	21,900	18,037	--	--	21,900	18,037
Motor Vehicle In-Lieu	16,372	10,997	--	--	16,372	10,997
Interest and Investment earnings	4,884	2,528	668	293	5,552	2,821
Miscellaneous	2,224	2,221	8	7	2,232	2,228
Total Revenues	259,064	238,834	6,522	5,313	265,586	244,147
Expenses						
General Government	10,489	11,421	--	--	10,489	11,421
Public Protection	69,020	69,054	--	--	69,020	69,054
Public Ways and Facilities	14,108	14,476	--	--	14,108	14,476
Health and Sanitation	52,422	47,018	--	--	52,422	47,018
Public Assistance	80,134	77,229	--	--	80,134	77,229
Education	1,296	1,241	--	--	1,296	1,241
Recreation	132	99	--	--	132	99
Interest and Fiscal Charges	2,755	2,832	--	--	2,755	2,832
Airport	--	--	80	68	80	68
Solid Waste	--	--	765	1,258	765	1,258
Landfill	--	--	1,032	995	1,032	995
County Service Areas (water/sewer)	--	--	1,619	1,581	1,619	1,581
Total Expenses	230,356	223,370	3,496	3,902	233,852	227,272
Change in Net Assets	28,708	15,464	3,026	1,411	31,734	16,875
Net Assets - Beginning	152,716	136,942	17,520	16,109	170,236	153,051
Prior Period Adjustments	6	310	--	--	6	310
Net Assets - Ending	\$ 181,430	\$ 152,716	\$ 20,546	\$ 17,520	\$ 201,976	\$ 170,236

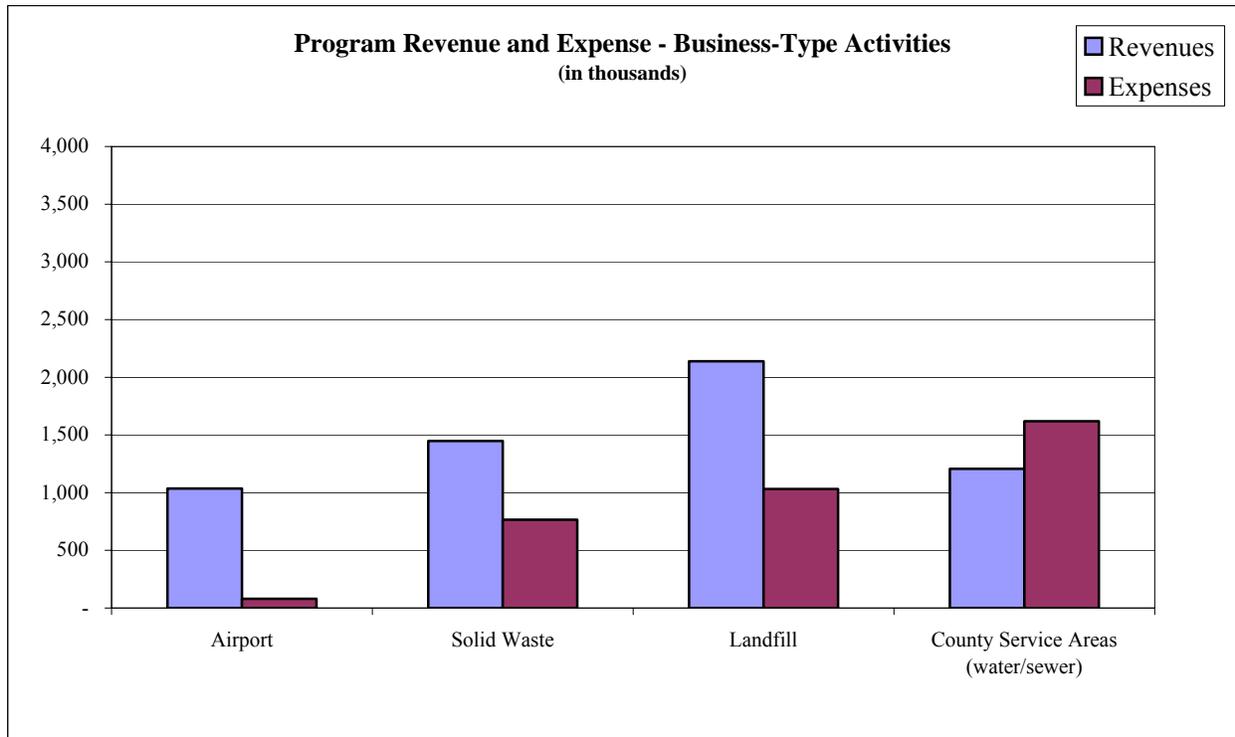
COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006



COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006



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, 2006

Net Change in Fund Balance Governmental Funds

	FY 2006	FY 2005	Net Change	
			Amount	Percent
Fund Balance - Beginning	\$ 98,929,978	\$ 101,596,712	\$ (2,666,734)	-2.62%
Revenues	259,988,865	238,716,805	21,272,060	8.91%
Expenditures	(254,137,425)	(241,959,413)	(12,178,012)	5.03%
Other Financing Sources (Uses)	(701,866)	265,509	(967,375)	-364.35%
Prior Period Adjustments	4,888	310,365	(305,477)	-98.43%
Fund Balance - Ending	\$ 104,084,440	\$ 98,929,978	\$ 5,154,462	

At June, 30, 2006, the County's governmental funds reported combined fund balances of \$104,084,440. Of these combined fund balances, \$95,252,910 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. \$120,360 is committed to pay debt service and \$8,711,170 is reserved to liquidate contractual commitments of the period.

The General Fund is the chief operating fund of the County. At June 30, 2006, unreserved fund balance was \$53,785,158, while total fund balance reached \$58,007,640. 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 36% of total General Fund expenditures, while the total fund balance represents 39% 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 \$53,785,158 General Fund unreserved fund balance, 61% is designated.

Total governmental funds Fund Balance increased by \$5,154,462 in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund increased \$8,372,618 and Public Safety Fund increased \$1,541,771. The non-major governmental funds decreased by \$(4,759,927).

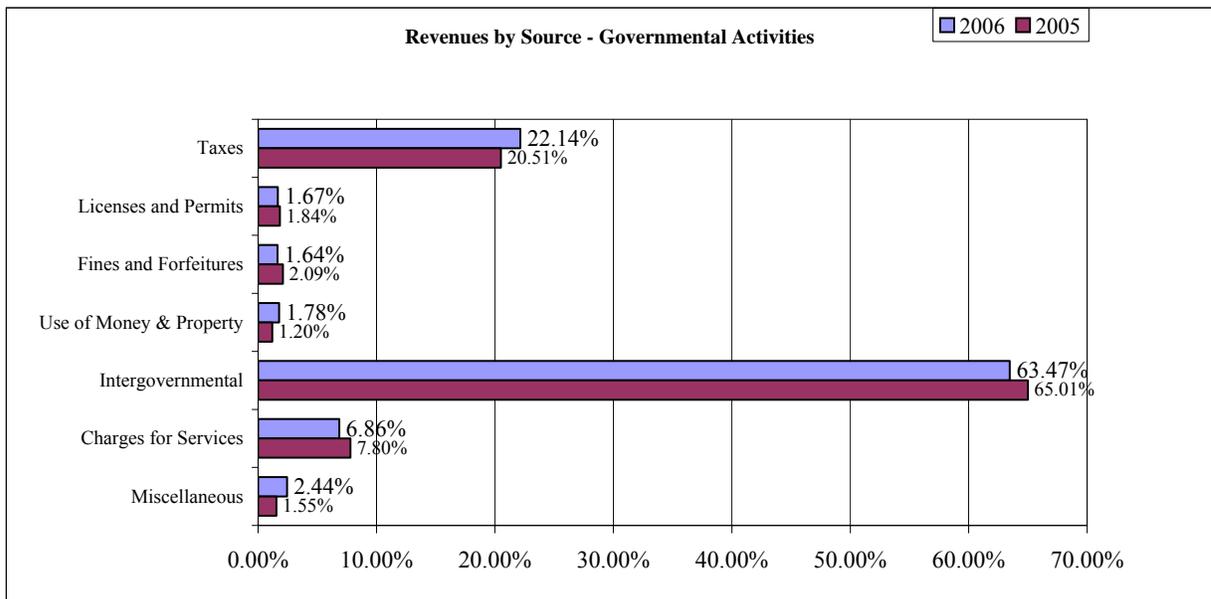
COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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

	Revenues Classified by Source Governmental Funds					
	FY 2006		FY 2005		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
	\$	%	\$	%	\$	%
Taxes	\$ 57,565,165	22.14%	\$ 48,961,821	20.51%	\$ 8,603,344	17.57%
Licenses and Permits	4,338,299	1.67%	4,386,327	1.84%	(48,028)	-1.09%
Fines and Forfeitures	4,269,326	1.64%	4,993,470	2.09%	(724,144)	-14.50%
Use of Money & Property	4,622,909	1.78%	2,874,786	1.20%	1,748,123	60.81%
Intergovernmental	165,027,000	63.47%	155,180,755	65.01%	9,846,245	6.35%
Charges for Services	17,829,242	6.86%	18,625,480	7.80%	(796,238)	-4.27%
Miscellaneous	6,336,924	2.44%	3,694,166	1.55%	2,642,758	71.54%
Total Revenue by Source	\$ 259,988,865	100.00%	\$ 238,716,805	100.00%	\$ 21,272,060	

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



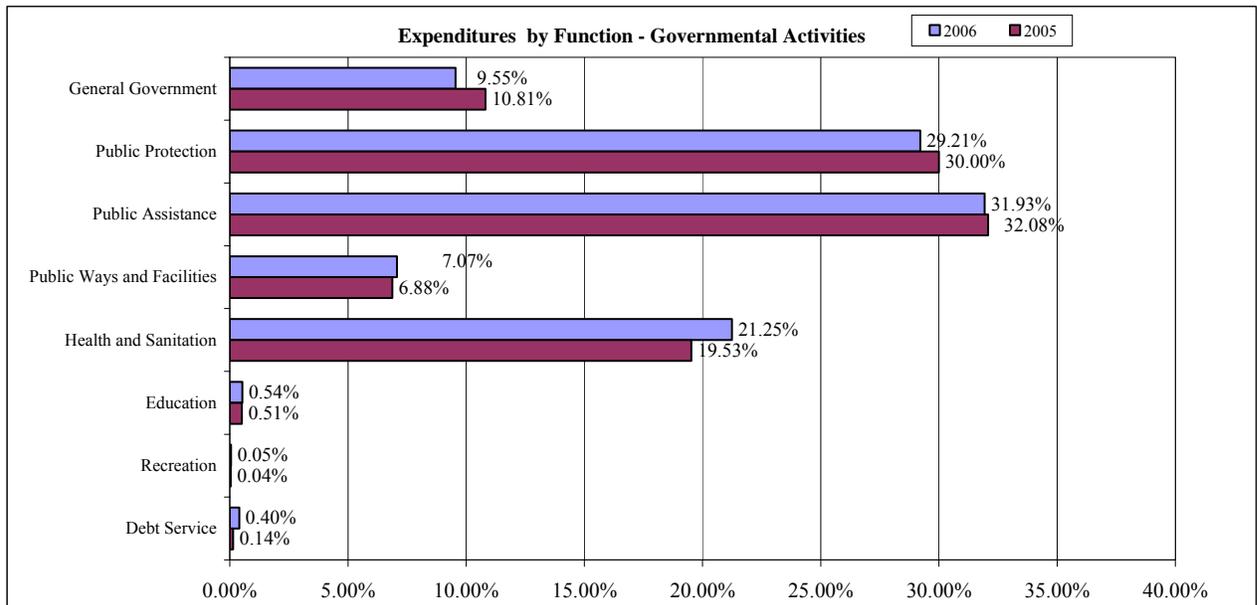
COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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

	Expenditures Classified by Function Governmental Funds					
	FY 2006		FY 2005		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$ 24,265,536	9.55%	\$ 26,166,475	10.81%	\$ (1,900,939)	-7.26%
Public Protection	74,239,360	29.21%	72,591,370	30.00%	1,647,990	2.27%
Public Assistance	81,152,583	31.93%	77,619,111	32.08%	3,533,472	4.55%
Public Ways and Facilities	17,976,059	7.07%	16,648,006	6.88%	1,328,053	7.98%
Health and Sanitation	53,994,506	21.25%	47,244,529	19.53%	6,749,977	14.29%
Education	1,360,592	0.54%	1,243,820	0.51%	116,772	9.39%
Recreation	131,568	0.05%	98,336	0.04%	33,232	33.79%
Debt Service	1,017,221	0.40%	347,766	0.14%	669,455	192.50%
Total by Function	\$ 254,137,425	100.00%	\$ 241,959,413	100.00%	\$ 12,178,012	

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



COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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

Other Financing Sources (Uses) Governmental Funds

	FY 2006	FY 2005	Increase (Decrease)	
			Amount	Percent
Proceeds from Sale of Capital Assets	\$ 354,846	\$ 147,295	\$ 207,551	140.91%
Transfers In	26,552,816	22,758,092	3,794,724	16.67%
Transfers Out	(27,609,528)	(22,639,878)	(4,969,650)	21.95%
Net financing sources(uses)	<u>\$ (701,866)</u>	<u>\$ 265,509</u>	<u>\$ (967,375)</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 2006	FY 2005	Net Change	
			Amount	Percent
Total Net Assets - Beginning	\$ 17,520,516	\$ 16,109,090	\$ 1,411,426	8.76%
Operating Revenues	4,512,760	3,966,705	546,055	13.77%
Operating Expenses	(3,208,253)	(3,583,212)	374,959	-10.46%
Non-Operating Revenues (Expenses)	1,721,101	1,027,933	693,168	67.43%
Total Net Assets - Ending	<u>\$ 20,546,124</u>	<u>\$ 17,520,516</u>	<u>\$ 3,025,608</u>	

Unrestricted net assets of the enterprise funds at fiscal year end were \$6,162,107 with \$146,401 restricted for debt services and \$14,237,616 invested in capital assets, net of related debt.

The net assets of the enterprise funds increased \$3,025,608 over the prior fiscal year. Operating revenues increased 14% and operating expenses decreased 10%. 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, 2006

Net Change in Fund Net Assets Internal Service Funds

	FY 2006	FY 2005	Net Change	
			Amount	Percent
Total Net Assets - Beginning	\$ 6,680,523	\$ 3,269,613	\$ 3,410,910	104.32%
Operating Revenues	24,353,881	22,752,431	1,601,450	7.04%
Operating Expenses	(17,596,466)	(20,827,421)	3,230,955	-15.51%
Non-Operating Revenues (Expenses)	2,301,533	1,604,114	697,419	43.48%
Operating Transfers In (Out)	1,056,711	(118,214)	1,174,925	-993.90%
Total Net Assets - Ending	<u>\$ 16,796,182</u>	<u>\$ 6,680,523</u>	<u>\$ 10,115,659</u>	

Total net assets of the internal service funds at fiscal year end were \$16,796,182 and include \$2,902,738 invested in capital assets.

The net assets of the internal service funds increased \$10,115,659 over the prior fiscal year. Operating revenues increased 7% and operating expenses decreased 16%

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 \$1,884,609 increase in appropriations. The components of appropriations variance are briefly summarized as follows: \$770,543 increase in general government; \$223,076 increase in public protection; \$(157,895) decrease in public ways and facilities; \$29,240 increase in public health and sanitation; \$981,183 increase in public assistance; \$38,502 increase in education; and \$(40) decrease in recreation.

Even with these adjustments, actual expenditures were \$14,266,946 below final budget amounts. Resources available for appropriation were \$5,982,090 higher than final budget amounts. Major components of this increase were from license, fines, interest and charges for services being higher than anticipated.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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

Budgetary Comparison General Fund				
	Original	Final	Net Change	
	Budget	Budget	Amount	Percent
Total Revenues	\$ 170,542,502	\$ 173,439,878	\$ 2,897,376	1.67%
Total Expenditures	(160,917,587)	(162,802,196)	(1,884,609)	1.16%
Other Financing Sources (Uses)	(24,185,837)	(23,782,691)	403,146	-1.70%
Net Change in Fund Balances	<u>\$ (14,560,922)</u>	<u>\$ (13,145,009)</u>	<u>\$ 1,415,913</u>	

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

Budgetary Comparison General Fund				
	Final	Actual	Net Change	
	Budget	Amounts	Amount	Percent
Total Revenues	\$ 173,439,878	\$ 179,421,968	\$ 5,982,090	3.33%
Total Expenditures	(162,802,196)	(148,535,250)	14,266,946	-9.61%
Other Financing Sources (Uses)	(23,782,691)	(22,514,100)	1,268,591	-5.63%
Net Change in Fund Balances	<u>\$ (13,145,009)</u>	<u>\$ 8,372,618</u>	<u>\$ 21,517,627</u>	

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounted to \$143,274,399 (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 \$15,222,014 [11%].

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,570,755	\$ 2,878,023	\$ 1,800,295	\$ 1,800,295	\$ 4,371,050	\$ 4,678,318
Structures & Improvements	90,870,788	87,102,510	37,365,630	37,365,630	128,236,418	124,468,140
Leasehold Improvements	1,025,843	807,477	--	--	1,025,843	807,477
Equipment	38,008,356	35,515,755	255,042	255,042	38,263,398	35,770,797
Infrastructure	84,260,269	82,791,306	--	--	84,260,269	82,791,306
Construction In Progress	15,567,776	5,838,198	3,722,704	1,415,470	19,290,480	7,253,668
Total	<u>232,303,787</u>	<u>214,933,269</u>	<u>43,143,671</u>	<u>40,836,437</u>	<u>275,447,458</u>	<u>255,769,706</u>
Accumulated Depreciation	<u>(108,150,634)</u>	<u>(104,396,588)</u>	<u>(24,022,425)</u>	<u>(23,320,733)</u>	<u>(132,173,059)</u>	<u>(127,717,321)</u>
Net Capital Assets	<u>\$ 124,153,153</u>	<u>\$ 110,536,681</u>	<u>\$ 19,121,246</u>	<u>\$ 17,515,704</u>	<u>\$ 143,274,399</u>	<u>\$ 128,052,385</u>

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

	Additions	Retirements	Transfers & Adjustments	Depreciation	Net Change
General Government	\$ 11,947,026	\$ (182,079)	\$ (3,664)	\$ (2,053,929)	\$ 9,707,354
Public Protection	985,291	(20,053)	(1,338)	(878,304)	85,596
Public Ways & Facilities	4,142,838	--	--	(1,033,592)	3,109,246
Health & Sanitation	829,974	(12,982)	--	(201,788)	615,204
Public Assistance	26,789	(12,347)	1,563	(152,885)	(136,880)
Education	--	--	--	(15,395)	(15,395)
Recreation	--	--	--	(585)	(585)
Internal Service Funds	1,110,401	(80,519)	3,439	(781,389)	251,932
Enterprise Funds	2,307,233	--	--	(701,691)	1,605,542
Totals	<u>\$ 21,349,552</u>	<u>\$ (307,980)</u>	<u>\$ --</u>	<u>\$ (5,819,558)</u>	<u>\$ 15,222,014</u>

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

Construction of capital assets during the current fiscal year included the following:

	<u>Total Costs</u>
Completion of major bridge, road and construction projects:	
Jail Fire Alarm System	\$ 408,747
Jail Kitchen Floor Upgrade	530,715
Courthouse Chiller Replacement	135,964
French Gulch Park Restroom	63,341
Public Health Laboratory	2,544,207
Juvenile Hall Security Improvement	32,206
Wildcat Road @ North Fork Battle Creek	1,468,963
Continuing construction in progress of major bridge and road projects:	<u>Cost to Date</u>
Swede Creek Road @ Swede Creek Bridge	\$ 40,738
Swede Creek Road @ Little Cow Creek	60,744
Zogg Mine Road @ Zogg Creek	78,779
Old Oasis Road @ Churn Creek	3,542
North Street @ Airport Road Bridge	390,710
Buzzard Roost @ Cedar Creek Bridge	179,453
Cove Road @ Hatchet Creek	854,317
East Fork Road @ Clear Creek	169,719
Blue Jay Lane @ Anderson Creek	162,393
Lonetree Lane @ Lone Tree Creek	149,904
Building upgrades projects in process:	
Resource Management Bathroom	10,814
County Clerk - Needs Study	753
Public Health - Anderson Teen Center	604,323
Major construction projects in process:	
Fall River Mills Airport Extension	2,351,841
West Central Landfill Unit 4A	1,370,863
Shasta County Library - Redding Main	12,861,586

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total debt obligation outstanding of \$60,765,154. Of this amount, \$56,815,000 comprises bonds that are secured by the County's lease rental payments and other dedicated sources of revenue, and \$1,580,000 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.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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	
	2006	2005	2006	2005	2006	2005
Lease Revenue Bonds	\$ 53,935,000	\$ 55,380,000	\$ 2,880,000	\$ 3,430,000	\$ 56,815,000	\$ 58,810,000
Special Assessment Bonds	--	718,000	1,580,000	1,622,000	1,580,000	2,340,000
Water/Sewer Bonds	--	--	54,885	59,686	54,885	59,686
Capital Lease Obligations	1,990,886	2,201,732	--	--	1,990,886	2,201,732
Notes Payable	--	--	368,720	397,120	368,720	397,120
Unamortized Bond Premium	1,276,392	1,323,959	--	--	1,276,392	1,323,959
Unamortized Bond Costs	(1,320,729)	(1,376,940)	--	--	(1,320,729)	(1,376,940)
Total	55,881,549	58,246,751	4,883,605	5,508,806	60,765,154	63,755,557
Less Current Portion	(1,700,443)	(2,373,846)	(668,585)	(645,205)	(2,369,028)	(3,019,051)
Net Long-Term Debt	<u>\$ 54,181,106</u>	<u>\$ 55,872,905</u>	<u>\$ 4,215,020</u>	<u>\$ 4,863,601</u>	<u>\$ 58,396,126</u>	<u>\$ 60,736,506</u>

Reductions of the County's total outstanding debt included principal payments of \$2,373,849 with \$2,754,150 in interest for governmental activities and principal payments of \$625,201 with \$287,804 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 2006-07 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.

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. The actual repayment occurred in the 2005-06 fiscal year. The County has projected in its 2006-07 budget that Property Taxes in Lieu of VLF will increase \$2.8M over 2005-06.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2006

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. The 2006-07 State Budget includes paying 38 non-education mandates and suspends local agency obligations to carry out 29 mandates in the budget year. Claims for mandated costs incurred prior to the 2004-05 fiscal year that have not been paid prior to the 2005-06 fiscal year may be paid over a period of not more than 15 years commencing with the 2006-07 fiscal year.

The 2006-07 State Budget has also affected other aid to local governments. Funding increased for the Citizens' Option for Public Safety (COPS) and the Juvenile Justice Crime Prevention Act (JJCPA) programs. Both COPS and JJCPA monies are distributed based on population; however, each city and county is guaranteed a minimum COPS grant of \$100,000 for frontline law enforcement activities. As part of the May Budget Revision, the State has proposed statutory language to create a new trust fund in each county for local detention facilities. The Local Detention Facility Fund grants replaces the booking fees subventions that were provided prior to 2005-06. The State proposal replaces booking fees with a "jail access fee", that counties could charge cities and other local law enforcement agencies in specific circumstances.

On August 22, 2006, the Shasta County Board of Supervisors adopted Resolution No. 2006-122, which authorized an agreement with the City of Redding to transfer ownership of the Shasta County Library-Redding Main to the City of Redding and authorized an agreement with the Cities of Redding and Anderson for the City of Redding to operate the Anderson and Burney Branch Libraries. The City of Redding will operate the Shasta Public Library System for 40 years after the date of the opening of the new Library to the public

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 funded at \$12.9 million utilizing a marginally acceptable 70 percent confidence level. Based on estimated program assets at June 30, 2006 of \$20.4 million and at June 30, 2007 of \$23.8 million, the program is funded above the 95% confidence level.

The un-funded liability for the PERS retirement system safety component is \$13,826,830, and the miscellaneous component an additional \$9,553,678. This status is based upon the most recent actuarial report prepared by CalPERS. The County is exploring the option of pursuing a pension obligation bond through the California State Association of Counties or through a private placement bond issue. 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, 2006

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Cash and investments	\$ 118,793,739	\$ 18,031,375	\$ 136,825,114	\$ 4,823,806
Receivables, net	5,167,453	486,091	5,653,544	39,683
Internal balances	521,243	(521,243)	--	--
Due from external parties	2,722,570	146,795	2,869,365	
Due from other governments	24,824,962	973,887	25,798,849	631,822
Inventories	488,326	15,752	504,078	--
Prepaid items	1,188,037	137,789	1,325,826	--
Special assessment receivable	174,069	1,177,409	1,351,478	--
Notes receivable	2,821,017	--	2,821,017	--
Unamortized bond issuance costs	1,320,729	--	1,320,729	--
Capital Assets:				
Non-depreciable	18,138,531	5,522,999	23,661,530	--
Depreciable, net	106,014,622	13,598,247	119,612,869	34,409
Total Assets	<u>282,175,298</u>	<u>39,569,101</u>	<u>321,744,399</u>	<u>5,529,720</u>
LIABILITIES				
Accounts payable	5,848,605	776,166	6,624,771	458,700
Salaries and benefits payable	6,619,315	--	6,619,315	4,448
Interest payable	656,688	102,659	759,347	--
Due to other governments	353,174	--	353,174	125,774
Deferred revenue	5,825,721	--	5,825,721	--
Deposits from others	240,167	7,071	247,238	--
Claims liability	14,880,000		14,880,000	--
Liability for closure/postclosure care costs	--	13,253,476	13,253,476	--
Long-Term Liabilities:				
Due within one year	1,700,443	668,585	2,369,028	5,237
Due beyond one year	64,621,715	4,215,020	68,836,735	--
Total Liabilities	<u>100,745,828</u>	<u>19,022,977</u>	<u>119,768,805</u>	<u>594,159</u>
NET ASSETS				
Invested in capital assets, net of related debt	68,227,266	14,237,616	82,464,882	34,409
Restricted for:				
Special revenue	34,349,747	--	34,349,747	--
Debt service	120,360	--	120,360	--
Capital projects	9,278,307	--	9,278,307	--
Other purposes	2,185,840	146,401	2,332,241	--
Unrestricted	67,267,950	6,162,107	73,430,057	4,901,152
Total Net Assets	<u>\$ 181,429,470</u>	<u>\$ 20,546,124</u>	<u>\$ 201,975,594</u>	<u>\$ 4,935,561</u>

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

COUNTY OF SHASTA

Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs Primary Government	Expenses	Indirect Expense Allocation	Program Revenues		
			Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:					
General government	\$ 16,100,711	\$ (5,611,792)	\$ 5,537,985	\$ 3,836,649	\$ 8,130,852
Public protection	66,218,011	2,801,751	12,852,753	31,296,741	485,372
Public ways and facilities	13,759,296	348,686	1,672,727	6,430,400	2,618,272
Health and sanitation	51,253,311	1,168,975	3,408,046	35,251,867	--
Public assistance	78,964,808	1,168,949	2,302,828	73,679,623	1,338
Education	1,203,960	92,304	61,402	511,132	--
Recreation	122,341	10,028	3,207	84,600	--
Interest and fiscal charges	2,754,685	--	--	--	--
Total Governmental Activities	<u>230,377,123</u>	<u>(21,099)</u>	<u>25,838,948</u>	<u>151,091,012</u>	<u>11,235,834</u>
Business-Type Activities:					
Airport	78,125	1,397	166,513	805,088	63,574
Solid waste	764,728	408	1,447,740	--	--
Landfill	1,032,196	--	2,137,983	--	--
County service areas	1,599,950	19,294	961,043	587	244,067
Total Business-Type Activities:	<u>3,474,999</u>	<u>21,099</u>	<u>4,713,279</u>	<u>805,675</u>	<u>307,641</u>
Total Primary Government	<u>\$ 233,852,122</u>	<u>\$ --</u>	<u>\$ 30,552,227</u>	<u>\$ 151,896,687</u>	<u>\$ 11,543,475</u>
Component Units:					
Children and Families First	\$ 2,615,748	\$ --	--	\$ 2,014,745	\$ --
Rural Transportation Planning	2,307,453	(478)	--	2,045,367	--
Total Component Units	<u>\$ 4,923,201</u>	<u>\$ (478)</u>	<u>\$ --</u>	<u>\$ 4,060,112</u>	<u>\$ --</u>

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
\$ 7,016,567	\$ --	\$ 7,016,567	\$ --
(24,384,896)	--	(24,384,896)	--
(3,386,583)	--	(3,386,583)	--
(13,762,373)	--	(13,762,373)	--
(4,149,968)	--	(4,149,968)	--
(723,730)	--	(723,730)	--
(44,562)	--	(44,562)	--
(2,754,685)	--	(2,754,685)	--
<u>(42,190,230)</u>	<u>--</u>	<u>(42,190,230)</u>	<u>--</u>
--	955,653	955,653	--
--	682,604	682,604	--
--	1,105,787	1,105,787	--
--	(413,547)	(413,547)	--
<u>--</u>	<u>2,330,497</u>	<u>2,330,497</u>	<u>--</u>
<u>(42,190,230)</u>	<u>2,330,497</u>	<u>(39,859,733)</u>	<u>--</u>
--	--	--	(601,003)
<u>--</u>	<u>--</u>	<u>--</u>	<u>(261,608)</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>(862,611)</u>
23,094,000	19,094	23,113,094	--
2,424,408	--	2,424,408	--
21,900,097	--	21,900,097	--
16,371,962	--	16,371,962	--
4,883,990	667,642	5,551,632	192,122
2,224,372	8,375	2,232,747	798
--	--	--	--
<u>70,898,829</u>	<u>695,111</u>	<u>71,593,940</u>	<u>192,920</u>
<u>28,708,599</u>	<u>3,025,608</u>	<u>31,734,207</u>	<u>(669,691)</u>
152,715,983	17,520,516	170,236,499	5,622,170
4,888	--	4,888	(16,918)
<u>152,720,871</u>	<u>17,520,516</u>	<u>170,241,387</u>	<u>5,605,252</u>
<u>\$ 181,429,470</u>	<u>\$ 20,546,124</u>	<u>\$ 201,975,594</u>	<u>\$ 4,935,561</u>

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF SHASTA

Balance Sheet Governmental Funds June 30, 2006

	General Fund	Public Safety Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 53,675,574	\$ 3,793,741	\$ 33,027,802	\$ 90,497,117
Accounts receivable	467,087	8,439	38,891	514,417
Due from other county funds	2,906,872	181,726	387,482	3,476,080
Due from other governments	11,183,474	5,498,400	7,527,053	24,208,927
Advances to other funds	--	--	964,311	964,311
Inventories	--	--	387,468	387,468
Prepaid items	538,967	--	621,705	1,160,672
Special assessment receivable	--	--	174,069	174,069
Notes receivable	--	--	2,821,017	2,821,017
Totals Assets	<u>\$ 68,771,974</u>	<u>\$ 9,482,306</u>	<u>\$ 45,949,798</u>	<u>\$ 124,204,078</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,399,897	\$ 333,569	\$ 3,583,765	\$ 5,317,231
Salaries and benefits payable	3,128,401	1,716,764	1,399,416	6,244,581
Due to other county funds	168,636	242,332	387,476	798,444
Due to other governments	240,164	60,608	52,402	353,174
Deferred revenue	5,786,578	279,639	94,691	6,160,908
Deposits from others	5,629	--	234,538	240,167
Advances from other funds	35,029	--	970,104	1,005,133
Total Liabilities	<u>10,764,334</u>	<u>2,632,912</u>	<u>6,722,392</u>	<u>20,119,638</u>
Fund Balances:				
Reserved	4,222,482	268,462	4,220,226	8,711,170
Unreserved:				
Designated	32,840,894	4,406,441	28,601,137	65,848,472
Undesignated	20,944,264	2,174,491	--	23,118,755
Undesignated reported in:				
Special revenue funds	--	--	5,349,948	5,349,948
Debt service funds	--	--	120,360	120,360
Capital projects funds	--	--	935,735	935,735
Total Fund Balances	<u>58,007,640</u>	<u>6,849,394</u>	<u>39,227,406</u>	<u>104,084,440</u>
Total Liabilities and Fund Balances	<u>\$ 68,771,974</u>	<u>\$ 9,482,306</u>	<u>\$ 45,949,798</u>	<u>\$ 124,204,078</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, 2006

Total Fund Balances - Governmental Funds (page 22)	\$ 104,084,440
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.	121,250,415
Revenues that do not provide current financial resources are reported as receivables in the Statement of Net Assets.	4,616,743
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	335,187
Long-Term Debt that has not been included in the governmental fund activity.	(55,925,887)
Interest on outstanding debt not due and payable in the current period is not accrued in the governmental funds.	(656,688)
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.	48,958
Compensated absences are not accrued in the Governmental Funds.	(9,119,880)
Internal Service Funds assets and liabilities are included in governmental activities in the Statement of Net Assets	<u>16,796,182</u>
Net assets of Governmental Activities (page 20)	<u><u>\$ 181,429,470</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, 2006

	General Fund	Public Safety Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 38,053,740	\$ 14,546,044	\$ 4,965,381	\$ 57,565,165
Licenses and permits	4,049,309	24,568	264,422	4,338,299
Fines and forfeitures	3,800,316	327,490	141,520	4,269,326
Use of money and property	3,008,435	41,559	1,572,915	4,622,909
Intergovernmental	116,699,561	7,318,976	41,008,463	165,027,000
Charges for other services	9,945,346	4,427,667	3,456,229	17,829,242
Miscellaneous revenue	3,865,261	271,910	2,199,753	6,336,924
Total Revenues	<u>179,421,968</u>	<u>26,958,214</u>	<u>53,608,683</u>	<u>259,988,865</u>
Expenditures:				
Current:				
General government	13,081,094	--	11,184,442	24,265,536
Public protection	15,647,696	45,665,814	12,925,850	74,239,360
Public assistance	80,475,213	--	677,370	81,152,583
Public ways and facilities	1,000	--	17,975,059	17,976,059
Health and sanitation	37,556,816	--	16,437,690	53,994,506
Education	1,360,592	--	--	1,360,592
Recreation	131,568	--	--	131,568
Debt Service	281,271	--	735,950	1,017,221
Total Expenditures	<u>148,535,250</u>	<u>45,665,814</u>	<u>59,936,361</u>	<u>254,137,425</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>30,886,718</u>	<u>(18,707,600)</u>	<u>(6,327,678)</u>	<u>5,851,440</u>
Other Financing Sources (Uses):				
Transfers in	2,255,910	20,840,868	3,456,038	26,552,816
Transfers out	(25,071,457)	(591,895)	(1,946,176)	(27,609,528)
Sale of capital assets	301,447	398	53,001	354,846
Total Other Financing Sources (Uses)	<u>(22,514,100)</u>	<u>20,249,371</u>	<u>1,562,863</u>	<u>(701,866)</u>
Net Change in Fund Balances	<u>8,372,618</u>	<u>1,541,771</u>	<u>(4,764,815)</u>	<u>5,149,574</u>
Fund Balances - Beginning	49,635,022	5,307,623	43,987,333	98,929,978
Prior Period Adjustments	--	--	4,888	4,888
Fund Balances - Beginning as Restated	<u>49,635,022</u>	<u>5,307,623</u>	<u>43,992,221</u>	<u>98,934,866</u>
Fund Balances - Ending	<u>\$ 58,007,640</u>	<u>\$ 6,849,394</u>	<u>\$ 39,227,406</u>	<u>\$ 104,084,440</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, 2006

Net Change in Fund Balances - Total Governmental Funds (page 24)	\$ 5,149,574
Amounts reported for governmental activities in the Statement of Net Activities are different because:	
Governmental funds report capital outlays as expenditures.	17,931,919
In the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(4,336,480)
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.	(230,901)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the Governmental Funds.	(1,971,019)
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.	2,373,844
Interest on outstanding debt is reported as an expenditure when due in the Governmental Funds, but is accrued in the Statement of Activities.	24,729
Compensated absences in the Statement of Activities is reported as an expense, but is not reported in the Governmental Funds.	(348,726)
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>10,115,659</u>
Change in Net Assets of Governmental Activities (page 21)	<u>\$ 28,708,599</u>

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

COUNTY OF SHASTA

Statement of Net Assets Proprietary Funds June 30, 2006

	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	\$ 3,137,489	\$ 12,087,165	\$ 2,806,721	\$ 18,031,375	\$ 28,296,622
Receivables, net	319,257	--	166,834	486,091	36,293
Due from other county funds	13,200	98,070	43,679	154,949	342,884
Due from other governments	86,653	596,276	290,958	973,887	616,037
Inventories	--	--	15,752	15,752	100,859
Prepaid items	137,789	--	--	137,789	22,740
Total current assets	<u>3,694,388</u>	<u>12,781,511</u>	<u>3,323,944</u>	<u>19,799,843</u>	<u>29,415,435</u>
Noncurrent assets:					
Special assessment receivable	--	--	1,177,409	1,177,409	--
Advances to other funds	--	--	--	--	518,579
Capital assets, net	4,265,262	--	14,855,984	19,121,246	2,902,738
Total noncurrent assets	<u>4,265,262</u>	<u>--</u>	<u>16,033,393</u>	<u>20,298,655</u>	<u>3,421,317</u>
Total Assets	<u>7,959,650</u>	<u>12,781,511</u>	<u>19,357,337</u>	<u>40,098,498</u>	<u>32,836,752</u>
LIABILITIES					
Current liabilities:					
Accounts payable	389,131	--	387,035	776,166	531,375
Salaries and benefits payable	--	--	--	--	374,735
Interest payable	69,070	--	33,589	102,659	--
Due to other county funds	--	--	10,818	10,818	241,162
Deposits from others	3,000	--	4,071	7,071	--
Bonds, notes, loans payable	570,000	--	98,585	668,585	--
Total current liabilities	<u>1,031,201</u>	<u>--</u>	<u>534,098</u>	<u>1,565,299</u>	<u>1,147,272</u>
Noncurrent liabilities:					
Claims payable	--	--	--	--	14,880,000
Advances from other funds	--	--	518,579	518,579	13,298
Bonds, notes, loans payable	2,310,000	--	1,905,020	4,215,020	--
Landfill closure/postclosure care costs	--	13,253,476	--	13,253,476	--
Total noncurrent liabilities	<u>2,310,000</u>	<u>13,253,476</u>	<u>2,423,599</u>	<u>17,987,075</u>	<u>14,893,298</u>
Total Liabilities	<u>3,341,201</u>	<u>13,253,476</u>	<u>2,957,697</u>	<u>19,552,374</u>	<u>16,040,570</u>
NET ASSETS					
Invested in capital assets, net	1,385,262	--	12,852,354	14,237,616	2,902,738
Restricted for debt service	--	--	146,401	146,401	--
Unrestricted	3,233,187	(471,965)	3,400,885	6,162,107	13,893,444
Total Net Assets	<u>\$ 4,618,449</u>	<u>\$ (471,965)</u>	<u>\$ 16,399,640</u>	<u>\$ 20,546,124</u>	<u>\$ 16,796,182</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, 2006

	Business-Type Activities				Internal Service Funds
	Solid Waste Disposal	West Central Landfill	Non-Major Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES					
Charges for services	\$ 1,447,740	\$ 2,137,983	\$ 927,037	\$ 4,512,760	\$ 24,353,881
OPERATING EXPENSES					
Salaries and benefits	--	--	--	--	6,526,880
Services and supplies	473,645	--	979,623	1,453,268	7,183,047
Landfill closure/postclosure care costs	--	1,032,196	--	1,032,196	--
Insurance premiums	--	--	--	--	1,806,281
Claims paid	--	--	--	--	177,917
Central service costs	408	--	20,691	21,099	1,120,952
Depreciation	118,496	--	583,194	701,690	781,389
Total Operating Expenses	<u>592,549</u>	<u>1,032,196</u>	<u>1,583,508</u>	<u>3,208,253</u>	<u>17,596,466</u>
Operating Income (Loss)	<u>855,191</u>	<u>1,105,787</u>	<u>(656,471)</u>	<u>1,304,507</u>	<u>6,757,415</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest	96,032	470,593	101,017	667,642	943,889
Miscellaneous revenue	5,000	--	1,097,110	1,102,110	1,388,523
Interest and other expense	(172,587)	--	(115,258)	(287,845)	(8,845)
Sale of fixed assets	--	--	--	--	(25,473)
Total Nonoperating Revenues (Expenses)	<u>(71,555)</u>	<u>470,593</u>	<u>1,082,869</u>	<u>1,481,907</u>	<u>2,298,094</u>
Net Income (Loss) Before Contributions and Transfers	783,636	1,576,380	426,398	2,786,414	9,055,509
Capital contributions	--	--	239,194	239,194	3,439
Transfers in	1,168,665	--	--	1,168,665	1,356,496
Transfers out	--	(1,168,665)	--	(1,168,665)	(299,785)
Change in Net Assets	1,952,301	407,715	665,592	3,025,608	10,115,659
Net Assets - Beginning	<u>2,666,148</u>	<u>(879,680)</u>	<u>15,734,048</u>	<u>17,520,516</u>	<u>6,680,523</u>
Net Assets - Ending	<u>\$ 4,618,449</u>	<u>\$ (471,965)</u>	<u>\$ 16,399,640</u>	<u>\$ 20,546,124</u>	<u>\$ 16,796,182</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, 2006

	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	\$ 1,313,634	\$ 2,229,231	\$ 732,649	\$ 4,275,514	\$ 24,064,223
Payments to suppliers	(54,699)	--	(716,704)	(771,403)	(8,636,533)
Payments to employees	--	--	--	--	(6,472,523)
Claims paid	--	--	--	--	(4,185,917)
Other receipts (payments)	(408)	--	(20,691)	(21,099)	(1,120,952)
Net Cash Provided (Used) by Operating Activities	<u>1,258,527</u>	<u>2,229,231</u>	<u>(4,746)</u>	<u>3,483,012</u>	<u>3,648,298</u>
Cash Flows from Non-Capital Financing Activities:					
Other revenue (expense)	5,000	--	288,409	293,409	1,387,671
Operating subsidies	--	--	868,662	868,662	--
Transfers in	1,168,665	--	--	1,168,665	1,138,665
Transfers out	--	(1,168,665)	--	(1,168,665)	(281,271)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,173,665</u>	<u>(1,168,665)</u>	<u>1,157,071</u>	<u>1,162,071</u>	<u>2,245,065</u>
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	(1,370,863)	--	(936,371)	(2,307,234)	(1,185,099)
Proceeds from sale of capital assets	--	--	--	--	59,777
Capital contributions	--	--	175,620	175,620	--
Transfers in	--	--	--	--	128,054
Transfers out	--	--	--	--	(67,714)
Principal payments on debt	(550,000)	--	(89,862)	(639,862)	--
Proceeds from special assessments	--	--	26,729	26,729	--
Interest payments on debt	(184,962)	--	(119,445)	(304,407)	--
Net Cash (Used) by Capital and Related Financing Activities	<u>(2,105,825)</u>	<u>--</u>	<u>(943,329)</u>	<u>(3,049,154)</u>	<u>(1,064,982)</u>
Cash Flows From Investing Activities:					
Interest on investments	87,469	407,655	88,515	583,639	794,312
Net Increase (Decrease) in Cash	<u>413,836</u>	<u>1,468,221</u>	<u>297,511</u>	<u>2,179,568</u>	<u>5,622,693</u>
Cash at Beginning 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>
Cash at End of Year	<u>\$ 3,137,489</u>	<u>\$ 12,087,165</u>	<u>\$ 2,806,721</u>	<u>\$ 18,031,375</u>	<u>\$ 28,296,622</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 855,191	\$ 1,105,787	\$ (656,471)	\$ 1,304,507	\$ 6,757,415
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:					
Depreciation expense	118,496	--	583,194	701,690	781,389
Landfill closure/postclosure care expense	--	1,032,197	--	1,032,197	--
Changes in assets and liabilities:					
Receivables, net	(134,107)	91,247	(194,429)	(237,289)	(290,370)
Prepaid expenses and other assets	34,448	--	(5,388)	29,060	(21,376)
Accounts and other payables	384,499	--	268,348	652,847	(3,578,760)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,258,527</u>	<u>\$ 2,229,231</u>	<u>\$ (4,746)</u>	<u>\$ 3,483,012</u>	<u>\$ 3,648,298</u>

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

COUNTY OF SHASTA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$ 124,794,332	\$ 35,614,574
Accounts receivable, net	3,811	161,998
Taxes receivable, net	--	12,557,178
Due from other governments	--	196,606
Advances to other funds	--	54,120
Prepaid items	--	37,940
Due from other funds	--	175,317
Totals Assets	\$ 124,798,143	\$ 48,797,733
 LIABILITIES		
Accounts payable	\$ 53,939	\$ 306
Salaries and benefits payable	2,463	79,053
Due to other funds	--	3,076,855
Due to other governments	225	1,839,553
Taxes due to other funds	--	16,063,661
Deferred revenue	--	37,940
Agency funds liabilities	--	27,700,365
Total Liabilities	56,627	\$ 48,797,733
 NET ASSETS		
Net assets held in trust for investment pool participants	\$ 124,741,516	

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, 2006

ADDITIONS:	
Contributions to investment pool	\$ 526,293,402
DEDUCTIONS:	
Distributions from investment pool	<u>505,218,778</u>
CHANGE IN NET ASSETS	21,074,624
NET ASSETS, BEGINNING	<u>103,666,892</u>
NET ASSETS, ENDING	<u><u>\$ 124,741,516</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, 2006

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, 2006

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 Estates
- Canto Del Lupine
- China Gulch
- Coloma Drive
- County Fields Estates
- Craig Lane
- Crowley Creek Ranchettes
- Deer Flat Road
- Dusty Oaks
- East Stillwater Way
- Fore Way Lane
- Fullerton Way
- Holiday Acres
- Intermountain Road
- Jordan Manor
- Lark Court
- Latona Road
- Laverne Lane
- Logan Road
- Manor Crest
- Manton Heights
- Manzanillo Orchard
- Marianas Way
- Mule Mountain Parkway
- North Chapparral Drive
- Old Stagecoach Road
- Ponder Way
- Ritts Mill Road
- River Hills Estates
- Roledo Road
- Santa Barbara #2
- Santa Barbara Estates
- Shasta Lake Ranchos
- Shasta Meadows
- Ski Way
- Sonora Trail
- Tract 1323
- Valparaiso Way
- Vedder Road
- Victorial Highlands Estates
- Woggon Lane

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

A. **Component Units** (continued)

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

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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

A. **Component Units** (continued)

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.

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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

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.

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

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

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

Government-Wide Financial Statements (continued)

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.

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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

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

Fund Financial Statements (continued)

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.
- 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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

D. **Measurement Focus and Basis of Accounting** (continued)

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.

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.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2006

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

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.

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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

H. **Capital Assets** (continued)

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.

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

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2006

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

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

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:

	<u>Secured</u>	<u>Unsecured</u>
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)

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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

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.

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.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2006

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.

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 41 percent of the total treasury investment pool (including County Operational funds). Special districts and various trust funds approximate 3 percent of the investment pool and the extent of involuntary participation cannot be determined at this time. County operational funds comprise the remaining 56 percent of the investment pool.

At June 30, 2006, total County cash and investments were as follows:

Cash:

Cash on hand and imprest cash	\$ 1,098,357
Deposits	<u>7,011,574</u>
Total cash and deposits	<u>8,109,931</u>

Investments:

In Treasurer's pool	286,168,596
External to the Treasurer's pool	<u>7,779,299</u>
Total investments	<u>293,947,895</u>

Total cash and investments	<u>\$ 302,057,826</u>
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COUNTY OF SHASTA

Notes to Financial Statements June 30, 2006

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

A. **Cash Management** (continued)

Total cash and investments at June 30, 2006 were presented on the County's financial statements as follows:

Primary government	\$ 136,825,114
Component units	4,823,806
Investment trust fund	124,794,332
Agency funds	<u>35,614,574</u>
Total Cash and Investments	<u>\$ 302,057,826</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 \$11,629,480 at June 30, 2006.

Investments

At June 30, 2006, the County had the following investments:

	Interest Rates	Maturities	Par	Cost	Fair Value	WAM (Years)
Investments in Investment Pool						
Local Agency Investment Fund	4.53%	7/3/2006	\$ 25,000,000	\$ 25,000,000	\$ 25,372,863	0.01
Repurchase Agreement	5.17%	7/3/2006	14,000,000	14,000,000	14,006,032	0.00
Inactive Public Deposit	3.98%-4.85%	10/14/06-6/15/07	3,000,000	3,000,000	3,000,000	0.62
Negotiable Certificates of Deposit	4.92%-5.40%	7/18/06-9/28/06	18,000,000	18,000,000	18,000,000	0.19
Commercial Paper	4.25%-4.89%	7/14/06-1/11/07	33,000,000	31,892,545	32,561,580	0.25
Bankers' Acceptances	4.57%-5.35%	7/11/06-11/15/06	11,839,000	11,601,408	11,738,183	0.16
Federal Farm Credit	4.28%-5.17%	7/14/06-6/8/07	21,000,000	20,304,643	20,583,600	0.38
Federal Home Loan Bank Discount Note	3.82%-5.3%	7/21/06-6/29/07	48,000,000	45,994,542	46,507,120	0.52
Federal National Mortgage Discount Note	4.34%-4.91%	8/15/06-5/1/07	60,000,000	57,610,008	58,575,000	0.45
Federal Home Loan Mortgage Corp. Discount Note	3.67%-4.94%	7/5/06-4/3/07	57,000,000	54,837,717	55,776,900	0.41
Government National Mortgage Association	8%-9.5%	3/17/17-8/15/17	45,794	29,367	47,318	10.86
			<u>\$ 290,884,794</u>	<u>\$ 282,270,230</u>	<u>\$ 286,168,596</u>	
Investments outside Investment Pool						
Shasta Lake Local Agency Investment Fund	2.86%	7/1/2005	\$ 282,279	\$ 282,279	\$ 285,497	
Cash with fiscal agent			-	-	7,493,802	
			<u>\$ 282,279</u>	<u>\$ 282,279</u>	<u>\$ 7,779,299</u>	
Total Investments					<u>\$ 293,947,895</u>	

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. For details on the county's investment policy, see **B. Authorized Investments** in this footnote.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2006

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

A. Cash Management (continued)

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, 2006, 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, 2006.

	S&P	Moody's	% of Portfolio
Investments in Investment Pool			
Local Agency Investment Fund	Unrated	Unrated	8.86%
Repurchase Agreement	Unrated	Unrated	4.96%
Inactive Public Deposit	Unrated	Unrated	1.06%
Negotiable Certificates of Deposit	A-1	P-1	6.38%
Commercial Paper	A-1	P-1	11.30%
Bankers' Acceptances	not available	AAA	4.11%
Federal Farm Credit	not available	AAA	7.19%
Federal Home Loan Bank Discount Note	not available	AAA	16.29%
Federal National Mortgage Discount Note	not available	AAA	20.41%
Federal Home Loan Mortgage Corp. Discount Note	not available	AAA	19.43%
Government National Mortgage Association	Unrated	Unrated	0.01%
			100.00%

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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

A. **Cash Management** (continued)

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, 2006, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$25,000,000, 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 \$63,337,959,989. Of that amount, 2.57% was invested in structured notes and asset-backed securities with the remaining 97.43% invested in other non-derivative financial products.

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, 2006:

Statement of Net Assets

Assets:

Investments	\$ 286,168,596
Other deposits	<u>5,693,264</u>
Total assets	<u>291,861,860</u>

Liabilities:

Checks and warrants payable	<u>11,629,480</u>
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Net Assets:

Equity of internal pool participants	155,438,048
Equity of external pool participants	<u>124,794,332</u>
Total net assets	<u>\$ 280,232,380</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

A. **Cash Management** (continued)

County Investment pool Condensed Financial Statements (continued)

Statement of Changes in Net Assets

Investment earnings	\$ 9,316,438
Investment expenses	(712,186)
Net contributions from pool participants	<u>28,811,118</u>
Increase in Net Assets	37,415,370
Net assets at July 1, 2005	<u>242,817,010</u>
Net assets at June 30, 2006	<u>\$ 280,232,380</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.

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**

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, 2006

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

C. Authorized Investments (continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	1 year	None	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	60%	20%
State of California Obligations	2 years	10%	None
Banker's Acceptances*	180 days	35%	10%
Commercial Paper**	270 days	20%	4%
Negotiable Certificates of Deposit	180 days	20%	5%
Repurchase Agreements	5 days	10%	None
Medium Term Notes**	5 years	20%	3%
Mutual Funds/Money Market Mutual Funds	N/A	5%	None
Collateralized Bank Deposits	5 years	None	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	2 years	None	5%
Inactive Public Deposits**	None	None	7.5%
Local Agency Investment Fund (LAIF)	N/A	None	None

*The Treasury may invest only in bankers' acceptances issued by institutions rated A or better by Standard and Poor's Corporation or A2 or better by Moody's Investor Service.

**The Treasury may invest only in commercial paper, medium-term notes, and inactive public deposits that are rated A or its equivalent or better by a nationally-recognized rating service.

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

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

D. Fair Value of Investments (continued)

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.

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 \$2,821,017, as reported in the governmental non-major funds, include \$2,053,328 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 \$767,689 consist of real property rehabilitation deferred loans to the following organizations:

Shingletown Activities Council	\$ 94,829
Happy Valley Community Foundation	\$ 104,404
Whitmore Community Center	\$ 278,456
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, 2006

Note 4: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 2,878,023	\$ --	\$ (51,571)	\$ (255,697)	\$ 2,570,755
Construction in progress	5,838,198	15,036,070	--	(5,306,492)	15,567,776
Total Capital Assets Not Being Depreciated	<u>8,716,221</u>	<u>15,036,070</u>	<u>(51,571)</u>	<u>(5,562,189)</u>	<u>18,138,531</u>
Capital assets being depreciated:					
Structures and improvements	87,102,510	56,772	(126,023)	3,837,529	90,870,788
Long-term leasehold improvements	807,477	--	(37,331)	255,697	1,025,843
Equipment	35,515,755	3,949,478	(1,456,877)	--	38,008,356
Infrastructure	82,791,306	--	--	1,468,963	84,260,269
Total Capital Assets Being Depreciated	<u>206,217,048</u>	<u>4,006,250</u>	<u>(1,620,231)</u>	<u>5,562,189</u>	<u>214,165,256</u>
Less accumulated depreciation for:					
Structures and Improvements	(23,400,903)	(1,733,460)	20,794	--	(25,113,569)
Long-term leasehold improvements	(417,674)	(12,272)	21,814	--	(408,132)
Equipment	(21,578,827)	(2,765,669)	1,321,214	--	(23,023,282)
Infrastructure	(58,999,184)	(606,467)	--	--	(59,605,651)
Total Accumulated Depreciation	<u>(104,396,588)</u>	<u>(5,117,868)</u>	<u>1,363,822</u>	<u>--</u>	<u>(108,150,634)</u>
Total Capital Assets Being Depreciated, Net	<u>101,820,460</u>	<u>(1,111,618)</u>	<u>(256,409)</u>	<u>5,562,189</u>	<u>106,014,622</u>
Governmental Activities Capital Assets, Net	<u>\$ 110,536,681</u>	<u>\$ 13,924,452</u>	<u>\$ (307,980)</u>	<u>\$ --</u>	<u>\$ 124,153,153</u>
Business-Type Activities					
Capital assets not being depreciated:					
Land and improvements	\$ 1,800,295	\$ --	\$ --	\$ --	\$ 1,800,295
Construction in progress	1,415,470	2,307,234	--	--	3,722,704
Total Capital Assets Not Being Depreciated	<u>3,215,765</u>	<u>2,307,234</u>	<u>--</u>	<u>--</u>	<u>5,522,999</u>
Capital assets being depreciated:					
Structures and improvements	37,365,630	--	--	--	37,365,630
Equipment	255,042	--	--	--	255,042
Total Capital Assets Being Depreciated	<u>37,620,672</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>37,620,672</u>
Less accumulated depreciation for:					
Structures and Improvements	(23,120,626)	(681,902)	--	--	(23,802,528)
Equipment	(200,107)	(19,790)	--	--	(219,897)
Total Accumulated Depreciation	<u>(23,320,733)</u>	<u>(701,692)</u>	<u>--</u>	<u>--</u>	<u>(24,022,425)</u>
Total Capital Assets Being Depreciated, Net	<u>14,299,939</u>	<u>(701,692)</u>	<u>--</u>	<u>--</u>	<u>13,598,247</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,515,704</u>	<u>\$ 1,605,542</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 19,121,246</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

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

Governmental Activities

General government	\$ 2,053,929
Public protection	878,304
Public ways	1,033,592
Health and sanitation	201,788
Public assistance	152,885
Education	15,395
Recreation	586
Capital assets held by the County's internal service funds are charged to the various functions based on the usage of the assets	781,389

Total Depreciation Expenses Governmental Activities	\$ 5,117,868
---	--------------

Business-Type Activities

Airport	\$ 25,720
Solid Waste	118,496
County Service Areas	557,476

Total Depreciation Expenses Business-Type Activities	\$ 701,692
--	------------

Note 5: **Interfund Transactions**

Interfund Receivables/Payables

Due to/from Other Funds:

Interfund receivable and payable balances at June 30, 2006, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Receivable Fund	Payable Fund	Amount
General	Public Safety	\$ 240,936
	Nonmajor Governmental Funds	195,791
	Nonmajor Enterprise Funds	7,500
	Internal Service Funds	217,594
	Agency Funds	2,245,051
		2,906,872

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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>
Public Safety	General	\$ 16,754
	Nonmajor Governmental Funds	114,177
	Nonmajor Enterprise Funds	11
	Internal Service Funds	12,624
	Agency Funds	<u>38,160</u>
		<u>181,726</u>
Nonmajor Government Funds	General	52,611
	Public Safety	1,339
	Nonmajor Governmental Funds	19,484
	Internal Service Funds	2,725
	Agency Funds	260,669
	Component Unit Funds	<u>50,654</u>
		<u>387,482</u>
Internal Service Funds	General	90,423
	Nonmajor Governmental Funds	50,618
	Nonmajor Enterprise Funds	155
	Internal Service Funds	4,539
	Agency Funds	<u>197,149</u>
		<u>342,884</u>
Solid Waste Disposal	Agency Funds	<u>13,200</u>
West Central Landfill	Agency Funds	<u>98,070</u>
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	5,000
	Nonmajor Enterprise Funds	3,155
	Agency Funds	<u>35,524</u>
		<u>43,679</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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>
Agency Funds	General	\$ 8,848
	Public Safety	57
	Nonmajor Governmental Funds	2,409
	Internal Service Funds	3,648
	Nonmajor Enterprise Funds	<u>160,355</u>
		<u>175,317</u>
Component Units	Internal Service Funds	31
	Agency Funds	<u>28,677</u>
		<u>28,708</u>
		<u>\$ 4,177,938</u>

Due to/from other funds include \$299,025 detailed below, which will be repaid beyond one year.

Due to General Reserves from Shasta County Redevelopment Agency	\$ 79,313
Due to General Reserves from CSA #3 Castella Water	7,500
Due to General Reserves from Public Safety Fund	<u>211,812</u>
	<u>\$ 299,025</u>

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	\$ <u>964,311</u>
Internal Service Funds	Nonmajor Enterprise Funds	<u>518,579</u>
Agency	General	35,029
	Nonmajor Governmental Funds	5,793
	Internal Service Funds	<u>13,298</u>
		<u>54,120</u>
		<u>\$ 1,537,010</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

Interfund Receivables/Payables (continued)

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, 2006, consisted of the following:

<u>Paying Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Public Safety	\$ 20,340,678	Funding of operational expenditures
	Governmental Funds	3,456,038	Funding of operational expenditures
	Internal Service Funds	<u>1,274,741</u>	Purchase of vehicles and funding operational expenses
		<u>25,071,457</u>	
Public Safety	General	540,626	Funding of capital improvement projects and share of Social Services program
	Internal Service Funds	<u>51,269</u>	Purchase of vehicles
		<u>591,895</u>	
Nonmajor Government Funds	General	\$ 1,434,013	Funding of capital improvement projects and share of Social Service program
	Public Safety	500,190	Funding of capital improvement projects
	Internal Service Funds	<u>11,973</u>	Purchase of computer equipment
		<u>1,946,176</u>	
West Central Landfill	Solid Waste Disposal	<u>1,168,665</u>	Funding of capital improvement projects
Internal Service Funds	General	281,271	Funding of long-term debt payment for energy retrofit
	Internal Service Funds	<u>18,514</u>	Purchase of vehicle and computer equipment
		<u>299,785</u>	
		<u>\$ 29,077,978</u>	

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
Bonds Payable:					
Lease revenue bonds	\$ 55,380,000	\$ --	\$ 1,445,000	\$ 53,935,000	\$ 1,490,000
Unamortized bond premium	1,323,959	--	47,567	1,276,392	--
Special assessment bonds	<u>718,000</u>	--	<u>718,000</u>	--	--
Total Bonds Payable	57,421,959	--	2,210,567	55,211,392	1,490,000
Claims liability	18,888,000	177,917	4,185,917	14,880,000	--
Capital lease obligations	2,201,732	--	210,846	1,990,886	210,443
Compensated absences	<u>8,771,154</u>	<u>348,726</u>	--	<u>9,119,880</u>	--
Governmental Activities Long-Term Liabilities	<u>\$ 87,282,845</u>	<u>\$ 526,643</u>	<u>\$ 6,607,330</u>	<u>\$ 81,202,158</u>	<u>\$ 1,700,443</u>
Business-Type Activities					
Bonds payable	\$ 5,111,686	\$ --	\$ 596,801	\$ 4,514,885	\$ 638,841
Notes payable	397,120	--	28,423	368,697	29,744
Liability for landfill closure/ Postclosure care cost	<u>12,221,279</u>	<u>1,032,197</u>	--	<u>13,253,476</u>	--
Business-Type Activity Long-Term Liabilities	<u>\$ 17,730,085</u>	<u>\$ 1,032,197</u>	<u>\$ 625,224</u>	<u>\$ 18,137,058</u>	<u>\$ 668,585</u>

B. Summary of Long-Term Obligations

	<u>Date of</u> <u>Issue</u>	<u>Date of</u> <u>Maturity</u>	<u>Interest</u> <u>Rates</u>	<u>Annual</u> <u>Principal</u> <u>Installments</u>	<u>Original</u> <u>Issue</u> <u>Amount</u>	<u>Outstanding at</u> <u>June 30, 2006</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	\$ 7,270,000
2003 Lease Revenue Bonds – Administration Center	2003	2024	4.00-5.25%	\$750,000 - \$2,735,000	42,575,000	41,825,000
2003 Refunding Lease Revenue Bonds Justice Center	2004	2014	2.00-4.125%	\$420,000 - \$645,000	5,705,000	<u>4,840,000</u>
						<u>53,935,000</u>
Total Governmental Bonds Payable						<u>\$ 53,935,000</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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, 2006</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	\$ 2,880,000
CSA No. 3 (Castella) Special Assessment Bonds	1981	2021	5.00%	\$1,000 - \$10,500	134,500	75,500
CSA No. 6 (Jones Valley) 1980 Revenue Bonds	1980	2020	5.00%	\$7,000 - \$30,000	537,000	318,000
CSA No. 6 (Jones Valley) Limited Obligation Bonds	1998	2038	4.75%	\$6,357 - \$38,000	802,789	657,000
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	439,000
CSA No. 17 (Cottonwood) Sewer Bonds – Series C	1986	2026	7.75%	\$500 - \$8,000	114,408	90,500
CSA No. 23 (Crag View) Water Bonds – Series A	1974	2013	5.00%	\$1,000 - \$4,000	103,000	28,000
CSA No. 23 (Crag View) Water Bonds – Series B	1975	2013	5.00%	\$185 - \$1,172	20,000	<u>6,885</u>
						<u>4,514,885</u>
Notes Payable:						
CSA No. 2 (Sugar Loaf) Note Payable	1978	2016	5.00%	\$1,718 - \$73,206	73,206	39,159
CSA No. 11 (French Gulch) Note Payable	1995	2019	3.41%	\$5,389 - \$24,063	420,000	269,765
Fall River Mills Airport Note Payable	1998	2011	5.05%	\$3,753 - \$9,821	90,000	52,548
CSA No. 25 (Keswick) Note Payable	1989	2008	2.50-6.20%	\$678 - \$2,925	41,600	<u>7,248</u>
						<u>368,720</u>
						<u>\$ 4,883,605</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

B. Summary of Long-Term Obligations (continued)

As of June 30, 2006, annual debt service requirements of governmental activities to maturity are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>					
	<u>Lease Revenue Bonds</u>					
	<u>Principal</u>	<u>Interest</u>				
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	1,745,000	2,361,427				
2012 – 2016	9,455,000	10,545,026				
2017 – 2021	9,060,000	8,336,075				
2022 – 2026	10,735,000	5,698,850				
2027 – 2031	11,275,000	3,081,000				
2032 – 2036	<u>5,340,000</u>	<u>403,750</u>				
	<u>\$ 53,935,000</u>	<u>\$ 40,502,861</u>				
	<u>Business-Type Activities</u>					
<u>Year Ending</u> <u>June 30</u>	<u>Bonds Payable</u>		<u>Notes Payable</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2007	\$ 638,841	\$ 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	608,522	77,989	32,128	8,943		
2012 – 2016	318,738	304,820	131,805	27,055		
2017 – 2021	365,500	215,426	82,123	5,678		
2022 – 2026	283,000	132,591	--	--		
2027 – 2031	128,000	76,765	--	--		
2032 – 2036	151,000	44,531	--	--		
2037 – 2041	<u>109,000</u>	<u>7,909</u>	<u>--</u>	<u>--</u>		
	<u>\$ 4,514,885</u>	<u>\$ 1,499,313</u>	<u>\$ 368,697</u>	<u>\$ 90,012</u>		

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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 of 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	\$ 4,578,137
Compensated time-off	427,836
Administrative leave	342,909
Holiday credit	299,059
Sick leave – gross amount	<u>3,471,939</u>
Total	<u>\$ 9,119,880</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, 2006</u>
Aircon Energy Retrofit	5.26%	\$ 1,908,010
CSS telephone	4.67%	<u>82,876</u>
		<u>\$ 1,990,886</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

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

	Governmental Activities
Aircon Energy Retrofit	\$ 2,763,332
CSS telephone	159,064
Less: accumulated depreciation	(1,512,781)
	\$ 1,409,615

As of June 30, 2006, future minimum lease payments under capital leases was as follows:

Year Ending June 30	Governmental Activities
2007	\$ 311,719
2008	311,720
2009	309,182
2010	281,271
2011	281,271
2012-2015	984,445
Total Future Minimum Lease Payments	2,479,608
Less: Interest	(488,722)
Present Value of Remaining Lease Payments	\$ 1,990,886

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 \$13,253,476 as

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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 52.59 percent of the landfill site. It is estimated that an additional \$11,496,524 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 \$13,253,476 and the County has set aside \$6,124,791, resulting in an unfunded liability of \$5,821,733. 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, 2006

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

	<u>Children and Families First Commission</u>	<u>Rural Transportation Planning Agency</u>	<u>Total</u>
Current and other assets	\$ 4,093,159	\$ 1,402,152	\$ 5,495,311
Capital assets	--	34,409	34,409
Total Assets	<u>4,093,159</u>	<u>1,436,561</u>	<u>5,529,720</u>
Current and other liabilities	5,237	--	5,237
Long-term liabilities	463,148	125,774	588,922
Total Liabilities	<u>468,385</u>	<u>125,774</u>	<u>594,159</u>
Invested in capital assets, net	--	34,409	34,409
Restricted	--	--	--
Unrestricted	3,624,774	1,276,378	4,901,152
Total Net Assets	<u>\$ 3,624,774</u>	<u>\$ 1,310,787</u>	<u>\$ 4,935,561</u>
Revenues			
Aid from other governments	\$ 2,014,745	\$ 2,045,367	\$ 4,060,112
Use of money and property	138,513	53,609	192,122
Miscellaneous	--	798	798
Total Revenues	<u>2,153,258</u>	<u>2,099,774</u>	<u>4,253,032</u>
Expenses			
Operating expenses	2,615,748	2,301,456	4,917,204
Depreciation	--	5,519	5,519
Total Expenses	<u>2,615,748</u>	<u>2,306,975</u>	<u>4,922,723</u>
Change in net assets	(462,490)	(207,201)	(669,691)
Net assets, beginning	4,104,182	1,517,988	5,622,170
Prior period adjustment	<u>(16,918)</u>	<u>--</u>	<u>(16,918)</u>
Net assets, ending	<u>\$ 3,624,774</u>	<u>\$ 1,310,787</u>	<u>\$ 4,935,561</u>

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2006

Note 10: Fund Balances

The following is a summary of fund balances at June 30, 2006:

	General Fund	Public Safety Fund	Other Governmental Funds
Reserved			
General	\$ 3,368,358	\$ --	\$ --
Fiscal agents	580,488	--	--
Imprest accounts	45,515	60,475	3,850
Inventories	--	--	387,468
Encumbrances	228,121	207,987	3,828,908
Total Reserved	4,222,482	268,462	4,220,226
Unreserved			
Designated			
General purpose use	24,035,834	100,000	9,358,681
Notes receivable	--	--	2,821,017
Capital projects	45,666	--	9,018,255
Child support services lease	--	--	1,600,000
Fiscal agent	--	--	784,812
Fair value of investments	958,616	15,357	355,414
Equipment acquisition	45,939	52,225	--
Tobacco settlement	3,674,120	--	--
SB90 mandated cost receivable	2,226,869	1,246,421	--
Animal control shelter	248,496	--	--
DA misdemeanor diversion program	--	12,750	--
Bureau of Land Management deficit	--	--	28,420
Total Designated Unrestricted	31,235,540	1,426,753	23,966,599
Designated Restricted			
Shingletown runway	78,957	--	--
Vital statistics	42,944	--	109,898
Recorder modernization	747,113	--	--
Recorder micrographics	265,798	--	--
Animal control spay/neuter	15,702	--	--
Federal grazing	15,605	--	--
Parks	35,000	--	--
Quality control	21,927	--	--
Recaptured payments	31,004	--	--
CAA United Way Donation	3,547	--	--
Smara	76,084	--	--
Document payment program	32,296	--	--
Solid waste program	136,439	--	299,295
Alcohol education prevention	16,399	--	--
Alcohol programs	78,017	--	--
CPS donation	8,522	--	--
Knighten Road Beetle mitigation	--	--	299,589
CCS donation	--	--	22,318
City of Shasta Lake Grant	--	--	380,000
Asset/forfeiture	--	143,000	--
Program sales	--	102,483	--
Proposition 172 sales tax	--	2,515,325	--
DMV remote access	--	218,880	--
Car seat program	--	--	49,865
Air quality management SB 2766	--	--	880,110
Zone of Benefit Traffic Impact	--	--	2,545,063
Fire Zone Measure B	--	--	48,580
Total Designated Restricted	1,605,354	2,979,688	4,634,538
Total Designated	32,840,894	4,406,441	28,601,137
Undesignated	20,944,264	2,174,491	6,406,043
Total Unreserved	53,786,083	6,580,932	35,007,180
Total Fund Balances	\$ 58,007,640	\$ 6,849,394	\$ 39,227,406

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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, 2006, 649 participants were on the plan at a cost to the County of \$2,643,193.

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, 2006, were as follows:

General liability	\$ 1,949,000
Workers’ compensation	<u>12,931,000</u>
Total	<u>\$ 14,880,000</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, 2006

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, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Balance, Beginning of Year claims liability	\$18,888,000	\$17,174,000
Current year claims and changes in estimates	177,917	5,115,247
Claim payments	<u>(4,185,917)</u>	<u>(3,401,247)</u>
Balance, End of Year	<u>\$14,880,000</u>	<u>\$18,888,000</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, 2006

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 2005-2006, was 10.811 percent for miscellaneous employees and 25.851 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 2005-2006, the County of Shasta's annual pension cost was \$9,222,728 and the County of Shasta actually contributed \$9,222,728. The required contribution for fiscal year 2005-2006 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, 2006, 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</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2004	\$ 1,423,982	100%	\$ --
6/30/2005	6,148,051	100%	--
6/30/2006	9,222,728	100%	--

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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, 2006:

1) 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. On September 12, 2006 the term was extended to September 25, 2001. The agreement was subsequently amended on February 19, 2002, on August 5, 2003, on November 2, 2004, on October 18, 2005, on August 8, 2006, and on September 12, 2006 increasing the total compensation to \$1,227,000.

October 4, 2005, awarded to the low bidder, Meyers Earthwork, Inc., the contract for construction in the amount of \$3,426,583. On September 12, 2006, awarded to the low bidder, Meyers Earthwork, Inc., the contract for construction on Phase II in the amount of \$2,479,147.

April 18, 2006, awarded to the low bidder, Lackman Construction, the construction contract for the Phase I Hangar element in the amount of \$486,000; and approved and authorized two contracts with Pacific Gas & Electric in the amounts of \$41,522 and \$103,539 for the modification of electrical facilities near the airport.

2) 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 and on December 13, 2005 increasing the total compensation for an amount not to exceed \$884,094.

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.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2006

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

A. **Commitments** (continued)

2) Shasta County Library – Redding Main Project (continued)

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

July 18, 2006, authorized an agreement with Jan Scanlin Glass in the amount of \$43,000 to create, furnish, and install a “Giving Tree” and authorized issuance of purchase orders: to Froke Library Sales of \$148,276 for furniture; to Ross McDonald Co., Inc. of \$23,858 for children’s furniture and \$591,445 for shelving.

October 10, 2006, authorized purchase orders for seating and office furniture as follows: \$42,334 to Michaels Business Furnishings; \$157,909 to Office Depot, Inc.; \$178,622 to United Corporate Furnishings, Inc.; and \$43,155 to K1.

3) Other Construction Projects

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.

February 14, 2006, awarded to the low bidder, A.J. Vasconi General Engineering, on a unit-cost basis, the contract for construction on the Cove Road at Hatchet Creek Bridge Replacement project in the amount of \$975,031.

April 4, 2006, awarded to the low bidder, Shasta Constructors, Inc., the contract for construction on the Blue Jay Lane at Anderson Creek Bridge Replacement project in the amount of \$996,566.

April 18, 2006, for the West Central Landfill Unit 4A Project, relieved the low bidder from its bid; and awarded to the second lowest bidder, Ford Construction, Inc., on a unit-cost basis, the construction contract in the amount of \$5,981,917.

April 25, 2006, awarded to the low bidder, Shasta Constructors, Inc., in a unit-cost basis, the contract for construction of the Lone Tree Road at Anderson Creek Bridge Replacement project in the amount of \$794,765.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2006

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

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, 2006 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.

Note 15: **Prior Period Adjustments**

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

Shasta Housing Rehab Fund – Close out the Community Development Grant loan expenditures in the amount of (\$295,593).

Shasta Housing Rehab Fund – An adjustment of \$300,481 to recognize defeased loans.

Note 16: **Deficit Fund Equity**

The Shasta RDA special revenue fund had a deficit fund balance of \$95,559 at year end. The West Central Landfill enterprise fund had deficit fund equity of \$471,965. 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, 2006**

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, 2006

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable
				(Unfavorable)
				Final to Actual
Revenues:				
Taxes	\$ 29,399,066	\$ 29,399,066	\$ 38,053,740	\$ 8,654,674
Licenses and permits	3,686,393	3,686,393	4,049,309	362,916
Fines and forfeitures	3,717,387	3,967,387	3,800,316	(167,071)
Use of money and property	1,015,781	1,013,781	3,008,435	1,994,654
Intergovernmental	118,942,359	121,510,713	116,699,561	(4,811,152)
Charges for services	9,651,790	9,691,790	9,945,346	253,556
Miscellaneous	4,129,726	4,170,748	3,865,261	(305,487)
Total Revenues	<u>170,542,502</u>	<u>173,439,878</u>	<u>179,421,968</u>	<u>5,982,090</u>
Expenditures:				
Current:				
General government	17,961,538	18,732,081	13,081,094	5,650,987
Public protection	16,273,412	16,496,488	15,647,696	848,792
Public ways and facilities	167,895	10,000	1,000	9,000
Health and sanitation	36,395,072	36,424,312	37,556,816	(1,132,504)
Public assistance	88,120,634	89,101,817	80,475,213	8,626,604
Education	1,458,681	1,497,183	1,360,592	136,591
Recreation	259,084	259,044	131,568	127,476
Debt Service	281,271	281,271	281,271	--
Total Expenditures	<u>160,917,587</u>	<u>162,802,196</u>	<u>148,535,250</u>	<u>14,266,946</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>9,624,915</u>	<u>10,637,682</u>	<u>30,886,718</u>	<u>20,249,036</u>
Other Financing Sources (Uses):				
Transfers in	8,206,656	9,384,247	2,255,910	(7,128,337)
Transfers out	(32,698,493)	(33,472,938)	(25,071,457)	8,401,481
Sale of fixed assets	306,000	306,000	301,447	(4,553)
Net Financing Sources (Uses)	<u>(24,185,837)</u>	<u>(23,782,691)</u>	<u>(22,514,100)</u>	<u>1,268,591</u>
Net Change in Fund Balances	(14,560,922)	(13,145,009)	8,372,618	21,517,627
Fund Balance - Beginning	49,635,022	49,635,022	49,635,022	--
Fund Balance - Ending	<u>\$ 35,074,100</u>	<u>\$ 36,490,013</u>	<u>\$ 58,007,640</u>	<u>\$ 21,517,627</u>

COUNTY OF SHASTA

Public Safety Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
Revenues:				
Taxes	\$ 13,006,498	\$ 13,038,519	\$ 14,546,044	\$ 1,507,525
Licenses and permits	23,550	23,550	24,568	1,018
Fines and forfeitures	362,137	362,137	327,490	(34,647)
Use of money and property	(29,500)	(29,500)	41,559	71,059
Intergovernmental	7,126,729	7,876,685	7,318,976	(557,709)
Charges for services	4,802,303	4,827,303	4,427,667	(399,636)
Miscellaneous	249,273	249,273	271,910	22,637
Total Revenues	<u>25,540,990</u>	<u>26,347,967</u>	<u>26,958,214</u>	<u>610,247</u>
Expenditures:				
Current:				
Public Protection	48,903,242	49,086,621	45,665,814	3,420,807
Total Expenditures	<u>48,903,242</u>	<u>49,086,621</u>	<u>45,665,814</u>	<u>3,420,807</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(23,362,252)</u>	<u>(22,738,654)</u>	<u>(18,707,600)</u>	<u>4,031,054</u>
Other Financing Sources (Uses):				
Transfers in	20,812,734	20,867,734	20,840,868	(26,866)
Transfers out	(18,628)	(647,226)	(591,895)	55,331
Sale of fixed assets	--	--	398	398
Net Financing Sources (Uses)	<u>20,794,106</u>	<u>20,220,508</u>	<u>20,249,371</u>	<u>28,863</u>
Net Change in Fund Balance	(2,568,146)	(2,518,146)	1,541,771	4,059,917
Fund Balance - Beginning	5,307,623	5,307,623	5,307,623	--
Fund Balance - Ending	<u>\$ 2,739,477</u>	<u>\$ 2,789,477</u>	<u>\$ 6,849,394</u>	<u>\$ 4,059,917</u>

COUNTY OF SHASTA

Required Supplementary Information For the Fiscal Year Ended June 30, 2006

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, 2006

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments	\$ 25,209,807	\$ 119,440	\$ 7,698,555	\$ 33,027,802
Accounts receivable	38,891	--	--	38,891
Due from other county funds	368,575	920	17,987	387,482
Due from other governments	3,977,552	--	3,549,501	7,527,053
Advances to other funds	964,311	--	--	964,311
Inventories	387,468	--	--	387,468
Prepaid items	621,705	--	--	621,705
Special Assessment Receivable	174,069	--	--	174,069
Notes receivable	2,821,017	--	--	2,821,017
Total Assets	<u>\$ 34,563,395</u>	<u>\$ 120,360</u>	<u>\$ 11,266,043</u>	<u>\$ 45,949,798</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,596,065	--	1,987,700	3,583,765
Salaries and benefits payable	1,399,416	--	--	1,399,416
Due to other county funds	387,440	--	36	387,476
Advances from other funds	970,104	--	--	970,104
Due to other governments	52,402	--	--	52,402
Deposits from others	234,538	--	--	234,538
Deferred revenue	94,691	--	--	94,691
Total Liabilities	<u>4,734,656</u>	<u>--</u>	<u>1,987,736</u>	<u>6,722,392</u>
 Fund Balances:				
Reserved	3,830,414	--	389,812	4,220,226
Unreserved:				
Designated	20,648,377	--	7,952,760	28,601,137
Undesignated	5,349,948	120,360	935,735	6,406,043
Total Fund Balance	<u>29,828,739</u>	<u>120,360</u>	<u>9,278,307</u>	<u>39,227,406</u>
Total Liabilities and Fund Balances	<u>\$ 34,563,395</u>	<u>\$ 120,360</u>	<u>\$ 11,266,043</u>	<u>\$ 45,949,798</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, 2006

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$ 4,965,381	\$ --	\$ --	\$ 4,965,381
Licenses and permits	264,422	--	--	264,422
Fines & forfeitures	141,520	--	--	141,520
Use of money and property	1,207,531	(3,391)	368,775	1,572,915
Intergovernmental	32,577,611	--	8,430,852	41,008,463
Charges for other services	3,454,790	1,439	--	3,456,229
Miscellaneous revenue	694,753	--	1,505,000	2,199,753
Total Revenues	<u>43,306,008</u>	<u>(1,952)</u>	<u>10,304,627</u>	<u>53,608,683</u>
Expenditures:				
Current				
General government	--	--	11,184,442	11,184,442
Public protection	12,925,850	--	--	12,925,850
Public assistance	677,370	--	--	677,370
Public ways and facilities	17,975,059	--	--	17,975,059
Health and sanitation	16,437,690	--	--	16,437,690
Debt Service	--	735,950	--	735,950
Total Expenditures	<u>48,015,969</u>	<u>735,950</u>	<u>11,184,442</u>	<u>59,936,361</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,709,961)</u>	<u>(737,902)</u>	<u>(879,815)</u>	<u>(6,327,678)</u>
Other Financing Sources (Uses):				
Transfers in	3,156,038	--	300,000	3,456,038
Transfers out	(76,250)	--	(1,869,926)	(1,946,176)
Sale of Fixed Assets	53,001	--	--	53,001
Total Other Financing Sources (Uses)	<u>3,132,789</u>	<u>--</u>	<u>(1,569,926)</u>	<u>1,562,863</u>
Net Change in Fund Balances	<u>(1,577,172)</u>	<u>(737,902)</u>	<u>(2,449,741)</u>	<u>(4,764,815)</u>
Fund Balances - Beginning	31,401,023	858,262	11,728,048	43,987,333
Prior Period Adjustments	4,888	--	--	4,888
Fund Balances - Beginning as Restated	<u>31,405,911</u>	<u>858,262</u>	<u>11,728,048</u>	<u>43,992,221</u>
Fund Balances - Ending	<u>\$ 29,828,739</u>	<u>\$ 120,360</u>	<u>\$ 9,278,307</u>	<u>\$ 39,227,406</u>

SPECIAL REVENUE FUNDS

COUNTY OF SHASTA

Combining Balance Sheet
Special Revenue Funds
June 30, 2006

	Endangered Species	Substance Abuse Fund	Roads Fund	Roads SVAP Fund
ASSETS				
Cash and investments	\$ 307,280	\$ 165,404	\$ 7,309,369	\$ 34,431
Accounts receivable	--	--	2,260	--
Due from other county funds	2,341	4,739	61,990	18,829
Due from other governments	--	--	1,420,847	--
Advances to other funds	--	--	--	964,311
Inventories	--	--	387,468	--
Prepaid items	--	--	--	--
Special Assessment Receivable	--	--	--	--
Notes receivable	--	--	--	--
Total Assets	<u>\$ 309,621</u>	<u>\$ 170,143</u>	<u>\$ 9,181,934</u>	<u>\$ 1,017,571</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	7,268	7,233	682,981	--
Salaries and benefits payable	--	19,489	411,091	--
Due to other county funds	--	7,552	25,122	--
Advances from other funds	--	--	5,793	--
Due to other governments	--	--	5,451	--
Deposits from others	--	--	234,538	--
Deferred revenue	--	--	--	--
Total Liabilities	<u>7,268</u>	<u>34,274</u>	<u>1,364,976</u>	<u>--</u>
Fund Balances:				
Reserved	--	100	1,951,986	--
Unreserved:				
Designated	302,353	78,066	5,711,291	992,073
Undesignated	--	57,703	153,681	25,498
Total Fund Balance	<u>302,353</u>	<u>135,869</u>	<u>7,816,958</u>	<u>1,017,571</u>
Total Liabilities and Fund Balances	<u>\$ 309,621</u>	<u>\$ 170,143</u>	<u>\$ 9,181,934</u>	<u>\$ 1,017,571</u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued) Special Revenue Funds June 30, 2006

	Child Support Services	County Transit Fund	Public Health	Shasta Housing Fund
ASSETS				
Cash and investments	\$ 2,853,376	\$ 13,749	\$ 7,652,222	\$ 869,474
Accounts receivable	2,750	--	33,881	--
Due from other county funds	25,986	6,122	136,982	8,444
Due from other governments	156,108	--	2,093,752	82,365
Advances to other funds	--	--	--	--
Inventories	--	--	--	--
Prepaid items	1,680	--	100,025	380,000
Special Assessment Receivable	--	--	--	--
Notes receivable	--	--	--	2,821,017
Total Assets	\$ 3,039,900	\$ 19,871	\$ 10,016,862	\$ 4,161,300
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	10,501	--	217,154	14,263
Salaries and benefits payable	334,390	--	592,202	7,697
Due to other county funds	18,376	--	55,830	3,271
Advances from other funds	--	--	--	--
Due to other governments	10	12,027	34,914	--
Deposits from others	--	--	--	--
Deferred revenue	--	--	70,942	23,749
Total Liabilities	363,277	12,027	971,042	48,980
 Fund Balances:				
Reserved	61,538	--	1,012,687	--
Unreserved:				
Designated	2,159,768	7,805	4,695,056	4,112,320
Undesignated	455,317	39	3,338,077	--
Total Fund Balance	2,676,623	7,844	9,045,820	4,112,320
Total Liabilities and Fund Balances	\$ 3,039,900	\$ 19,871	\$ 10,016,862	\$ 4,161,300

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
Special Revenue Funds
June 30, 2006

	<u>County Water Agency</u>	<u>Air Quality Management</u>	<u>Fire Protection CSA #1</u>	<u>Shasta RDA</u>
ASSETS				
Cash and investments	\$ 370,101	\$ 1,842,540	\$ 2,065,371	\$ --
Accounts receivable	--	--	--	--
Due from other county funds	10,003	15,044	53,205	--
Due from other governments	10,708	91,966	31,861	--
Advances to other funds	--	--	--	--
Inventories	--	--	--	--
Prepaid items	--	140,000	--	--
Special Assessment Receivable	--	--	--	--
Notes receivable	--	--	--	--
Total Assets	<u><u>\$ 390,812</u></u>	<u><u>\$ 2,089,550</u></u>	<u><u>\$ 2,150,437</u></u>	<u><u>\$ --</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	21,336	66,011	373,690	--
Salaries and benefits payable	--	27,422	7,125	--
Due to other county funds	--	680	236	95,559
Advances from other funds	--	--	--	--
Due to other governments	--	--	--	--
Deposits from others	--	--	--	--
Deferred revenue	--	--	--	--
Total Liabilities	<u>21,336</u>	<u>94,113</u>	<u>381,051</u>	<u>95,559</u>
Fund Balances:				
Reserved	62,532	216,801	521,247	--
Unreserved:				
Designated	141,104	1,314,306	716,583	--
Undesignated	<u>165,840</u>	<u>464,330</u>	<u>531,556</u>	<u>(95,559)</u>
Total Fund Balance	<u>369,476</u>	<u>1,995,437</u>	<u>1,769,386</u>	<u>(95,559)</u>
Total Liabilities and Fund Balances	<u><u>\$ 390,812</u></u>	<u><u>\$ 2,089,550</u></u>	<u><u>\$ 2,150,437</u></u>	<u><u>\$ --</u></u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
 Special Revenue Funds
 June 30, 2006

	In-Home Support Services	Inmate Welfare Fund	Lighting Districts
ASSETS			
Cash and investments	\$ --	\$ 423,613	\$ 359,884
Accounts receivable	--	--	--
Due from other county funds	559	2,821	4,938
Due from other governments	89,945	--	--
Advances to other funds	--	--	--
Inventories	--	--	--
Prepaid items	--	--	--
Special Assessment Receivable	--	--	--
Notes receivable	--	--	--
Total Assets	<u>\$ 90,504</u>	<u>\$ 426,434</u>	<u>\$ 364,822</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	2,756	507	--
Salaries and benefits payable	--	--	--
Due to other county funds	55,263	106,722	--
Advances from other funds	--	--	--
Due to other governments	--	--	--
Deposits from others	--	--	--
Deferred revenue	--	--	--
Total Liabilities	<u>58,019</u>	<u>107,229</u>	<u>--</u>
Fund Balances:			
Reserved	50	--	--
Unreserved:			
Designated	--	4,721	332,287
Undesignated	32,435	314,484	32,535
Total Fund Balance	<u>32,485</u>	<u>319,205</u>	<u>364,822</u>
Total Liabilities and Fund Balances	<u>\$ 90,504</u>	<u>\$ 426,434</u>	<u>\$ 364,822</u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
Special Revenue Funds
June 30, 2006

	County Service Areas	Permanent Road Divisions	Total Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 99,429	\$ 843,564	\$ 25,209,807
Accounts receivable	--	--	38,891
Due from other county funds	2,157	14,415	368,575
Due from other governments	--	--	3,977,552
Advances to other funds	--	--	964,311
Inventories	--	--	387,468
Prepaid items	--	--	621,705
Special Assessment Receivable	30,270	143,799	174,069
Notes receivable	--	--	2,821,017
Total Assets	<u>\$ 131,856</u>	<u>\$ 1,001,778</u>	<u>\$ 34,563,395</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	--	192,365	1,596,065
Salaries and benefits payable	--	--	1,399,416
Due to other county funds	--	18,829	387,440
Advances from other funds	29,670	934,641	970,104
Due to other governments	--	--	52,402
Deposits from others	--	--	234,538
Deferred revenue	--	--	94,691
Total Liabilities	<u>29,670</u>	<u>1,145,835</u>	<u>4,734,656</u>
Fund Balances:			
Reserved	--	3,473	3,830,414
Unreserved:			
Designated	80,644	--	20,648,377
Undesignated	21,542	(147,530)	5,349,948
Total Fund Balance	<u>102,186</u>	<u>(144,057)</u>	<u>29,828,739</u>
Total Liabilities and Fund Balances	<u>\$ 131,856</u>	<u>\$ 1,001,778</u>	<u>\$ 34,563,395</u>

COUNTY OF SHASTA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

	<u>Endangered Species</u>	<u>Substance Abuse Fund</u>	<u>Roads Funds</u>	<u>Road SVAP Fund</u>
Revenues:				
Taxes	\$ --	\$ --	\$ 3,118,330	\$ --
Licenses and permits	--	--	18,236	--
Fines & forfeitures	--	--	--	--
Use of money and property	11,285	13,308	253,571	--
Intergovernmental	--	683,110	10,514,055	--
Charges for other services	--	19,630	1,290,705	33,600
Miscellaneous revenue	--	--	40,307	--
Total Revenues	<u>11,285</u>	<u>716,048</u>	<u>15,235,204</u>	<u>33,600</u>
Expenditures:				
Current				
General government	--	--	--	--
Public protection	17,885	--	--	--
Public assistance	--	--	--	--
Public ways and facilities	--	--	16,696,519	44,102
Health and sanitation	--	768,300	--	--
Total Expenditures	<u>17,885</u>	<u>768,300</u>	<u>16,696,519</u>	<u>44,102</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,600)</u>	<u>(52,252)</u>	<u>(1,461,315)</u>	<u>(10,502)</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	--	--	(11,973)	--
Sale of fixed assets	--	--	40,290	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>28,317</u>	<u>--</u>
Net Change in Fund Balances	<u>(6,600)</u>	<u>(52,252)</u>	<u>(1,432,998)</u>	<u>(10,502)</u>
Fund Balances - Beginning	308,953	188,121	9,249,956	1,028,073
Prior Period Adjustments	--	--	--	--
Fund Balances - Beginning as Restated	<u>308,953</u>	<u>188,121</u>	<u>9,249,956</u>	<u>1,028,073</u>
Fund Balances - Ending	<u>\$ 302,353</u>	<u>\$ 135,869</u>	<u>\$ 7,816,958</u>	<u>\$ 1,017,571</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, 2006

	<u>Child Support Services</u>	<u>County Transit Fund</u>	<u>Public Health</u>	<u>Shasta Housing Fund</u>
Revenues:				
Taxes	\$ --	\$ 123,604	\$ --	\$ --
Licenses and permits	--	--	4,730	--
Fines & forfeitures	--	--	7,338	--
Use of money and property	141,472	71	257,929	83,925
Intergovernmental	8,076,736	--	11,430,655	150,017
Charges for other services	--	--	1,180,982	140
Miscellaneous revenue	29,263	--	427,812	--
Total Revenues	<u>8,247,471</u>	<u>123,675</u>	<u>13,309,446</u>	<u>234,082</u>
Expenditures:				
Current				
General government	--	--	--	--
Public protection	8,054,490	--	--	--
Public assistance	--	--	--	177,047
Public ways and facilities	--	123,600	--	--
Health and sanitation	--	--	14,748,652	--
Total Expenditures	<u>8,054,490</u>	<u>123,600</u>	<u>14,748,652</u>	<u>177,047</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>192,981</u>	<u>75</u>	<u>(1,439,206)</u>	<u>57,035</u>
Other Financing Sources (Uses):				
Transfers in	65,513	--	606,493	--
Transfers out	--	--	(64,277)	--
Sale of fixed assets	5,910	--	28	--
Total Other Financing Sources (Uses)	<u>71,423</u>	<u>--</u>	<u>542,244</u>	<u>--</u>
Net Change in Fund Balances	264,404	75	(896,962)	57,035
Fund Balances - Beginning	2,412,219	7,769	9,942,782	4,050,397
Prior Period Adjustments	--	--	--	4,888
Fund Balances - Beginning as Restated	<u>2,412,219</u>	<u>7,769</u>	<u>9,942,782</u>	<u>4,055,285</u>
Fund Balances - Ending	<u>\$ 2,676,623</u>	<u>\$ 7,844</u>	<u>\$ 9,045,820</u>	<u>\$ 4,112,320</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, 2006

	<u>County Water Agency</u>	<u>Air Quality Management</u>	<u>Fire Protection CSA #1</u>	<u>Shasta RDA</u>
Revenues:				
Taxes	\$ 119,842	\$ --	\$ 1,509,100	\$ --
Licenses and permits	--	205,520	35,936	--
Fines & forfeitures	--	133,895	287	--
Use of money and property	9,158	69,566	57,625	(3,483)
Intergovernmental	97,408	808,492	274,729	--
Charges for other services	26,538	17,142	624,202	--
Miscellaneous revenue	--	25	100,183	--
Total Revenues	<u>252,946</u>	<u>1,234,640</u>	<u>2,602,062</u>	<u>(3,483)</u>
Expenditures:				
Current				
General government	--	--	--	--
Public protection	--	--	4,565,098	--
Public assistance	--	--	--	--
Public ways and facilities	364,480	--	--	--
Health and sanitation	--	920,738	--	--
Total Expenditures	<u>364,480</u>	<u>920,738</u>	<u>4,565,098</u>	<u>--</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(111,534)</u>	<u>313,902</u>	<u>(1,963,036)</u>	<u>(3,483)</u>
Other Financing Sources (Uses):				
Transfers in	67,730	--	2,416,302	--
Transfers out	--	--	--	--
Sale of fixed assets	--	5,655	1,118	--
Total Other Financing Sources (Uses)	<u>67,730</u>	<u>5,655</u>	<u>2,417,420</u>	<u>--</u>
Net Change in Fund Balances	(43,804)	319,557	454,384	(3,483)
Fund Balances - Beginning	413,280	1,675,880	1,315,002	(92,076)
Prior Period Adjustments	--	--	--	--
Fund Balances - Beginning as Restated	<u>413,280</u>	<u>1,675,880</u>	<u>1,315,002</u>	<u>(92,076)</u>
Fund Balances - Ending	<u>\$ 369,476</u>	<u>\$ 1,995,437</u>	<u>\$ 1,769,386</u>	<u>\$ (95,559)</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, 2006

	<u>In-Home Support Services</u>	<u>Inmate Welfare Fund</u>	<u>Lighting Districts</u>
Revenues:			
Taxes	\$ --	\$ --	\$ 93,788
Licenses and permits	--	--	--
Fines & forfeitures	--	--	--
Use of money and property	(5,489)	264,774	12,573
Intergovernmental	511,816	--	2,243
Charges for other services	--	--	10,521
Miscellaneous revenue	6	96,002	1,155
Total Revenues	<u>506,333</u>	<u>360,776</u>	<u>120,280</u>
Expenditures:			
Current			
General government	--	--	--
Public protection	--	288,377	--
Public assistance	500,323	--	--
Public ways and facilities	--	--	73,828
Health and sanitation	--	--	--
Total Expenditures	<u>500,323</u>	<u>288,377</u>	<u>73,828</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,010</u>	<u>72,399</u>	<u>46,452</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	6,010	72,399	46,452
Fund Balances - Beginning	26,475	246,806	318,370
Prior Period Adjustments	--	--	--
Fund Balances - Beginning as Restated	<u>26,475</u>	<u>246,806</u>	<u>318,370</u>
Fund Balances - Ending	<u>\$ 32,485</u>	<u>\$ 319,205</u>	<u>\$ 364,822</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, 2006

	County Service Areas	Permanent Road Divisions	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ --	\$ 717	\$ 4,965,381
Licenses and permits	--	--	264,422
Fines & forfeitures	--	--	141,520
Use of money and property	5,978	35,268	1,207,531
Intergovernmental	--	28,350	32,577,611
Charges for other services	45,751	205,579	3,454,790
Miscellaneous revenue	--	--	694,753
Total Revenues	<u>51,729</u>	<u>269,914</u>	<u>43,306,008</u>
Expenditures:			
Current			
General government	--	--	--
Public protection	--	--	12,925,850
Public assistance	--	--	677,370
Public ways and facilities	61,342	611,188	17,975,059
Health and sanitation	--	--	16,437,690
Total Expenditures	<u>61,342</u>	<u>611,188</u>	<u>48,015,969</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,613)</u>	<u>(341,274)</u>	<u>(4,709,961)</u>
Other Financing Sources (Uses):			
Transfers in	--	--	3,156,038
Transfers out	--	--	(76,250)
Sale of fixed assets	--	--	53,001
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>3,132,789</u>
Net Change in Fund Balances	(9,613)	(341,274)	(1,577,172)
Fund Balances - Beginning	111,799	197,217	31,401,023
Prior Period Adjustments	--	--	4,888
Fund Balances - Beginning as Restated	<u>111,799</u>	<u>197,217</u>	<u>31,405,911</u>
Fund Balances - Ending	<u>\$ 102,186</u>	<u>\$ (144,057)</u>	<u>\$ 29,828,739</u>

CAPITAL PROJECTS FUNDS

COUNTY OF SHASTA

Combining Balance Sheet
 Non-Major Capital Projects Funds
 June 30, 2006

	Accumulated Capital Outlay	Courthouse Renovation	Library Building	Administration Building	Total Non-Major Capital Projects Funds
ASSETS					
Cash and investments	\$ 956,463	\$ 785,480	\$ 1,028,356	\$ 4,928,256	\$ 7,698,555
Accounts receivable	--	--	--	--	--
Due from other county funds	11,618	--	6,184	185	17,987
Due from other governments	--	--	3,549,501	--	3,549,501
Total Assets	<u>\$ 968,081</u>	<u>\$ 785,480</u>	<u>\$ 4,584,041</u>	<u>\$ 4,928,441</u>	<u>\$ 11,266,043</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	--	--	1,987,700	--	1,987,700
Due to other county funds	--	--	36	--	36
Total Liabilities	<u>--</u>	<u>--</u>	<u>1,987,736</u>	<u>--</u>	<u>1,987,736</u>
Fund Balances:					
Reserved	--	--	389,812	--	389,812
Unreserved:					
Designated	899,536	785,480	1,339,303	4,928,441	7,952,760
Undesignated	68,545	--	867,190	--	935,735
Total Fund Balance	<u>968,081</u>	<u>785,480</u>	<u>2,596,305</u>	<u>4,928,441</u>	<u>9,278,307</u>
Total Liabilities and Fund Balances	<u>\$ 968,081</u>	<u>\$ 785,480</u>	<u>\$ 4,584,041</u>	<u>\$ 4,928,441</u>	<u>\$ 11,266,043</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, 2006

	Accumulated Capital Outlay	Courthouse Renovation	Library Building	Administration Building	Total Non-Major Capital Projects Funds
Revenues:					
Use of money and property	\$ 56,041	\$ 28,047	\$ 58,460	\$ 226,227	\$ 368,775
Intergovernmental	--	--	8,430,852	--	8,430,852
Miscellaneous revenue	--	--	1,505,000	--	1,505,000
Total Revenues	<u>56,041</u>	<u>28,047</u>	<u>9,994,312</u>	<u>226,227</u>	<u>10,304,627</u>
Expenditures:					
Current					
General government	--	--	11,111,008	73,434	11,184,442
Total Expenditures	<u>--</u>	<u>--</u>	<u>11,111,008</u>	<u>73,434</u>	<u>11,184,442</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>56,041</u>	<u>28,047</u>	<u>(1,116,696)</u>	<u>152,793</u>	<u>(879,815)</u>
Other Financing Sources (Uses):					
Transfers in	--	--	300,000	--	300,000
Transfers out	<u>(606,636)</u>	<u>(64,656)</u>	<u>--</u>	<u>(1,198,634)</u>	<u>(1,869,926)</u>
Total Other Financing Sources (Uses)	<u>(606,636)</u>	<u>(64,656)</u>	<u>300,000</u>	<u>(1,198,634)</u>	<u>(1,569,926)</u>
Net Change in Fund Balances	(550,595)	(36,609)	(816,696)	(1,045,841)	(2,449,741)
Fund Balances - Beginning	<u>1,518,676</u>	<u>822,089</u>	<u>3,413,001</u>	<u>5,974,282</u>	<u>11,728,048</u>
Fund Balances - Ending	<u>\$ 968,081</u>	<u>\$ 785,480</u>	<u>\$ 2,596,305</u>	<u>\$ 4,928,441</u>	<u>\$ 9,278,307</u>

NONMAJOR ENTERPRISE FUNDS

COUNTY OF SHASTA

Combining Statement of Net Assets
Non-Major Enterprise Funds
June 30, 2006

	Falls River Mills Airport	CSA #3 Castella Water	CSA #2 Sugarloaf Water	CSA #6 Jones Valley Water
ASSETS				
Current assets:				
Cash and investments	\$ 179,876	\$ 84,613	\$ 24,405	\$ 221,662
Receivables, net	--	7,759	5,887	27,840
Due from other county funds	715	653	787	9,123
Due from other governments	290,958	--	--	--
Inventories	15,752	--	--	--
Total current assets	<u>487,301</u>	<u>93,025</u>	<u>31,079</u>	<u>258,625</u>
Noncurrent assets:				
Special assessment receivable	--	65,354	--	643,614
Capital assets, net	2,869,992	387,932	77,324	1,998,533
Total noncurrent assets	<u>2,869,992</u>	<u>453,286</u>	<u>77,324</u>	<u>2,642,147</u>
Total Assets	<u>3,357,293</u>	<u>546,311</u>	<u>108,403</u>	<u>2,900,772</u>
LIABILITIES				
Current liabilities:				
Accounts payable	367,418	260	506	767
Interest payable	1,548	1,888	898	14,565
Due to other county funds	--	8,696	--	2,111
Deposits from others	--	--	--	--
Bonds, notes, loans payable	7,480	3,500	3,420	25,000
Total current liabilities	<u>376,446</u>	<u>14,344</u>	<u>4,824</u>	<u>42,443</u>
Noncurrent Liabilities:				
Advances from other funds	--	--	--	--
Bonds, notes, loans payable	45,068	72,000	35,739	950,000
Total noncurrent liabilities	<u>45,068</u>	<u>72,000</u>	<u>35,739</u>	<u>950,000</u>
Total Liabilities	<u>421,514</u>	<u>86,344</u>	<u>40,563</u>	<u>992,443</u>
NET ASSETS				
Invested in capital assets, net	2,817,444	312,432	38,158	1,023,533
Restricted for debt service	--	76,323	5,378	32,500
Unrestricted	118,335	71,212	24,304	852,296
Total Net Assets	<u>\$ 2,935,779</u>	<u>\$ 459,967</u>	<u>\$ 67,840</u>	<u>\$ 1,908,329</u>

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued) Non-Major Enterprise Funds June 30, 2006

	CSA # 8 Palo Cedro	CSA #13 Alpine Meadows	CSA #25 Keswick Water	CSA #11 French Gulch
ASSETS				
Current assets:				
Cash and investments	\$ 1,278,951	\$ 14,203	\$ 80,983	\$ 69,325
Receivables, net	24,516	2,662	10,412	9,215
Due from other county funds	9,771	116	1,389	3,125
Due from other governments	--	--	--	--
Inventories	--	--	--	--
Total current assets	<u>1,313,238</u>	<u>16,981</u>	<u>92,784</u>	<u>81,665</u>
Noncurrent assets:				
Special assessment receivable	--	--	--	--
Capital assets, net	2,347,923	155,420	353,834	1,239,709
Total noncurrent assets	<u>2,347,923</u>	<u>155,420</u>	<u>353,834</u>	<u>1,239,709</u>
Total Assets	<u>3,661,161</u>	<u>172,401</u>	<u>446,618</u>	<u>1,321,374</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,273	45	231	309
Interest payable	--	--	76	2,300
Due to other county funds	--	--	--	11
Deposits from others	1,682	--	--	--
Bonds, notes, loans payable	20,000	--	2,807	16,037
Total current liabilities	<u>22,955</u>	<u>45</u>	<u>3,114</u>	<u>18,657</u>
Noncurrent Liabilities:				
Advances from other funds	--	--	--	--
Bonds, notes, loans payable	--	--	4,441	253,728
Total noncurrent liabilities	<u>--</u>	<u>--</u>	<u>4,441</u>	<u>253,728</u>
Total Liabilities	<u>22,955</u>	<u>45</u>	<u>7,555</u>	<u>272,385</u>
NET ASSETS				
Invested in capital assets, net	2,327,923	155,420	346,585	969,927
Restricted for debt service	--	--	7,099	25,101
Unrestricted	1,310,283	16,936	85,379	53,961
Total Net Assets	<u>\$ 3,638,206</u>	<u>\$ 172,356</u>	<u>\$ 439,063</u>	<u>\$ 1,048,989</u>

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued)
 Non-Major Enterprise Funds
 June 30, 2006

	CSA # 17 Cotton- wood	CSA #23 Crag View Water	Total Non-Major Enterprise Funds
ASSETS			
Current assets:			
Cash and investments	\$ 782,427	\$ 70,276	\$ 2,806,721
Receivables, net	70,427	8,116	166,834
Due from other county funds	17,276	724	43,679
Due from other governments	--	--	290,958
Inventories	--	--	15,752
Total current assets	<u>870,130</u>	<u>79,116</u>	<u>3,323,944</u>
Noncurrent assets:			
Special assessment receivable	468,441	--	1,177,409
Capital assets, net	5,322,012	103,305	14,855,984
Total noncurrent assets	<u>5,790,453</u>	<u>103,305</u>	<u>16,033,393</u>
Total Assets	<u>6,660,583</u>	<u>182,421</u>	<u>19,357,337</u>
LIABILITIES			
Current liabilities:			
Accounts payable	15,513	713	387,035
Interest payable	11,442	872	33,589
Due to other county funds	--	--	10,818
Deposits from others	2,389	--	4,071
Bonds, notes, loans payable	15,500	4,841	98,585
Total current liabilities	<u>44,844</u>	<u>6,426</u>	<u>534,098</u>
Noncurrent Liabilities:			
Advances from other funds	518,579	--	518,579
Bonds, notes, loans payable	514,000	30,044	1,905,020
Total noncurrent liabilities	<u>1,032,579</u>	<u>30,044</u>	<u>2,423,599</u>
Total Liabilities	<u>1,077,423</u>	<u>36,470</u>	<u>2,957,697</u>
NET ASSETS			
Invested in capital assets, net	4,792,512	68,420	12,852,354
Restricted for debt service	--	--	146,401
Unrestricted	790,648	77,531	3,400,885
Total Net Assets	<u>\$ 5,583,160</u>	<u>\$ 145,951</u>	<u>\$ 16,399,640</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, 2006

	Falls River Mills Airport	CSA #3 Castella Water	CSA #2 Sugarloaf Water	CSA #6 Jones Valley Water
OPERATING REVENUES:				
Charges for services	\$ 49,256	\$ 39,779	\$ 33,191	\$ 108,478
Total Operating Revenues	<u>49,256</u>	<u>39,779</u>	<u>33,191</u>	<u>108,478</u>
OPERATING EXPENSES:				
Services and supplies	49,605	47,426	25,380	137,987
Central Service Costs	1,397	1,107	1,688	3,153
Depreciation	25,720	23,004	5,055	121,974
Total Operating Expenses	<u>76,722</u>	<u>71,537</u>	<u>32,123</u>	<u>263,114</u>
Operating Income (Loss)	<u>(27,466)</u>	<u>(31,758)</u>	<u>1,068</u>	<u>(154,636)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest	4,814	2,896	754	7,687
Miscellaneous Revenue	925,141	4,872	10,639	77,575
Interest and Other Expense	(2,800)	(3,775)	(2,077)	(47,733)
Total Non-Operating Revenues (Expenses)	<u>927,155</u>	<u>3,993</u>	<u>9,316</u>	<u>37,529</u>
Net Income (Loss) before Contributions and Transfers	<u>899,689</u>	<u>(27,765)</u>	<u>10,384</u>	<u>(117,107)</u>
Capital Contributions	63,574	--	--	25,495
Change in Net Assets	<u>963,263</u>	<u>(27,765)</u>	<u>10,384</u>	<u>(91,612)</u>
Net Assets - Beginning	<u>1,972,516</u>	<u>487,732</u>	<u>57,456</u>	<u>1,999,941</u>
Net Assets - Ending	<u>\$ 2,935,779</u>	<u>\$ 459,967</u>	<u>\$ 67,840</u>	<u>\$ 1,908,329</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, 2006

	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	\$ 150,840	\$ 17,394	\$ 44,132	\$ 45,710
Total Operating Revenues	<u>150,840</u>	<u>17,394</u>	<u>44,132</u>	<u>45,710</u>
OPERATING EXPENSES:				
Services and supplies	123,894	24,023	62,085	44,925
Central Service Costs	1,127	1,573	2,290	767
Depreciation	96,783	7,529	15,348	44,467
Total Operating Expenses	<u>221,804</u>	<u>33,125</u>	<u>79,723</u>	<u>90,159</u>
Operating Income (Loss)	<u>(70,964)</u>	<u>(15,731)</u>	<u>(35,591)</u>	<u>(44,449)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest	46,804	688	2,770	2,553
Miscellaneous Revenue	--	(1)	14,017	27,508
Interest and Other Expense	--	--	(356)	(9,465)
Total Non-Operating Revenues (Expenses)	<u>46,804</u>	<u>687</u>	<u>16,431</u>	<u>20,596</u>
Net Income (Loss) before Contributions and Transfers	<u>(24,160)</u>	<u>(15,044)</u>	<u>(19,160)</u>	<u>(23,853)</u>
Capital Contributions	14,600	--	--	--
Change in Net Assets	<u>(9,560)</u>	<u>(15,044)</u>	<u>(19,160)</u>	<u>(23,853)</u>
Net Assets - Beginning	<u>3,647,766</u>	<u>187,400</u>	<u>458,223</u>	<u>1,072,842</u>
Net Assets - Ending	<u>\$ 3,638,206</u>	<u>\$ 172,356</u>	<u>\$ 439,063</u>	<u>\$ 1,048,989</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, 2006

	CSA # 17 Cotton- wood	CSA #23 Crag View Water	Non-Major Enterprise Funds
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:			
Charges for services	\$ 398,024	\$ 40,233	\$ 927,037
Total Operating Revenues	<u>398,024</u>	<u>40,233</u>	<u>927,037</u>
OPERATING EXPENSES:			
Services and supplies	428,156	36,142	979,623
Central Service Costs	6,493	1,096	20,691
Depreciation	238,966	4,348	583,194
Total Operating Expenses	<u>673,615</u>	<u>41,586</u>	<u>1,583,508</u>
Operating Income (Loss)	<u>(275,591)</u>	<u>(1,353)</u>	<u>(656,471)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest	29,434	2,617	101,017
Miscellaneous Revenue	31,051	6,308	1,097,110
Interest and Other Expense	(47,187)	(1,865)	(115,258)
Total Non-Operating Revenues (Expenses)	<u>13,298</u>	<u>7,060</u>	<u>1,082,869</u>
Net Income (Loss) before Contributions and Transfers	<u>(262,293)</u>	<u>5,707</u>	<u>426,398</u>
Capital Contributions	135,525	--	239,194
Change in Net Assets	<u>(126,768)</u>	<u>5,707</u>	<u>665,592</u>
Net Assets - Beginning	<u>5,709,928</u>	<u>140,244</u>	<u>15,734,048</u>
Net Assets - Ending	<u><u>\$ 5,583,160</u></u>	<u><u>\$ 145,951</u></u>	<u><u>\$16,399,640</u></u>

COUNTY OF SHASTA

Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2006

	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	\$ (108,445)	\$ 38,388	\$ 32,292	\$ 99,831
Payments to suppliers	203,749	(48,554)	(29,226)	(137,814)
Other receipts (payments)	(1,397)	(1,107)	(1,688)	(3,153)
Net Cash Provided (Used) by Operating Activities	<u>93,907</u>	<u>(11,273)</u>	<u>1,378</u>	<u>(41,136)</u>
Cash Flows from Non-Capital Financing Activities:				
Other revenue (expense)	120,054	4,844	10,285	77,623
Operating subsidies	868,662	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>988,716</u>	<u>4,844</u>	<u>10,285</u>	<u>77,623</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(936,371)	--	--	--
Capital contributions	--	--	--	25,495
Principal payments on capital debt	(6,948)	(3,500)	(3,257)	(23,000)
Proceeds from capital-type special assessments	--	3,176	--	8,940
Interest payments on capital debt	(3,005)	(3,862)	(2,162)	(48,047)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(946,324)</u>	<u>(4,186)</u>	<u>(5,419)</u>	<u>(36,612)</u>
Cash Flows from Investing Activities:				
Interest on Investments	3,931	2,592	634	6,812
Net Cash Provided (Used) by Investing Activities	<u>3,931</u>	<u>2,592</u>	<u>634</u>	<u>6,812</u>
Net Increase (Decrease) in Cash	140,230	(8,023)	6,878	6,687
Cash and cash equivalents, beginning of year	39,646	92,636	17,527	214,975
Cash and cash equivalents, end of year	<u>\$ 179,876</u>	<u>\$ 84,613</u>	<u>\$ 24,405</u>	<u>\$ 221,662</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (27,466)	\$ (31,758)	\$ 1,068	\$ (154,636)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:				
Depreciation expense	25,720	23,004	5,055	121,974
Changes in assets and liabilities:				
Receivables, net	(157,702)	(1,389)	(941)	(8,648)
Inventories	(5,388)	--	--	--
Accounts and other payables	258,743	(1,130)	(3,804)	174
Net Cash Provided (Used) by Operating Activities	<u>\$ 93,907</u>	<u>\$ (11,273)</u>	<u>\$ 1,378</u>	<u>\$ (41,136)</u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued)
 Non-Major Enterprise Funds
 For the Fiscal Year Ended June 30, 2006

	CSA # 8 Palo Cedro	CSA #13 Alpine Meadows	CSA #25 Keswick Water	CSA #11 French Gulch
Cash Flows from Operating Activities:				
Receipts from customers	\$ 150,792	\$ 17,492	\$ 41,033	\$ 41,991
Payments to suppliers	(122,812)	(24,024)	(62,014)	(44,815)
Other receipts (payments)	(1,127)	(1,573)	(2,290)	(767)
Net Cash Provided (Used) by Operating Activities	<u>26,853</u>	<u>(8,105)</u>	<u>(23,271)</u>	<u>(3,591)</u>
Cash Flows from Non-Capital Financing Activities:				
Other revenue (expense)	--	--	14,056	27,011
Operating subsidies	--	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>--</u>	<u>--</u>	<u>14,056</u>	<u>27,011</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	--	--	--	--
Capital contributions	14,600	--	--	--
Principal payments on capital debt	--	--	(2,695)	(15,500)
Proceeds from capital-type special assessments	--	--	--	--
Interest payments on capital debt	--	--	(385)	(9,597)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>14,600</u>	<u>--</u>	<u>(3,080)</u>	<u>(25,097)</u>
Cash Flows from Investing Activities:				
Interest on Investments	41,016	643	2,490	2,261
Net Cash Provided (Used) by Investing Activities	<u>41,016</u>	<u>643</u>	<u>2,490</u>	<u>2,261</u>
Net Increase (Decrease) in Cash	82,469	(7,462)	(9,805)	584
Cash and cash equivalents, beginning of year	<u>1,196,482</u>	<u>21,665</u>	<u>90,788</u>	<u>68,741</u>
Cash and cash equivalents, end of year	<u>\$ 1,278,951</u>	<u>\$ 14,203</u>	<u>\$ 80,983</u>	<u>\$ 69,325</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (70,964)	\$ (15,731)	\$ (35,591)	\$ (44,449)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:				
Depreciation expense	96,783	7,529	15,348	44,467
Changes in assets and liabilities:				
Receivables, net	(48)	97	(3,099)	(3,719)
Inventories	--	--	--	--
Accounts and other payables	1,082	--	71	110
Net Cash Provided (Used) by Operating Activities	<u>26,853</u>	<u>\$ (8,105)</u>	<u>\$ (23,271)</u>	<u>\$ (3,591)</u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued) Non-Major Enterprise Funds For the Fiscal Year Ended June 30, 2006

	CSA # 17 Cotton- wood	CSA #23 Crag View Water	Total Non-Major Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from customers	\$ 379,923	\$ 39,352	\$ 732,649
Payments to suppliers	(415,723)	(35,471)	(716,704)
Other receipts (payments)	(6,493)	(1,096)	(20,691)
Net Cash Provided (Used) by Operating Activities	<u>(42,293)</u>	<u>2,785</u>	<u>(4,746)</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	28,136	6,400	288,409
Operating subsidies	--	--	868,662
Net Cash Provided (Used) by Noncapital Financing Activities	<u>28,136</u>	<u>6,400</u>	<u>1,157,071</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	--	--	(936,371)
Capital contributions	135,525	--	175,620
Principal payments on capital debt	(30,161)	(4,801)	(89,862)
Proceeds from capital-type special assessments	14,613	--	26,729
Interest payments on capital debt	(50,243)	(2,144)	(119,445)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>69,734</u>	<u>(6,945)</u>	<u>(943,329)</u>
Cash Flows from Investing Activities:			
Interest on Investments	25,851	2,285	88,515
Net Cash Provided (Used) by Investing Activities	<u>25,851</u>	<u>2,285</u>	<u>88,515</u>
Net Increase (Decrease) in Cash	81,428	4,525	297,511
Cash and cash equivalents, beginning of year	700,999	65,751	2,509,210
Cash and cash equivalents, end of year	<u>\$ 782,427</u>	<u>\$ 70,276</u>	<u>\$ 2,806,721</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (275,591)	\$ (1,353)	\$ (656,471)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	238,966	4,348	583,194
Changes in assets and liabilities:			
Receivables, net	(18,099)	(881)	(194,429)
Inventories	--	--	(5,388)
Accounts and other payables	12,431	671	268,348
Net Cash Provided (Used) by Operating Activities	<u>\$ (42,293)</u>	<u>\$ 2,785</u>	<u>\$ (4,746)</u>

INTERNAL SERVICE FUNDS

COUNTY OF SHASTA

Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
ASSETS			
Current assets:			
Cash and investments	\$ 2,639,565	\$ 23,700,647	\$ 1,287,193
Receivables, net	10,780	25,513	--
Due from other county funds	17,756	177,963	146,708
Due from other governments	1,218	595,537	19,282
Inventories	55,847	--	--
Prepaid items	--	1,680	21,060
Total current assets	<u>2,725,166</u>	<u>24,501,340</u>	<u>1,474,243</u>
Noncurrent Assets:			
Advances to other funds	--	518,579	--
Capital assets, net	2,439,780	2,804	455,164
Total noncurrent assets	<u>2,439,780</u>	<u>521,383</u>	<u>455,164</u>
Total Assets	<u>5,164,946</u>	<u>25,022,723</u>	<u>1,929,407</u>
LIABILITIES			
Current liabilities:			
Accounts payable	126,007	350,557	4,019
Salaries and benefits payable	23,277	39,063	194,463
Due to other county funds	2,233	2,257	233,844
Total current liabilities	<u>151,517</u>	<u>391,877</u>	<u>432,326</u>
Noncurrent liabilities:			
Advances from other funds	--	13,298	--
Claims payable	--	14,880,000	--
Total noncurrent liabilities	<u>--</u>	<u>14,893,298</u>	<u>--</u>
Total Liabilities	<u>151,517</u>	<u>15,285,175</u>	<u>432,326</u>
NET ASSETS			
Invested in capital assets, net	2,439,780	2,804	455,164
Unrestricted	2,573,649	9,734,744	1,041,917
Total Net Assets	<u>\$ 5,013,429</u>	<u>\$ 9,737,548</u>	<u>\$ 1,497,081</u>

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued)
Internal Service Funds
June 30, 2006

	<u>Facilities Management</u>	<u>County Utilities</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current assets:			
Cash and investments	\$ 527,389	\$ 141,828	\$ 28,296,622
Receivables, net	--	--	36,293
Due from other county funds	457	--	342,884
Due from other governments	--	--	616,037
Inventories	45,012	--	100,859
Prepaid items	--	--	22,740
Total current assets	<u>572,858</u>	<u>141,828</u>	<u>29,415,435</u>
Noncurrent Assets:			
Inventories	--	--	518,579
Capital Assets, net	4,990	--	2,902,738
Total noncurrent assets	<u>4,990</u>	<u>--</u>	<u>3,421,317</u>
Total Assets	<u>577,848</u>	<u>141,828</u>	<u>32,836,752</u>
LIABILITIES			
Current liabilities:			
Accounts payable	49,487	1,305	531,375
Salaries and benefits payable	117,932	--	374,735
Due to other county funds	713	2,115	241,162
Total current liabilities	<u>168,132</u>	<u>3,420</u>	<u>1,147,272</u>
Noncurrent liabilities:			
Advances from other funds	--	--	13,298
Claims payable	--	--	14,880,000
Total noncurrent liabilities	<u>--</u>	<u>--</u>	<u>14,893,298</u>
Total Liabilities	<u>168,132</u>	<u>3,420</u>	<u>16,040,570</u>
NET ASSETS			
Invested in capital assets, net	4,990	--	2,902,738
Unrestricted	404,726	138,408	13,893,444
Total Net Assets	<u>\$ 409,716</u>	<u>\$ 138,408</u>	<u>\$ 16,796,182</u>

COUNTY OF SHASTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2006

	Fleet Management	Risk Management	Information Systems
Operating Revenues:			
Charges for services	\$ 2,788,280	\$ 11,029,726	\$ 5,587,183
Operating Expenses:			
Salaries and benefits	414,084	720,996	3,282,440
Services and supplies	1,292,352	1,400,125	1,911,847
Insurance premiums	--	1,806,281	--
Claims paid	--	177,917	--
Central Service Costs	38,277	196,058	777,787
Depreciation	630,833	1,341	147,490
Total Operating Expenses	<u>2,375,546</u>	<u>4,302,718</u>	<u>6,119,564</u>
Operating Income (Loss)	<u>412,734</u>	<u>6,727,008</u>	<u>(532,381)</u>
Non-Operating Revenues (Expenses):			
Interest income	85,583	819,611	38,420
Interest expense	--	--	--
Miscellaneous revenue	15,513	1,370,467	--
Gain (loss) on disposition of capital assets	(18,059)	--	(7,414)
Total Non-Operating Revenues (Expenses)	<u>83,037</u>	<u>2,190,078</u>	<u>31,006</u>
Net Income (Loss) before Contributions and Transfers	495,771	8,917,086	(501,375)
Capital Contributions			
Interfund Contributed Capital	--	--	3,439
Transfers in	128,054	500,000	705,925
Transfers out	--	--	(5,655)
Change in Net Assets	623,825	9,417,086	202,334
Net Assets - Beginning	<u>4,389,604</u>	<u>320,462</u>	<u>1,294,747</u>
Net Assets - Ending	<u>\$ 5,013,429</u>	<u>\$ 9,737,548</u>	<u>\$ 1,497,081</u>

continued

COUNTY OF SHASTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)
 Internal Service Funds
 For the Fiscal Year Ended June 30, 2006

	<u>Facilities Management</u>	<u>County Utilities</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 3,369,837	\$ 1,578,855	\$ 24,353,881
Operating Expenses:			
Salaries and benefits	2,109,360	--	6,526,880
Services and supplies	1,287,911	1,290,812	7,183,047
Insurance premiums	--	--	1,806,281
Claims paid	--	--	177,917
Central Service Costs	108,830	--	1,120,952
Depreciation	1,725	--	781,389
Total Operating Expenses	<u>3,507,826</u>	<u>1,290,812</u>	<u>17,596,466</u>
Operating Income (Loss)	<u>(137,989)</u>	<u>288,043</u>	<u>6,757,415</u>
Non-Operating Revenues (Expenses):			
Interest	275	--	943,889
Interest expense	--	(8,845)	(8,845)
Miscellaneous revenue	2,543	--	1,388,523
Gain (loss) on disposition of capital assets	--	--	(25,473)
Total Non-Operating Revenues (Expenses)	<u>2,818</u>	<u>(8,845)</u>	<u>2,298,094</u>
Net Income (Loss) before Contributions and Transfers	<u>(135,171)</u>	<u>279,198</u>	<u>9,055,509</u>
Capital Contributions			
Interfund Contributed Capital	--	--	3,439
Transfers in	22,517	--	1,356,496
Transfers out	(12,859)	(281,271)	(299,785)
Change in Net Assets	<u>(125,513)</u>	<u>(2,073)</u>	<u>10,115,659</u>
Net Assets - Beginning	<u>535,229</u>	<u>140,481</u>	<u>6,680,523</u>
Net Assets - Ending	<u>\$ 409,716</u>	<u>\$ 138,408</u>	<u>\$ 16,796,182</u>

COUNTY OF SHASTA

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2006

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,802,956	\$ 10,686,334	\$ 5,575,432
Payments to suppliers	(1,178,495)	(3,203,995)	(1,698,740)
Payments to employees	(410,192)	(718,214)	(3,246,342)
Claims paid	--	(4,185,917)	--
Other receipts (payments)	<u>(38,277)</u>	<u>(196,058)</u>	<u>(777,787)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,175,992</u>	<u>2,382,150</u>	<u>(147,437)</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	--	1,385,128	--
Transfers in		500,000	616,148
Transfers out	<u>--</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>--</u>	<u>1,885,128</u>	<u>616,148</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(1,070,799)	--	(108,430)
Proceeds from sale of capital assets	59,108	--	669
Transfers in	128,054	--	--
Transfers out	<u>--</u>	<u>--</u>	<u>(54,855)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(883,637)</u>	<u>--</u>	<u>(162,616)</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>74,158</u>	<u>695,906</u>	<u>32,843</u>
Net Increase (Decrease) in Cash	366,513	4,963,184	338,938
Cash at Beginning of Year	<u>2,273,052</u>	<u>18,737,463</u>	<u>948,255</u>
Cash at End of Year	<u>\$ 2,639,565</u>	<u>\$ 23,700,647</u>	<u>\$ 1,287,193</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 412,734	\$ 6,727,008	\$ (532,381)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	630,833	1,341	147,490
Changes in assets and liabilities:			
Receivables, net	14,675	(343,390)	(11,752)
Inventories	(13,294)	--	--
Prepaid expenses and other assets	--	8,211	(20,000)
Accounts and other payables	<u>131,044</u>	<u>(4,011,020)</u>	<u>269,206</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,175,992</u>	<u>\$ 2,382,150</u>	<u>\$ (147,437)</u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Fiscal Year Ended June 30, 2006

	Facilities Management	Shasta County Utilities	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,386,576	\$ 1,612,925	\$ 24,064,223
Payments to suppliers	(1,266,483)	(1,288,820)	(8,636,533)
Payments to employees	(2,097,775)	--	(6,472,523)
Claims paid	--	--	(4,185,917)
Other receipts (payments)	(108,830)	--	(1,120,952)
Net Cash Provided (Used) by Operating Activities	<u>(86,512)</u>	<u>324,105</u>	<u>3,648,298</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	2,543	--	1,387,671
Transfers in	22,517	--	1,138,665
Transfers out	--	(281,271)	(281,271)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>25,060</u>	<u>(281,271)</u>	<u>2,245,065</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(5,870)	--	(1,185,099)
Proceeds from sale of capital assets	--	--	59,777
Transfers in	--	--	128,054
Transfers out	(12,859)	--	(67,714)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(18,729)</u>	<u>--</u>	<u>(1,064,982)</u>
Cash Flows from Investing Activities:			
Interest on investments	(339)	(8,256)	794,312
Net Increase (Decrease) in Cash	(80,520)	34,578	5,622,693
Cash at Beginning of Year	<u>607,909</u>	<u>107,250</u>	<u>22,673,929</u>
Cash at End of Year	<u><u>\$ 527,389</u></u>	<u><u>\$ 141,828</u></u>	<u><u>\$ 28,296,622</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (137,989)	\$ 288,043	\$ 6,757,415
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,725	--	781,389
Changes in assets and liabilities:			
Receivables, net	16,027	34,070	(290,370)
Inventories	3,707	--	(9,587)
Prepaid expenses and other assets	--	--	(11,789)
Accounts and other payables	30,018	1,992	(3,578,760)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (86,512)</u></u>	<u><u>\$ 324,105</u></u>	<u><u>\$ 3,648,298</u></u>