

COUNTY OF SHASTA

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2007

COUNTY OF SHASTA

COUNTY OFFICIALS

JUNE 30, 2007

<u>OFFICIALS</u>	<u>POSITION</u>
David Kehoe	Supervisor, First District
Mark Cibula	Supervisor, Second District
Glenn Hawes	Supervisor, Third District
Linda Hartman	Supervisor, Fourth District
Les Baugh	Supervisor, Fifth District
Leslie Morgan	Assessor-Recorder
Connie Regnell	Auditor-Controller
Cathy Darling	County Clerk/Registrar of Voters
Gerald Benito	District Attorney
Tom Bosenko	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, 2007, 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 41.84 percent of the assets, 28.66 percent of the net assets and 55.27 percent of the revenue of the County's aggregate discretely presented component units. Those statements were audited by other auditors whose report, dated October 1, 2007 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, 2007, 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 December 24, 2007 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 other required supplementary information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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



Roseville, California
December 24, 2007

MANAGEMENT'S DISCUSSION & ANALYSIS (MD &A)

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2007

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, 2007. 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 \$224,475,897 (*net assets*). Of this amount, \$64,719,771 (*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 \$58,776,922 restricted for specific purpose (*restricted net assets*), and \$100,979,204 invested in capital assets, net of related debt. The government's total net assets increased by \$22,500,303.
- The County governmental funds reported combined fund balances of \$97,724,052 a decrease of \$6,360,388 in comparison with the prior year.
- The County's unreserved fund balance for the general fund was \$83,819,340, or 32% of total general fund expenditures.
- The County's investment in capital assets increased by \$18,514,322.

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).

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Management's Discussion and Analysis June 30, 2007

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

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Management's Discussion and Analysis June 30, 2007

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 Fall River Mills Airport, 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.

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Management's Discussion and Analysis June 30, 2007

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 \$224,475,897 at the close of the most recent fiscal year. Of these combined net assets 45% reflects the County's investment in capital assets. Another 24% of the County's net assets are subject to external restrictions on how they may be used. In addition, a portion of the remaining 31%, 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 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Current and Other Assets	\$ 166,689	\$ 158,022	\$ 17,155	\$ 20,448	\$ 183,844	\$ 178,470
Capital Assets	131,523	124,153	27,555	19,121	159,078	143,274
Total Assets	298,212	282,175	44,710	39,569	342,922	321,744
Current and Other Liabilities	29,294	19,544	14,714	886	44,008	20,430
Long-Term Liabilities	70,552	81,202	3,885	18,137	74,437	99,339
Total Liabilities	99,846	100,746	18,599	19,023	118,445	119,769
Invested in Capital Assets, net of related debt	77,297	68,227	23,682	14,238	100,979	82,465
Restricted	58,777	45,934	150	146	58,927	46,080
Unrestricted	62,292	67,268	2,278	6,162	64,570	73,430
Total Net Assets	\$ 198,366	\$ 181,429	\$ 26,110	\$ 20,546	\$ 224,476	\$ 201,975

A significant portion of the County's net assets [\$64,569,675] 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 [\$100,979,204] 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 [\$58,776,922] 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, 2007

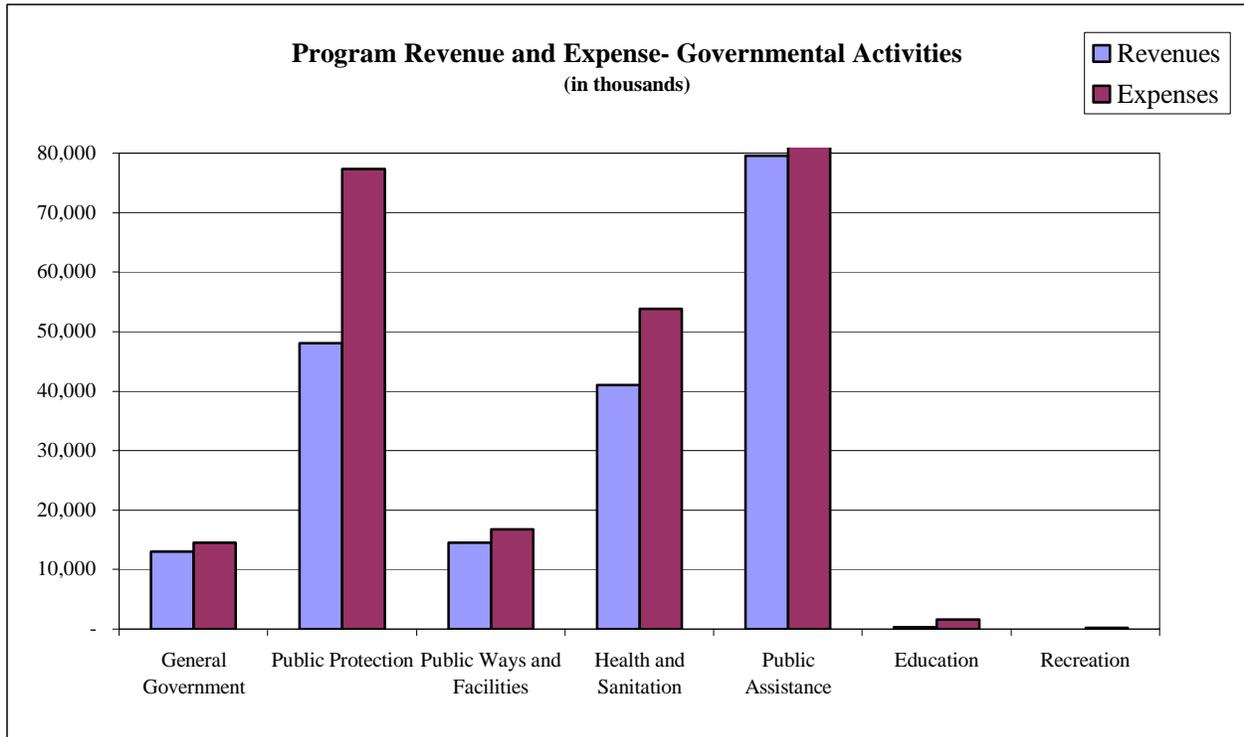
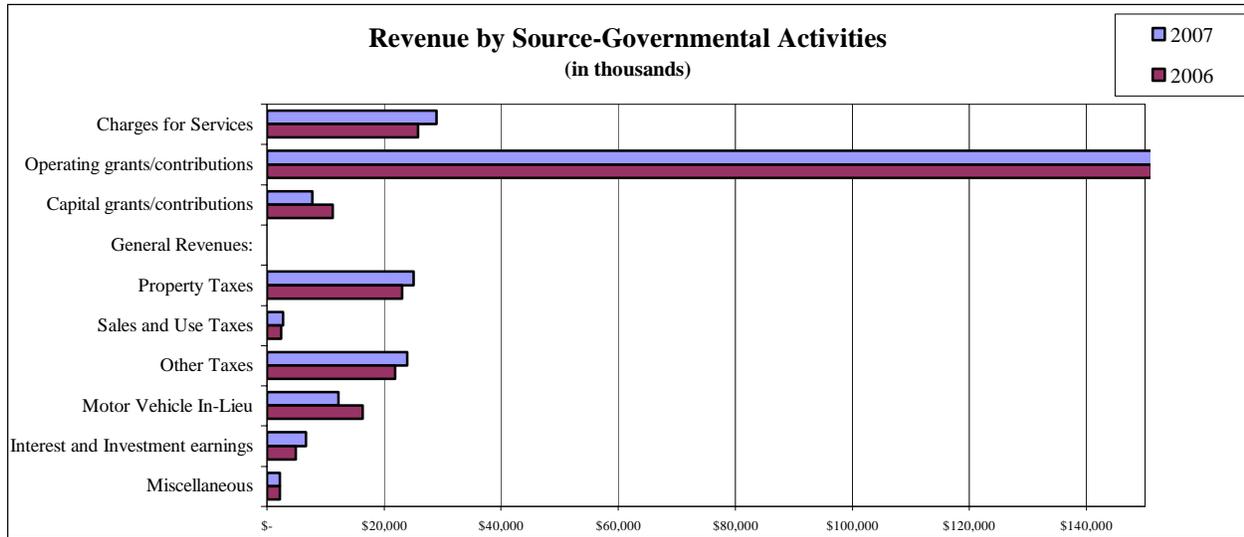
The County's net assets increased by \$22,500,303 during the current fiscal year. The net increase in unrestricted net assets represent the degree to which increases in ongoing revenues exceeded increases in ongoing expenses.

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

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Revenues						
Program Revenues:						
Charges for Services	\$ 28,971	\$ 25,839	\$ 4,561	\$ 4,713	\$ 33,532	\$ 30,552
Operating grants/contributions	159,878	151,091	11	806	159,889	151,897
Capital grants/contributions	7,715	11,236	5,552	308	13,267	11,544
General Revenues:						
Property Taxes	25,041	23,094	33	19	25,074	23,113
Sales and Use Taxes	2,696	2,424	-	-	2,696	2,424
Other Taxes	23,995	21,900	-	-	23,995	21,900
Motor Vehicle In-Lieu	12,155	16,372	-	-	12,155	16,372
Interest and Investment earnings	6,615	4,884	747	668	7,362	5,552
Miscellaneous	2,123	2,224	1	8	2,124	2,232
Total Revenues	<u>269,189</u>	<u>259,064</u>	<u>10,905</u>	<u>6,522</u>	<u>280,094</u>	<u>265,586</u>
Expenses						
General Government	14,476	10,489	-	-	14,476	10,489
Public Protection	77,348	69,020	-	-	77,348	69,020
Public Ways and Facilities	16,792	14,108	-	-	16,792	14,108
Health and Sanitation	53,797	52,422	-	-	53,797	52,422
Public Assistance	85,168	80,134	-	-	85,168	80,134
Education	1,637	1,296	-	-	1,637	1,296
Recreation	204	132	-	-	204	132
Interest and Fiscal Charges	2,807	2,755	-	-	2,807	2,755
Airport	-	-	88	80	88	80
Solid Waste	-	-	2,561	765	2,561	765
Landfill	-	-	994	1,032	994	1,032
County Service Areas (water/sewer)	-	-	1,698	1,619	1,698	1,619
Total Expenses	<u>252,229</u>	<u>230,356</u>	<u>5,341</u>	<u>3,496</u>	<u>257,570</u>	<u>233,852</u>
Change in Net Assets	16,960	28,708	5,564	3,026	22,524	31,734
Net Assets - Beginning	181,430	152,716	20,546	17,520	201,976	170,236
Prior Period Adjustments	(24)	6	-	-	(24)	6
Net Assets - Ending	<u>\$ 198,366</u>	<u>\$ 181,430</u>	<u>\$ 26,110</u>	<u>\$ 20,546</u>	<u>\$ 224,476</u>	<u>\$ 201,976</u>

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2007



COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2007

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.

	Net Change in Fund Balance		Governmental Funds	
	FY 2007	FY 2006	Net Change	
			Amount	Percent
Fund Balance - Beginning	\$ 104,084,440	\$ 98,929,978	\$ 5,154,462	5.21%
Revenues	258,462,395	259,988,865	(1,526,470)	-0.59%
Expenditures	(264,611,867)	(254,137,425)	(10,474,442)	4.12%
Other Financing Sources (Uses)	(188,044)	(701,866)	513,822	-73.21%
Prior Period Adjustments	(22,872)	4,888	(27,760)	
Fund Balance - Ending	<u>\$ 97,724,052</u>	<u>\$ 104,084,440</u>	<u>\$ (6,360,388)</u>	

At June, 30, 2007, the County's governmental funds reported combined fund balances of \$97,724,052. Of these combined fund balances, \$80,560,607 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, \$17,163,445 is *reserved* to indicate that it is *not* available for new spending. The reserved amount is to liquidate contractual commitments of the period.

The General Fund is the chief operating fund of the County. At June 30, 2007, unreserved fund balance was \$37,022,235, while total fund balance reached \$47,400,052. 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 24% of total General Fund expenditures, while the total fund balance represents 31% 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 \$37,022,235 General Fund unreserved fund balance, 67% is designated.

Total governmental funds Fund Balance decreased by \$6,360,388 in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund decreased \$10,607,588 and Public Safety Fund decreased \$2,090,409. The non-major governmental funds increased by \$6,337,609.

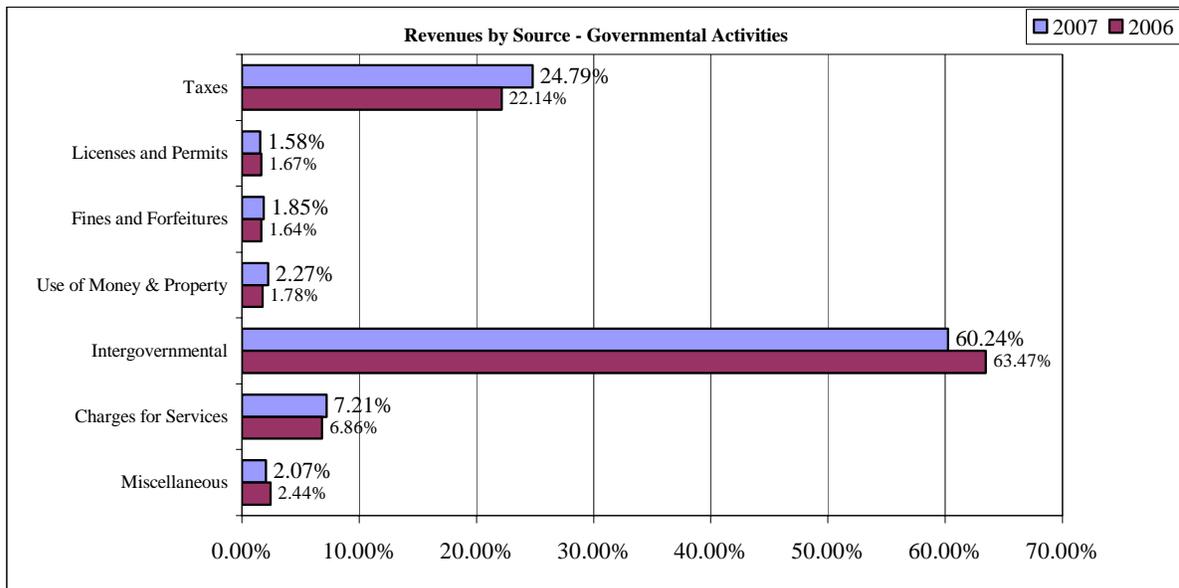
COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2007

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 2007		FY 2006		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 64,067,260	24.79%	\$ 57,565,165	22.14%	\$ 6,502,095	11.30%
Licenses and Permits	4,088,071	1.58%	4,338,299	1.67%	(250,228)	-5.77%
Fines and Forfeitures	4,773,715	1.85%	4,269,326	1.64%	504,389	11.81%
Use of Money & Property	5,863,808	2.27%	4,622,909	1.78%	1,240,899	26.84%
Intergovernmental	155,703,560	60.24%	165,027,000	63.47%	(9,323,440)	-5.65%
Charges for Services	18,628,107	7.21%	17,829,242	6.86%	798,865	4.48%
Miscellaneous	5,337,874	2.07%	6,336,924	2.44%	(999,050)	-15.77%
Total Revenue by Source	\$258,462,395	100.00%	\$ 259,988,865	100.00%	\$(1,526,470)	

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



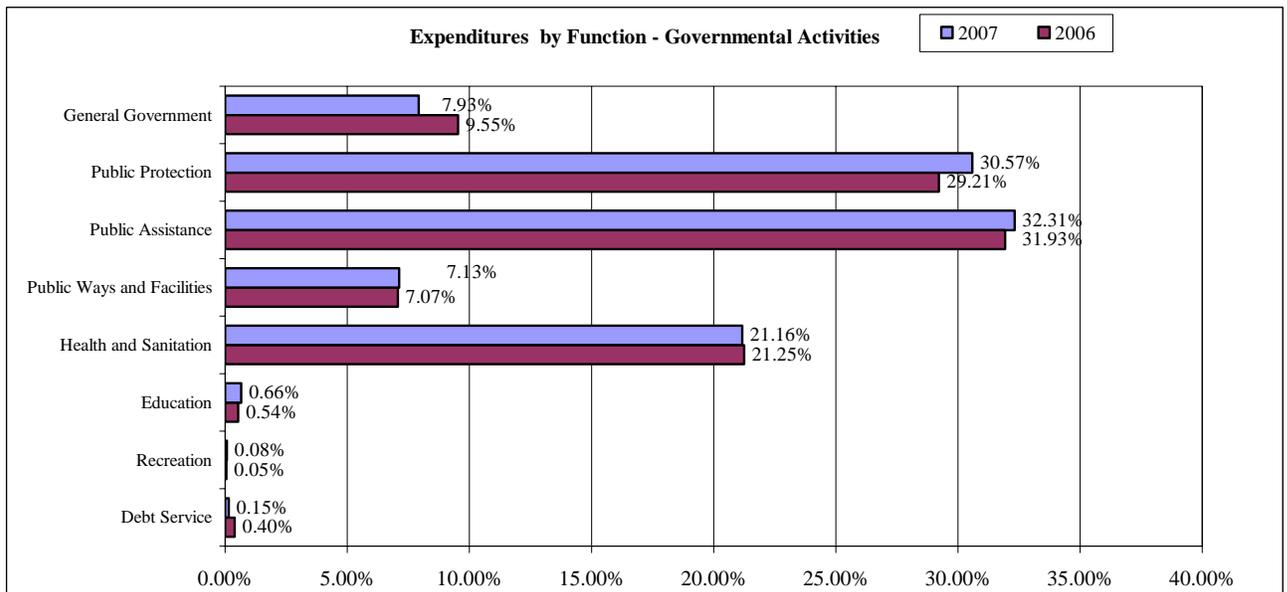
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Management's Discussion and Analysis June 30, 2007

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

	Expenditures Classified by Function Governmental Funds					
	FY 2007		FY 2006		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$ 20,987,796	7.93%	\$ 24,265,536	9.55%	\$(3,277,740)	-13.51%
Public Protection	80,903,127	30.57%	74,239,360	29.21%	6,663,767	8.98%
Public Assistance	85,485,950	32.31%	81,152,583	31.93%	4,333,367	5.34%
Public Ways and Facilities	18,872,354	7.13%	17,976,059	7.07%	896,295	4.99%
Health and Sanitation	55,998,895	21.16%	53,994,506	21.25%	2,004,389	3.71%
Education	1,758,579	0.66%	1,360,592	0.54%	397,987	29.25%
Recreation	203,535	0.08%	131,568	0.05%	71,967	54.70%
Debt Service	401,631	0.15%	1,017,221	0.40%	(615,590)	-60.52%
Total by Function	<u>\$264,611,867</u>	<u>100.00%</u>	<u>\$ 254,137,425</u>	<u>100.00%</u>	<u>\$ 10,474,442</u>	

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



COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2007

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

	Other Financing Sources (Uses) Governmental Funds		Increase(Decrease)	
	FY 2007	FY 2006	Amount	Percent
	Proceeds from Sale of Capital Assets	\$ 84,892	\$ 354,846	\$(269,954)
Transfers In	35,420,276	26,552,816	8,867,460	33.40%
Transfers Out	(35,693,212)	(27,609,528)	(8,083,684)	29.28%
Net financing sources(uses)	<u>\$ (188,044)</u>	<u>\$ (701,866)</u>	<u>\$ 513,822</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		Net Change	
	FY 2007	FY 2006	Amount	Percent
	Total Net Assets - Beginning	\$ 20,546,124	\$ 17,520,516	\$ 3,025,608
Operating Revenues	4,095,491	4,512,760	(417,269)	-9.25%
Operating Expenses	(5,107,524)	(3,208,253)	(1,899,271)	59.20%
Non-Operating Revenues (Expenses)	6,576,395	1,721,101	4,855,294	282.10%
Total Net Assets - Ending	<u>\$ 26,110,486</u>	<u>\$ 20,546,124</u>	<u>\$ 5,564,362</u>	

Unrestricted net assets of the enterprise funds at fiscal year end were \$2,278,101 with \$150,096 restricted for debt services and \$23,682,289 invested in capital assets, net of related debt.

The net assets of the enterprise funds increased \$5,564,362 over the prior fiscal year. Operating revenues decreased 9% and operating expenses increased 59%. The substantial increase to operating expenses was created by increased depreciation for the completed Unit #3 at the landfill. State and Federal Capital Improvement Grants for the Fall River Mills Airport 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.

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Management's Discussion and Analysis
June 30, 2007

Net Change in Fund Net Assets
Internal Service Funds

	FY 2007	FY 2006	Net Change	
			Amount	Percent
Total Net Assets - Beginning	\$ 16,796,182	\$ 6,680,523	\$ 10,115,659	151.42%
Operating Revenues	26,161,286	24,353,881	1,807,405	7.42%
Operating Expenses	(23,424,669)	(17,596,466)	(5,828,203)	33.12%
Non-Operating Revenues (Expenses)	2,460,691	2,301,533	159,158	6.92%
Operating Transfers In (Out)	272,936	1,056,711	(783,775)	-74.17%
Total Net Assets - Ending	<u>\$ 22,266,426</u>	<u>\$ 16,796,182</u>	<u>\$ 5,470,244</u>	

Total net assets of the internal service funds at fiscal year end were \$22,266,426 and include \$2,934,275 invested in capital assets.

The net assets of the internal service funds increased \$5,470,244 over the prior fiscal year. Operating revenues increased 7% and operating expenses increased 33%

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 \$334,984 increase in appropriations. The components of appropriations variance are briefly summarized as follows: \$1,004,541 increase in general government; \$303,024 increase in public protection; \$1,260,581 decrease in public health and sanitation; and \$288,000 increase in public assistance.

Even with these adjustments, actual expenditures were \$22,760,630 below final budget amounts. Resources available for appropriation were \$3,300,393 below final budget amounts. Major component of this decrease was from grants not received.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2007

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

	Budgetary Comparison General Fund			
	Original Budget	Final Budget	Net Change	
			Amount	Percent
Total Revenues	\$ 187,661,119	\$ 185,846,861	\$ (1,814,258)	-0.98%
Total Expenditures	(176,409,741)	(176,744,725)	(334,984)	0.19%
Other Financing Sources (Uses)	(35,010,848)	(34,524,984)	485,864	-1.41%
Net Change in Fund Balances	<u>\$ (23,759,470)</u>	<u>\$ (25,422,848)</u>	<u>\$ (1,663,378)</u>	

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

	Budgetary Comparison General Fund			
	Final Budget	Actual Amounts	Net Change	
			Amount	Percent
Total Revenues	\$ 185,846,861	\$ 182,546,468	\$ (3,300,393)	-1.81%
Total Expenditures	(176,744,725)	(153,984,095)	22,760,630	-14.78%
Other Financing Sources (Uses)	(34,524,984)	(34,985,513)	(460,529)	1.32%
Net Change in Fund Balances	<u>\$ (25,422,848)</u>	<u>\$ (6,423,140)</u>	<u>\$ 18,999,708</u>	

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounted to \$159,077,703 (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 \$15,803,304 [11%].

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

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 3,528,755	\$ 2,570,755	\$ 1,800,295	\$ 1,800,295	\$ 5,329,050	\$ 4,371,050
Structures & Improvements	106,821,468	90,870,788	43,746,748	37,365,630	150,568,216	128,236,418
Leasehold Improvements	1,025,843	1,025,843	-	-	1,025,843	1,025,843
Equipment	41,253,710	38,008,356	255,042	255,042	41,508,752	38,263,398
Infrastructure	87,759,301	84,260,269	-	-	87,759,301	84,260,269
Construction In Progress	3,724,628	15,567,776	8,288,695	3,722,704	12,013,323	19,290,480
Total	<u>244,113,705</u>	<u>232,303,787</u>	<u>54,090,780</u>	<u>43,143,671</u>	<u>298,204,485</u>	<u>275,447,458</u>
Accumulated Depreciation	(112,591,048)	(108,150,634)	(26,535,734)	(24,022,425)	(139,126,782)	(132,173,059)
Net Capital Assets	<u>\$131,522,657</u>	<u>\$124,153,153</u>	<u>\$ 27,555,046</u>	<u>\$ 19,121,246</u>	<u>\$159,077,703</u>	<u>\$143,274,399</u>

COUNTY OF SHASTA

Management's Discussion and Analysis
June 30, 2007

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

	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Depreciation</u>	<u>Net Change</u>
General Government	\$ 6,928,692	\$ -	\$ -	\$ (2,209,277)	\$ 4,719,415
Public Protection	1,999,141	(167,066)	-	(955,500)	876,575
Public Ways & Facilities	2,980,639	(31,234)	-	(1,163,203)	1,786,202
Health & Sanitation	280,599	(76,968)	(349)	(199,647)	3,635
Public Assistance	116,268	(4,867)	349	(153,022)	(41,272)
Education	6,354	-	-	(13,240)	(6,886)
Recreation	-	-	-	-	-
Internal Service Funds	826,940	(34,153)	-	(760,952)	31,835
Enterprise Funds	10,947,109	-	-	(2,513,309)	8,433,800
Totals	<u>\$ 24,085,742</u>	<u>\$ (314,288)</u>	<u>\$ -</u>	<u>\$ (7,968,150)</u>	<u>\$ 15,803,304</u>

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2007

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

	<u>Total Costs</u>
Completion of major bridge, road and construction projects:	
Resource Management Bathroom	198,692
Trial Courts Jury Seating	27,340
Shasta County Library - Redding Main	16,693,182
West Central Landfill Unit 4A	6,381,118
Cove Road @ Hatchet Creek	1,250,959
Blue Jay Lane @ Anderson Creek	1,245,018
Lonetree Lane @ Lone Tree Creek	1,003,054
Continuing construction in progress of major bridge and road projects:	<u>Cost to Date</u>
Swede Creek Road @ Swede Creek Bridge	43,965
Swede Creek Road @ Little Cow Creek	73,336
Zogg Mine Road @ Zogg Creek	111,279
Old Oasis Road @ Churn Creek	7,450
North Street @ Airport Road Bridge	809,848
Buzzard Roost @ Cedar Creek Bridge	186,884
East Fork Road @ Clear Creek	189,031
Building upgrades projects in process:	
Public Safety Building HVAC	20551
County Clerk - Needs Study	34,718
Public Health - Anderson Teen Center	2,197,325
Fire Department ADA Parking	21,649
Courthouse Annex First Floor	23,990
West Central Landfill Septage Pond Expansion	4,042
Major construction projects in process:	
Soils Lab Modular	4,409
Fire Department Metal Buildings	4,634
Fall River Mills Airport Extension	8,074,048
West Central Landfill Scale House	210,605

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total debt obligation outstanding of \$58,060,794. Of this amount, \$54,755,000 comprises bonds that are secured by the County's lease rental payments and other dedicated sources of revenue, and \$1,172,000 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, 2007

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	
	2007	2006	2007	2006	2007	2006
Lease Revenue Bonds	\$ 52,445,000	\$ 53,935,000	\$ 2,310,000	\$ 2,880,000	\$ 54,755,000	\$ 56,815,000
Special Assessment Bonds	-	-	1,172,000	1,580,000	1,172,000	1,580,000
Water/Sewer Bonds	-	-	50,044	54,885	50,044	54,885
Capital Lease Obligations	1,780,444	1,990,886	-	-	1,780,444	1,990,886
Notes Payable	-	-	338,999	368,720	338,999	368,720
Unamortized Bond Premiur	1,228,823	1,276,392	-	-	1,228,823	1,276,392
Unamortized Bond Costs	(1,264,517)	(1,320,729)	-	-	(1,264,517)	(1,320,729)
Total	54,189,751	55,881,549	3,871,044	4,883,605	58,060,794	60,765,154
Less Current Portion	(1,766,507)	(1,700,443)	(685,501)	(668,585)	(2,452,008)	(2,369,028)
Net Long-Term Debt	<u>\$ 52,423,244</u>	<u>\$ 54,181,106</u>	<u>\$ 3,185,543</u>	<u>\$ 4,215,020</u>	<u>\$ 55,608,787</u>	<u>\$ 58,396,126</u>

Reductions of the County's total outstanding debt included principal payments of \$1,700,443 with \$2,635,920 in interest for governmental activities and principal payments of \$998,589 with \$209,201 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 notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's fiscal year 2007-08 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, 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. The County has projected in its 2007-08 budget that Property Taxes in Lieu of VLF will increase \$1.5M over 2006-07.

Proposition 1A also suspended payments on state-imposed mandates on counties, cities and special districts. The only mandate payments included in the 2007-08 State Budget are the true up amounts for mandates performed in 2006-07. The State has pushed payment on state mandates from March 15 to August 15, shifting it into the next fiscal year; if not paid by this date interest accrues.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2007

The 2007-08 State budget has also affected other aid to local governments. Under a new booking fee alternative, effective July 1, 2007, subject to an appropriation by the state, counties receive \$35 million directly in local detention facility revenue accounts. These funds will flow to a local detention facility revenue account and may be used "exclusively for the purpose of operation, renovation, remodeling, or constructing local detention facilities and related equipment." The Local Detention Facility Fund grants replace 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. Assembly Bill 900, Jail Construction Funding, will make \$50 million available to small counties by way of a competitive award process. The County may submit a Request for Proposal to the State for \$12.5 million, the maximum award per local jurisdiction, to expand jail capacity in Shasta County.

Other State budget impacts, both positive and negative, include the transfer of juvenile offenders to counties as a result of SB 81; the continuation of the local assistance grant program for county sheriffs which provides \$500,000 to Shasta County; the continuation of the Williamson Act subventions which provides \$250,000 to Shasta County; and the reductions to Proposition 36 Alcohol and Drug Program and the Offender Treatment Program funding, in excess of \$600,000.

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 from the date of the opening of the new Library to the public. The County's contribution to the public library system will exceed \$1 million in FY 2007-08.

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 super-funded; that is, the program's assets exceed the expected loss. Based on estimated program assets at June 30, 2007 of \$25.4 million and at June 30, 2008 of \$28.4 million, the program is funded above the 95% confidence level. The setting of workers compensation rates has fluctuated with the statutory changes in the program. The County is committed to maintaining a prudent reserve.

The total unfunded liability for the PERS retirement plans is \$29.9 million. As of June 30, 2006, the miscellaneous plan has an unfunded liability of \$14.4 million. Based upon PERS returns of 18.5 percent in 2006-07 and 7.75 percent returns in subsequent years, the plan will be fully funded on an actuarial basis as of June 30, 2010. The safety plan has an unfunded liability of \$15.4 million, and will have an unfunded liability of \$8.8 million as of June 30, 2011. This unfunded liability will decrease approximately \$1.3 million per year thereafter. These assumptions are based upon the current benefit provisions within each plan. The County is committed to building reserves within available resources.

COUNTY OF SHASTA

Management's Discussion and Analysis
June 30, 2007

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, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Cash and investments	\$ 125,440,139	\$ 15,185,701	\$ 140,625,840	\$ 4,924,323
Receivables, net	6,060,343	504,244	6,564,587	49,759
Internal balances	510,834	(510,834)	--	--
Due from external parties	3,447,475	112,305	3,559,780	--
Due from other governments	24,742,888	578,558	25,321,446	1,953,256
Inventories	455,637	11,362	466,999	--
Prepaid items	1,357,071	122,642	1,479,713	--
Special assessment receivable	151,984	1,150,680	1,302,664	--
Notes receivable	3,258,733	--	3,258,733	--
Unamortized bond issuance costs	1,263,945	--	1,263,945	--
Capital Assets:				
Non-depreciable	7,253,383	10,088,990	17,342,373	--
Depreciable, net	124,269,274	17,466,057	141,735,331	48,969
Total Assets	<u>298,211,706</u>	<u>44,709,705</u>	<u>342,921,411</u>	<u>6,976,307</u>
LIABILITIES				
Accounts payable	3,404,682	384,802	3,789,484	497,850
Salaries and benefits payable	7,281,015	--	7,281,015	7,941
Interest payable	640,043	74,540	714,583	--
Due to other governments	865,338	35	865,373	1,389,616
Deferred revenue	5,917,447	--	5,917,447	--
Deposits from others	287,134	6,966	294,100	--
Claims liability	16,327,000	--	16,327,000	--
Liability for closure/postclosure care costs	--	14,247,859	14,247,859	--
Long-Term Liabilities:				
Due within one year	1,766,507	685,501	2,452,008	9,588
Due beyond one year	63,357,129	3,199,516	66,556,645	--
Total Liabilities	<u>99,846,295</u>	<u>18,599,219</u>	<u>118,445,514</u>	<u>1,904,995</u>
NET ASSETS				
Invested in capital assets, net of related debt	77,296,915	23,682,289	100,979,204	48,969
Restricted for:				
Special revenue	29,632,860	--	29,632,860	--
Debt service	9,590,918	150,096	9,741,014	--
Capital projects	17,354,843	--	17,354,843	--
Other purposes	2,198,301	--	2,198,301	--
Unrestricted	62,291,574	2,278,101	64,569,675	5,022,343
Total Net Assets	<u>\$ 198,365,411</u>	<u>\$ 26,110,486</u>	<u>\$ 224,475,897</u>	<u>\$ 5,071,312</u>

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

COUNTY OF SHASTA

Statement of Activities For the Year Ended June 30, 2007

Functions/Programs Primary Government	Program Revenues				
Expenses	Indirect Expense Allocation	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 19,982,485	\$ (5,506,858)	\$ 5,438,470	4,397,482	\$ 3,178,064
Public protection	74,422,953	2,990,358	14,893,185	32,558,166	651,399
Public ways and facilities	16,385,271	341,349	2,047,728	8,575,844	3,885,332
Health and sanitation	52,807,236	989,973	3,637,375	37,388,731	--
Public assistance	84,029,229	1,138,513	2,906,388	76,663,257	--
Education	1,595,697	41,619	44,704	294,119	--
Recreation	200,993	2,734	2,701	500	--
Interest and fiscal charges	2,807,108	--	--	--	--
Total Governmental Activities	252,230,972	(2,312)	28,970,551	159,878,099	7,714,795
Business-Type Activities:					
Airport	90,573	(2,610)	450,692	10,000	5,385,949
Solid waste	2,560,563	366	1,066,173	--	--
Landfill	994,383	--	2,025,671	--	--
County service areas	1,692,468	4,556	1,018,327	693	166,227
Total Business-Type Activities:	5,337,987	2,312	4,560,863	10,693	5,552,176
Total Primary Government	\$ 257,568,959	\$ --	\$ 33,531,414	\$ 159,888,792	\$ 13,266,971
Component Units:					
Children and Families First	\$ 2,138,997	\$ --	--	\$ 1,954,879	\$ --
Rural Transportation Planning	2,490,847	--	--	2,575,758	--
Total Component Units	\$ 4,629,844	\$ --	\$ --	\$ 4,530,637	\$ --

General Revenues:

Taxes:

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

Total General Revenues

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
\$ (1,461,611)	\$ --	\$ (1,461,611)	\$ --
(29,310,561)	--	(29,310,561)	--
(2,217,716)	--	(2,217,716)	--
(12,771,103)	--	(12,771,103)	--
(5,598,097)	--	(5,598,097)	--
(1,298,493)	--	(1,298,493)	--
(200,526)	--	(200,526)	--
(2,807,108)	--	(2,807,108)	--
<u>(55,665,215)</u>	<u>--</u>	<u>(55,665,215)</u>	<u>--</u>
--	5,758,678	5,758,678	--
--	(1,494,756)	(1,494,756)	--
--	1,031,288	1,031,288	--
--	(511,777)	(511,777)	--
<u>--</u>	<u>4,783,433</u>	<u>4,783,433</u>	<u>--</u>
<u>(55,665,215)</u>	<u>4,783,433</u>	<u>(50,881,782)</u>	<u>--</u>
--	--	--	(184,118)
<u>--</u>	<u>--</u>	<u>--</u>	<u>84,911</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>(99,207)</u>
25,040,801	33,497	25,074,298	--
2,695,549	--	2,695,549	--
23,994,638	--	23,994,638	--
12,154,904	--	12,154,904	--
6,614,869	746,793	7,361,662	233,988
2,123,262	639	2,123,901	970
<u>72,624,023</u>	<u>780,929</u>	<u>73,404,952</u>	<u>234,958</u>
<u>16,958,808</u>	<u>5,564,362</u>	<u>22,523,170</u>	<u>135,751</u>
181,429,475	20,546,124	201,975,599	4,935,561
(22,872)	--	(22,872)	--
<u>181,406,603</u>	<u>20,546,124</u>	<u>201,952,727</u>	<u>4,935,561</u>
<u>\$ 198,365,411</u>	<u>\$ 26,110,486</u>	<u>\$ 224,475,897</u>	<u>\$ 5,071,312</u>

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF SHASTA

Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Public Safety Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 43,350,111	\$ 3,445,251	\$ 42,937,241	\$ 89,732,603
Accounts receivable	3,294,004	2,257,782	445,251	5,997,037
Due from other county funds	4,922,227	299,986	524,647	5,746,860
Due from other governments	13,787,771	5,759,015	5,435,277	24,982,063
Advances to other funds	--	--	902,820	902,820
Inventories	--	--	382,427	382,427
Prepaid items	509,921	825	698,250	1,208,996
Special assessment receivable	--	--	151,984	151,984
Notes receivable	--	--	3,258,733	3,258,733
Totals Assets	\$ 65,864,034	\$ 11,762,859	\$ 54,736,630	\$ 132,363,523
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,493,428	\$ 701,689	\$ 674,685	\$ 2,869,802
Salaries and benefits payable	3,356,059	1,951,556	1,567,820	6,875,435
Due to other county funds	647,640	227,734	1,751,129	2,626,503
Due to other governments	221,408	245,965	397,965	865,338
Deferred revenue	12,728,642	3,876,930	3,593,836	20,199,408
Deposits from others	5,129	--	281,429	286,558
Advances from other funds	11,676	--	904,751	916,427
Total Liabilities	18,463,982	7,003,874	9,171,615	34,639,471
Fund Balances:				
Reserved	10,377,817	583,930	6,201,698	17,163,445
Unreserved:				
Designated	24,916,771	3,995,308	31,025,726	59,937,805
Undesignated	12,105,464	179,747	--	12,285,211
Undesignated reported in:				
Special revenue funds	--	--	9,505,971	9,505,971
Capital projects funds	--	--	(1,168,380)	(1,168,380)
Total Fund Balances	47,400,052	4,758,985	45,565,015	97,724,052
Total Liabilities and Fund Balances	\$ 65,864,034	\$ 11,762,859	\$ 54,736,630	\$ 132,363,523

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, 2007

Total Fund Balances - Governmental Funds (page 22)	\$ 97,724,052
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.	128,588,082
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	14,281,960
Long-Term Debt that has not been included in the governmental fund activity.	(55,454,268)
Interest on outstanding debt not due and payable in the current period is not accrued in the governmental funds.	(640,043)
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.	1,268,570
Compensated absences are not accrued in the Governmental Funds.	(9,669,368)
Internal Service Funds assets and liabilities are included in governmental activities in the Statement of Net Assets	<u>22,266,426</u>
Net assets of Governmental Activities (page 20)	<u><u>\$ 198,365,411</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, 2007

	General Fund	Public Safety Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ 41,924,330	\$ 14,763,240	\$ 7,379,690	\$ 64,067,260
Licenses and permits	3,766,445	22,886	298,740	4,088,071
Fines and forfeitures	4,303,781	375,648	94,286	4,773,715
Use of money and property	3,955,517	61,661	1,846,630	5,863,808
Intergovernmental	110,712,192	7,353,608	37,637,760	155,703,560
Charges for other services	10,049,363	4,616,906	3,961,838	18,628,107
Miscellaneous revenue	3,650,392	372,024	1,315,458	5,337,874
Total Revenues	<u>178,362,020</u>	<u>27,565,973</u>	<u>52,534,402</u>	<u>258,462,395</u>
Expenditures:				
Current:				
General government	14,275,239	--	6,712,557	20,987,796
Public protection	16,615,787	51,225,859	13,061,481	80,903,127
Public assistance	84,594,081	--	891,869	85,485,950
Public ways and facilities	1,000	--	18,871,354	18,872,354
Health and sanitation	36,254,603	--	19,744,292	55,998,895
Education	1,758,579	--	--	1,758,579
Recreation	203,535	--	--	203,535
Debt Service	281,271	--	120,360	401,631
Total Expenditures	<u>153,984,095</u>	<u>51,225,859</u>	<u>59,401,913</u>	<u>264,611,867</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>24,377,925</u>	<u>(23,659,886)</u>	<u>(6,867,511)</u>	<u>(6,149,472)</u>
Other Financing Sources (Uses):				
Transfers in	408,926	21,692,792	13,318,558	35,420,276
Transfers out	(35,404,406)	(127,821)	(160,985)	(35,693,212)
Sale of capital assets	9,967	4,506	70,419	84,892
Total Other Financing Sources (Uses)	<u>(34,985,513)</u>	<u>21,569,477</u>	<u>13,227,992</u>	<u>(188,044)</u>
Net Change in Fund Balances	<u>(10,607,588)</u>	<u>(2,090,409)</u>	<u>6,360,481</u>	<u>(6,337,516)</u>
Fund Balances - Beginning	58,007,640	6,849,394	39,227,406	104,084,440
Prior Period Adjustments	--	--	(22,872)	(22,872)
Fund Balances - Beginning as Restated	<u>58,007,640</u>	<u>6,849,394</u>	<u>39,204,534</u>	<u>104,061,568</u>
Fund Balances - Ending	<u>\$ 47,400,052</u>	<u>\$ 4,758,985</u>	<u>\$ 45,565,015</u>	<u>\$ 97,724,052</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, 2007

Net Change in Fund Balances - Total Governmental Funds (page 24)	\$ (6,337,516)
Amounts reported for governmental activities in the Statement of Net Activities are different because:	
Governmental funds report capital outlays as expenditures.	12,301,160
In the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(4,693,889)
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.	(269,602)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the Governmental Funds.	9,330,027
Repayment of note and bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,700,443
Interest on outstanding debt is reported as an expenditure when due in the Governmental Funds, but is accrued in the Statement of Activities.	7,429
Compensated absences in the Statement of Activities is reported as an expense, but is not reported in the Governmental Funds.	(549,488)
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>5,470,244</u>
Change in Net Assets of Governmental Activities (page 21)	<u><u>\$ 16,958,808</u></u>

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

COUNTY OF SHASTA

Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-Type Activities					Internal Service Funds
	Solid Waste Disposal	West Central Landfill	Fall River Mills Airport	Non-Major Enterprise Funds	Total Enterprise Funds	
ASSETS						
Current assets:						
Cash and investments	\$ 3,130,011	\$ 9,161,346	\$ 478,679	\$ 2,415,665	\$ 15,185,701	\$ 35,707,536
Receivables, net	326,173	--	--	178,071	504,244	63,306
Due from other county funds	18,451	95,719	4,115	44,969	163,254	344,669
Due from other governments	13,082	519,855	45,621	--	578,558	565
Inventories	--	--	11,362	--	11,362	73,210
Prepaid items	103,342	--	--	19,300	122,642	143,451
Total current assets	<u>3,591,059</u>	<u>9,776,920</u>	<u>539,777</u>	<u>2,658,005</u>	<u>16,565,761</u>	<u>36,332,737</u>
Noncurrent assets:						
Special assessment receivable	--	--	--	1,150,680	1,150,680	--
Advances to other funds	--	--	--	--	--	503,331
Capital assets, net	7,552,643	--	8,573,886	11,428,518	27,555,047	2,934,575
Total noncurrent assets	<u>7,552,643</u>	<u>--</u>	<u>8,573,886</u>	<u>12,579,198</u>	<u>28,705,727</u>	<u>3,437,906</u>
Total Assets	<u>11,143,702</u>	<u>9,776,920</u>	<u>9,113,663</u>	<u>15,237,203</u>	<u>45,271,488</u>	<u>39,770,643</u>
LIABILITIES						
Current liabilities:						
Accounts payable	32,409	--	336,965	15,428	384,802	535,456
Salaries and benefits payable	--	--	--	--	--	405,580
Interest payable	55,960	--	1,328	17,252	74,540	--
Due to other governments	--	--	35	--	35	--
Due to other county funds	--	--	--	58,452	58,452	231,748
Deposits from others	3,000	--	--	3,966	6,966	--
Bonds, notes, loans payable	600,000	--	8,013	77,488	685,501	--
Total current liabilities	<u>691,369</u>	<u>--</u>	<u>346,341</u>	<u>172,586</u>	<u>1,210,296</u>	<u>1,172,784</u>
Noncurrent liabilities:						
Claims payable	--	--	--	--	--	16,327,000
Advances from other funds	--	--	--	503,331	503,331	4,433
Bonds, notes, loans payable	1,710,000	--	37,055	1,452,461	3,199,516	--
Landfill closure/postclosure care costs	--	14,247,859	--	--	14,247,859	--
Total noncurrent liabilities	<u>1,710,000</u>	<u>14,247,859</u>	<u>37,055</u>	<u>1,955,792</u>	<u>17,950,706</u>	<u>16,331,433</u>
Total Liabilities	<u>2,401,369</u>	<u>14,247,859</u>	<u>383,396</u>	<u>2,128,378</u>	<u>19,161,002</u>	<u>17,504,217</u>
NET ASSETS						
Invested in capital assets, net	5,242,643	--	8,528,818	9,910,828	23,682,289	2,934,275
Restricted for debt service	--	--	--	150,096	150,096	--
Unrestricted	3,499,690	(4,470,939)	201,449	3,047,901	2,278,101	19,332,151
Total Net Assets	<u>\$ 8,742,333</u>	<u>\$ (4,470,939)</u>	<u>\$ 8,730,267</u>	<u>\$ 13,108,825</u>	<u>\$ 26,110,486</u>	<u>\$ 22,266,426</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, 2007

	Business-Type Activities					Internal Service Funds
	Solid Waste Disposal	West Central Landfill	Fall River Mills Airport	Non-Major Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES						
Charges for services	\$ 1,066,173	\$ 2,025,671	\$ 67,895	\$ 935,752	\$ 4,095,491	\$ 26,161,286
OPERATING EXPENSES						
Salaries and benefits	--	--	--	--	--	6,946,978
Services and supplies	476,675	--	69,827	1,051,020	1,597,522	8,562,022
Landfill closure/postclosure care costs	--	994,383	--	--	994,383	--
Insurance premiums	--	--	--	--	--	1,745,720
Claims paid	--	--	--	--	--	4,610,449
Central service costs	366	--	(2,610)	4,556	2,312	798,548
Depreciation	1,937,521	--	18,313	557,473	2,513,307	760,952
Total Operating Expenses	<u>2,414,562</u>	<u>994,383</u>	<u>85,530</u>	<u>1,613,049</u>	<u>5,107,524</u>	<u>23,424,669</u>
Operating Income (Loss)	<u>(1,348,389)</u>	<u>1,031,288</u>	<u>(17,635)</u>	<u>(677,297)</u>	<u>(1,012,033)</u>	<u>2,736,617</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest	128,993	459,385	35,250	123,165	746,793	1,577,783
Miscellaneous revenue	--	--	393,357	187,344	580,701	891,720
Interest and other expense	(146,367)	--	(2,433)	(83,975)	(232,775)	(20,393)
Gain (loss) on sale of fixed assets	--	--	--	--	--	11,581
Total Nonoperating Revenues (Expenses)	<u>(17,374)</u>	<u>459,385</u>	<u>426,174</u>	<u>226,534</u>	<u>1,094,719</u>	<u>2,460,691</u>
Net Income (Loss) Before Contributions and Transfers	(1,365,763)	1,490,673	408,539	(450,763)	82,686	5,197,308
Capital contributions	--	--	5,385,949	95,727	5,481,676	--
Transfers in	5,489,647	--	--	--	5,489,647	586,249
Transfers out	--	(5,489,647)	--	--	(5,489,647)	(313,313)
Change in Net Assets	4,123,884	(3,998,974)	5,794,488	(355,036)	5,564,362	5,470,244
Net Assets - Beginning	4,618,449	(471,965)	2,935,779	13,463,861	20,546,124	16,796,182
Net Assets - Ending	<u>\$ 8,742,333</u>	<u>\$ (4,470,939)</u>	<u>\$ 8,730,267</u>	<u>\$ 13,108,825</u>	<u>\$ 26,110,486</u>	<u>\$ 22,266,426</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, 2007

	Business-Type Activities					Internal Service Funds
	Solid Waste Disposal	West Central Landfill	Fall River Mills Airport	Non-Major Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities:						
Receipts from customers	\$ 1,132,750	\$ 2,102,092	\$ 315,459	\$ 930,713	\$ 4,481,014	\$ 26,752,225
Payments to suppliers	(798,949)	--	(96,717)	(1,016,699)	(1,912,365)	(10,395,361)
Payments to employees	--	--	--	--	--	(6,946,898)
Claims paid	--	--	--	--	--	(3,163,449)
Other receipts (payments)	(366)	--	2,610	(4,556)	(2,312)	(798,548)
Net Cash Provided (Used) by Operating Activities	<u>333,435</u>	<u>2,102,092</u>	<u>221,352</u>	<u>(90,542)</u>	<u>2,566,337</u>	<u>5,447,969</u>
Cash Flows from Non-Capital Financing Activities:						
Other revenue (expense)	--	--	381,992	171,978	553,970	897,127
Operating subsidies and transfers out	5,489,647	(5,489,647)	--	28,316	28,316	28,044
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>5,489,647</u>	<u>(5,489,647)</u>	<u>381,992</u>	<u>200,294</u>	<u>582,286</u>	<u>925,171</u>
Cash Flows from Capital and Related Financing Activities:						
Purchase of capital assets	(5,224,902)	--	(5,722,207)	--	(10,947,109)	(828,029)
Proceeds from sale of capital assets	--	--	--	--	--	56,048
Capital contributions	--	--	5,395,949	95,727	5,491,676	383,869
Principal payments on debt	(570,000)	--	(7,480)	(450,478)	(1,027,958)	--
Proceeds from special assessments	--	--	--	12,116	12,116	--
Interest payments on debt	(159,477)	--	(2,653)	(95,651)	(257,781)	--
Net Cash (Used) by Capital and Related Financing Activities	<u>(5,954,379)</u>	<u>--</u>	<u>(336,391)</u>	<u>(438,286)</u>	<u>(6,729,056)</u>	<u>(388,112)</u>
Cash Flows From Investing Activities:						
Interest on investments	123,819	461,736	31,850	117,354	734,759	1,425,886
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(7,478)</u>	<u>(2,925,819)</u>	<u>298,803</u>	<u>(211,180)</u>	<u>(2,845,674)</u>	<u>7,410,914</u>
Cash and Cash Equivalents - Beginning of Year	<u>3,137,489</u>	<u>12,087,165</u>	<u>179,876</u>	<u>2,626,845</u>	<u>18,031,375</u>	<u>28,296,622</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,130,011</u>	<u>\$ 9,161,346</u>	<u>\$ 478,679</u>	<u>\$ 2,415,665</u>	<u>\$ 15,185,701</u>	<u>\$ 35,707,536</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (1,348,389)	\$ 1,031,288	\$ (17,635)	\$ (677,297)	(1,012,033)	\$ 2,736,617
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:						
Depreciation expense	1,937,521	--	18,313	557,473	2,513,307	760,952
Changes in assets and liabilities:					--	
Receivables, net	66,578	76,420	246,200	(5,028)	384,170	591,617
Prepaid expenses and other assets	34,447	--	--	--	34,447	27,649
Inventories	--	--	4,390	--	4,390	(120,686)
Landfill closure/postclosure care liability	--	994,384	--	--	--	--
Accounts and other payables	(356,722)	--	(29,916)	34,310	(352,328)	1,451,820
Net Cash Provided (Used) by Operating Activities	<u>\$ 333,435</u>	<u>\$ 2,102,092</u>	<u>\$ 221,352</u>	<u>\$ (90,542)</u>	<u>\$ 1,571,953</u>	<u>\$ 5,447,969</u>

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

COUNTY OF SHASTA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ 126,934,404	\$ 38,559,664
Accounts receivable, net	13,687	437,180
Taxes receivable, net	--	14,327,013
Due from other governments	--	2,725
Advances to other funds	--	18,040
Prepaid items	--	19,399
Due from other funds	--	635,063
Totals Assets	<u>\$ 126,948,091</u>	<u>\$ 53,999,084</u>
 LIABILITIES		
Accounts payable	\$ 4,738	\$ 37,542
Salaries and benefits payable	--	86,501
Due to other funds	--	3,973,143
Due to other governments	238	1,759,470
Taxes due to other funds	--	17,270,793
Deferred revenue	50,000	19,399
Agency funds liabilities	--	30,852,236
Total Liabilities	<u>54,976</u>	<u>\$ 53,999,084</u>
 NET ASSETS		
Net assets held in trust for investment pool participants	<u>\$ 126,893,115</u>	

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, 2007

ADDITIONS:	
Contributions to investment pool	\$ 512,130,588
DEDUCTIONS:	
Distributions from investment pool	<u>509,978,989</u>
CHANGE IN NET ASSETS	2,151,599
NET ASSETS, BEGINNING	<u>124,741,516</u>
NET ASSETS, ENDING	<u><u>\$ 126,893,115</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, 2007

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. The accompanying financial statements present the activities of the County and its component units, entities for which the County 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. Financial accountability exists if a primary government appoints a voting majority of an organization’s governing board *and* is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on 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 legal separation from the County.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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
- Lakehead Street
- Rother Riverside Street
- Sierra Vista 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.

- Aiden Park PRD
- Alpine Way PRD
- Amber Lane PRD
- Amber Ridge PRD
- Amesbury Village PRD
- Blackstone Estates PRD
- Buckshot Lane EFER PRD
- Canto Del Lupine PRD
- China Gulch PRD
- Coloma Drive PRD
- Cottonwood Creek PRD
- County Fields Estates
- Craig Lane PRD
- Crowley Creek Ranchettes PRD
- Deer Flat Road PRD
- Diamond Ridge PRD
- Dusty Oaks Trail PRD
- East Stillwater PRD
- Equestrian Estates PRD
- Fore Way Lane PRD
- Foxwood Estates PRD
- Fullerton Way PRD
- Manor Crest
- Manton Heights
- Manzanillo Orchard
- Marianas Way
- Millville Way PRD
- Mountain Gate Meadows PRD
- Mule Mountain Parkway
- North Chapparal Drive PRD
- Old Stagecoach Road
- Palo Cedro Oaks PRD
- Ponder/Carriage
- Ritts Mill Road PRD
- River Hills Estates
- Robledo Road PRD
- Rocky Ledge PRD
- Rolland Country Estates PRD
- Santa Barbara Estates
- Santa Barbara 1868 Unit 2 PRD
- Shasta Lake Ranchos PRD
- Shasta Meadows PRD
- Shelly Lane PRD
- Ski Way PRD

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2007

Note 1: Summary of Significant Accounting Policies (continued)

A. Component Units (continued)

- Holiday Acres PRD
- Intermountain Road PRD
- Jordan Manor PRD
- L & R Estates PRD
- La Verne Lane PRD
- Lark Court
- Latona Road
- Logan Road
- Los Palos EFER PRD
- Sonora Trail PRD
- Squaw Carpet Fire Access PRD
- Timber Ridge PRD
- Tract 1323
- Valparaiso Way PRD
- Vedder Road PRD
- Victoria Highlands Estates PRD
- Woggon Lane PRD

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 Storm
- 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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

A. **Component Units** (continued)

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

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

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

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

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

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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

A. **Component Units** (continued)

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

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

B. **Related Organizations**

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

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

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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

C. Basis of Presentation

Government-wide Financial Statements

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

The Statement of Activities presents a comparison between direct expenses, indirect expenses and program revenues for each function of the County's governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function or segment. Indirect expenses for centralized services and administrative overhead are allocated based on the annual County-wide Cost Allocation Plan and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses 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. Nonmajor funds and internal service funds are aggregated and presented in single columns.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

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

Fund Financial Statements (continued)

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

The County reports the following major governmental funds:

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

The County reports the following major proprietary funds:

- The *Solid Waste 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.
- The *Fall River Mills Airport Fund* is used to account for the activity associated with the airport, including the re-build and improvements.

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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

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

Fund Financial Statements (continued)

- *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.

In accordance with GASB Statement No. 20 “Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting”, the County applies all applicable FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The County has elected not to apply FASB pronouncements issued after November 30, 1989.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues available if they are collected within sixty (60) days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

E. Cash and Investments

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

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

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

F. Receivables and Payables

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

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

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

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2007

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

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

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

G. **Inventories and Prepaid Items**

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

H. **Capital Assets**

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

Acquisitions of capital assets are recorded as expenditures in the governmental fund types at the time of purchase 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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

H. Capital Assets (continued)

Estimated useful lives of the various classes of depreciable capital assets are as follows:

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

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

I. Property Tax Levy, Collection and Maximum Rates

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

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

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

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

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

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

The alternative method of distribution assures each participating agency receives their full current secured/supplemental collections while providing the County with future delinquent penalties and redemption interest on 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 both operating and capital lease agreements. In the government-wide and proprietary fund financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental or business-type activities column of the Statement of Net Assets.

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

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

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

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

L. **Employee Compensated Absences**

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

M. **Fund Equity**

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

N. **Use of Estimates**

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

O. **Reclassifications**

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

Note 2: **Cash in Treasury**

A. **Cash Management**

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

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2007

Note 2: Cash in Treasury (continued)

A. **Cash Management** (continued)

The County Treasurer determines the fair value of investments annually, at fiscal year-end, for the purpose of financial reporting. Participants may withdraw their investment from the pool on a dollar per dollar basis. School districts are considered involuntary participants in the investment pool and comprise 39 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 58 percent of the investment pool.

At June 30, 2007, total County cash and investments were as follows:

Cash:

Cash on hand and imprest cash	\$	1,099,257
Deposits		8,024,109
Total cash and deposits		<u>9,123,366</u>

Investments:

In Treasurer's pool		294,146,747
External to the Treasurer's pool		7,774,118
Total investments		<u>301,920,865</u>

Total cash and investments	\$	<u><u>311,044,231</u></u>
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Total cash and investments at June 30, 2007 were presented on the County's financial statements as follows:

Primary government	\$	140,625,840
Component units		4,924,323
Investment trust fund		126,934,404
Agency funds		38,559,664
Total Cash and Investments	\$	<u><u>311,044,231</u></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 \$14,288,129 at June 30, 2007.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2007

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

A. **Cash Management** (continued)

Investments

At June 30, 2007, the County had the following investments:

	Interest Rates	Maturities	Par	Cost	Fair Value	WAM (Years)
Investments in Investment Pool						
Local Agency Investment Fund	5.25%	7/2/2007	\$ 32,000,000	\$ 32,000,000	\$ 32,420,000	0.01
Repurchase Agreement	5.31%	7/2/2007	17,000,000	17,000,000	17,225,675	0.00
Inactive Public Deposit	4.97%-5.10%	10/16/07-08/11/08	3,000,000	3,000,000	3,000,000	0.62
Negotiable Certificates of Deposit	5.2%-5.30%	08/22/07-10/24/07	15,000,000	15,000,000	15,000,000	0.19
Commercial Paper	4.93%-5.22%	08/21/07-03/20/08	33,000,000	32,064,515	32,420,130	0.25
Bankers' Acceptances	5.11%	08/10/07-08/20/07	6,448,000	6,317,856	6,406,613	0.16
Federal Farm Credit	3.15%-5.30%	08/16/07-03/25/08	17,805,000	17,336,258	17,537,768	0.38
Federal Home Loan Bank Discount Note	3.38%-5.57%	07/10/07-03/05/08	43,550,000	42,548,977	43,086,640	0.52
Federal National Mortgage Discount Note	4.86%-5.04%	07/06/07-03/28/08	66,800,000	63,825,334	65,417,500	0.45
Federal Home Loan Mortgage Corp. Discount Note	4.76%-5.13%	07/20/07-04/28/08	63,000,000	60,168,580	61,592,100	0.41
Government National Mortgage Association	8%-9.5%	03/17/17-08/15/17	38,828	22,454	40,321	10.86
			<u>\$ 297,641,828</u>	<u>\$ 289,283,974</u>	<u>\$ 294,146,747</u>	
Investments outside Investment Pool						
Shasta Lake Local Agency Investment Fund	2.86%	7/1/2007	\$ 282,279	\$ 282,279	\$ 299,823	
Cash with fiscal agent			--	--	7,474,295	
			<u>\$ 282,279</u>	<u>\$ 282,279</u>	<u>\$ 7,774,118</u>	
Total Investments					<u>\$ 301,920,865</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.

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, 2007, 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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

A. **Cash Management** (continued)

Concentration of Credit Risk (continued)

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, 2007.

	<u>S&P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Investments in Investment Pool			
Local Agency Investment Fund	Unrated	Unrated	11.02%
Repurchase Agreement	Unrated	Unrated	5.86%
Inactive Public Deposit	Unrated	Unrated	1.02%
Negotiable Certificates of Deposit	A-1	P-1	5.10%
Commercial Paper	A-1	P-1	11.02%
Bankers' Acceptances	not available	AAA	2.18%
Federal Farm Credit	not available	AAA	5.96%
Federal Home Loan Bank Discount Note	not available	AAA	14.65%
Federal National Mortgage Discount Note	not available	AAA	22.24%
Federal Home Loan Mortgage Corp. Discount Note	not available	AAA	20.94%
Government National Mortgage Association	Unrated	Unrated	<u>0.01%</u>
			<u>100.00%</u>

Custodial Credit Risk

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

Local Agency Investment Fund

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

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2007

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

A. **Cash Management** (continued)

Local Agency Investment Fund (continued)

At June 30, 2007, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$32,000,000, 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 \$65,643,489,036. 100% of which was 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, 2007:

Statement of Net Assets

Assets:

Investments	\$ 294,146,747
Other deposits	6,533,755
Total assets	<u>300,680,502</u>

Liabilities:

Checks and warrants payable	<u>14,288,129</u>
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Net Assets:

Equity of internal pool participants	159,457,969
Equity of external pool participants	126,934,404
Total net assets	<u>\$ 286,392,373</u>

Statement of Changes in Net Assets

Investment earnings	\$ 14,041,342
Investment expenses	(675,035)
Net distribution to pool participants	<u>(7,206,314)</u>

Increase in Net Assets 6,159,993

Net assets at July 1, 2006	280,232,380
Net assets at June 30, 2007	<u>\$ 286,392,373</u>

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2007

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

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2007

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

C. **Authorized Investments** (continued)

**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 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 \$3,258,733, as reported in the governmental non-major funds, include \$2,394,176 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.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2007

Note 3: **Notes Receivables** (continued)

The remaining \$864,557 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		296,868

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

Note 4: **Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 2,570,755	\$ --	\$ --	\$ 958,000	\$ 3,528,755
Construction in progress	15,567,776	8,575,097	--	(20,418,245)	3,724,628
Total Capital Assets Not Being Depreciated	18,138,531	8,575,097	--	(19,460,245)	7,253,383
Capital assets being depreciated:					
Structures and improvements	90,870,788	--	(10,534)	15,961,213	106,821,467
Long-term leasehold improvements	1,025,843	--	--	--	1,025,843
Equipment	38,008,356	4,563,537	(1,318,183)	--	41,253,710
Infrastructure	84,260,269	--	--	3,499,032	87,759,301
Total Capital Assets Being Depreciated	214,165,256	4,563,537	(1,328,717)	19,460,245	236,860,321
Less accumulated depreciation for:					
Structures and Improvements	(25,113,569)	(1,850,793)	--	--	(26,964,362)
Long-term leasehold improvements	(408,132)	(12,272)	--	--	(420,404)
Equipment	(23,023,282)	(2,911,569)	1,014,428	--	(24,920,423)
Infrastructure	(59,605,651)	(680,207)	--	--	(60,285,858)
Total Accumulated Depreciation	(108,150,634)	(5,454,841)	1,014,428	--	(112,591,047)
Total Capital Assets Being Depreciated, Net	106,014,622	(891,304)	(314,289)	19,460,245	124,269,274
Governmental Activities Capital Assets, Net	\$ 124,153,153	\$ 7,683,793	\$ (314,289)	\$ --	\$ 131,522,657

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2007</u>
Business-Type Activities					
Capital assets not being depreciated:					
Land and improvements	\$ 1,800,295	\$ --	\$ --	\$ --	\$ 1,800,295
Construction in progress	3,722,704	10,947,109	--	(6,381,118)	8,288,695
Total Capital Assets Not Being Depreciated	<u>5,522,999</u>	<u>10,947,109</u>	<u>--</u>	<u>(6,381,118)</u>	<u>10,088,990</u>
Capital assets being depreciated:					
Structures and improvements	37,365,629	--	--	6,381,118	43,746,747
Equipment	255,043	--	--	--	255,043
Total Capital Assets Being Depreciated	<u>37,620,672</u>	<u>--</u>	<u>--</u>	<u>6,381,118</u>	<u>44,001,790</u>
Less accumulated depreciation for:					
Structures and Improvements	(23,802,528)	(2,500,927)	--	--	(26,303,455)
Equipment	(219,897)	(12,382)	--	--	(232,279)
Total Accumulated Depreciation	<u>(24,022,425)</u>	<u>(2,513,309)</u>	<u>--</u>	<u>--</u>	<u>(26,535,734)</u>
Total Capital Assets Being Depreciated, Net	<u>13,598,247</u>	<u>(2,513,309)</u>	<u>--</u>	<u>6,381,118</u>	<u>17,466,056</u>
Business-Type Activities Capital Assets, Net	<u>\$ 19,121,246</u>	<u>\$ 8,433,800</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 27,555,046</u>

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

Governmental Activities

General government	\$ 2,209,277
Public protection	955,500
Public ways	1,163,203
Health and sanitation	199,647
Public assistance	153,022
Education	13,240
Capital assets held by the County's internal service funds are charged to the various functions based on the usage of the assets	<u>760,952</u>

Total Depreciation Expenses Governmental Activities \$ 5,454,841

Business-Type Activities

Airport	\$ 18,313
Solid Waste	1,937,521
County Service Areas	<u>557,475</u>

Total Depreciation Expenses Business-Type Activities \$ 2,513,309

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

Note 5: **Interfund Transactions**

Interfund Receivables/Payables

Due to/from Other Funds:

Interfund receivable and payable balances at June 30, 2007, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public Safety	\$ 222,075
	Nonmajor Governmental Funds	1,574,560
	Nonmajor Enterprise Funds	58,452
	Internal Service Funds	150,860
	Agency Funds	<u>2,916,280</u>
		<u>4,922,227</u>
Public Safety	General	108,871
	Nonmajor Governmental Funds	108,612
	Internal Service Funds	17,024
	Agency Funds	<u>65,479</u>
		<u>299,986</u>
Nonmajor Governmental Funds	General	58,186
	Public Safety	1,241
	Internal Service Funds	51,020
	Agency Funds	<u>414,200</u>
		<u>524,647</u>
Internal Service Funds	General	500
	Public Safety	4,418
	Nonmajor Governmental Funds	6,802
	Internal Service Funds	7,978
	Agency Funds	<u>324,971</u>
		<u>344,669</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

Interfund Receivables/Payables (continued)

Due to/from Other Funds (continued):

Receivable Fund	Payable Fund	Amount
Solid Waste Disposal	Agency Funds	\$ 18,374
	General	77
		18,451
West Central Landfill	Agency Funds	95,719
Nonmajor Enterprise Funds	General	3,618
	Agency Funds	45,466
		49,084
Agency Funds	General	476,388
	Nonmajor Governmental Funds	61,155
	Internal Service Funds	4,866
	Agency Funds	92,654
		635,063
		\$ 6,889,846

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	\$ 79,713
Due to General Reserves from CSA #3 Castella Water	7,500
Due to General Reserves from Public Safety Fund	211,812
	\$ 299,025

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

Interfund Receivables/Payables (continued)

Advances to/from Other Funds:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 902,820
Internal Service Funds	Nonmajor Enterprise Funds	<u>503,331</u>
Agency	General	11,676
	Nonmajor Governmental Funds	1,931
	Internal Service Funds	<u>4,433</u>
		<u>18,040</u>
		<u>\$ 1,424,191</u>

Transfers:

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts 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, 2007, consisted of the following:

<u>Paying Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Public Safety	\$ 21,692,792	Funding of operational expenditures
	Nonmajor Governmental Funds	13,262,429	Funding of operational expenditures
	Internal Service Funds	<u>449,185</u>	Purchase of vehicles and funding
		<u>35,404,406</u>	operational expenses
Public Safety	General	28,821	Funding of capital improvement
			projects and share of Social
	Internal Service Funds	<u>99,000</u>	Services program
		<u>127,821</u>	Purchase of vehicles

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

Interfund Receivables/Payables (continued)

Transfers (continued):

<u>Paying Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Governmental Funds	General	\$ 98,834	Funding of capital improvement projects and share of Social Service program
	Nonmajor Governmental Funds	56,129	
	Internal Service Funds	<u>6,022</u>	Purchase of computer equipment
		<u>160,985</u>	
West Central Landfill	Solid Waste Disposal	<u>5,489,647</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>32,042</u>	Purchase of vehicle and computer equipment
		<u>313,313</u>	
		<u>\$ 41,496,172</u>	

Note 6: **Long-Term Liabilities**

A. Changes in Long-Term Obligations

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

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds Payable:					
Lease revenue bonds	\$ 53,935,000	\$ --	\$ 1,490,000	\$ 52,445,000	\$ 1,545,000
Unamortized bond premium	<u>1,276,392</u>	<u>--</u>	<u>47,567</u>	<u>1,228,825</u>	<u>--</u>
Total Bonds payable	55,211,392	--	1,537,567	53,673,825	1,545,000
Claims liability	14,880,000	4,610,449	3,163,449	16,327,000	--
Capital leases obligations	1,990,886	--	210,443	1,780,443	221,507
Compensated absences	<u>9,119,880</u>	<u>549,488</u>	<u>--</u>	<u>9,669,368</u>	<u>--</u>
Governmental Activities Long-Term Liabilities	<u>\$ 81,202,158</u>	<u>\$ 5,159,937</u>	<u>\$ 4,911,459</u>	<u>\$ 81,450,636</u>	<u>\$ 1,766,507</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

A. Changes in Long-Term Obligations (continued)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year
Business-Type Activities					
Bonds payable	\$ 4,514,885	\$ --	\$ 968,841	\$ 3,546,044	\$ 654,383
Notes payable	368,720	--	29,747	338,973	31,118
Liability for landfill closure/ postclosure care costs	<u>13,253,476</u>	<u>994,383</u>	<u>--</u>	<u>14,247,859</u>	<u>--</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 18,137,081</u>	<u>\$ 994,383</u>	<u>\$ 998,588</u>	<u>\$ 18,132,876</u>	<u>\$ 685,501</u>

B. Summary of Long-Term Obligations

	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2007
<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	\$ 7,015,000
2003 Lease Revenue Bonds – Administration Center	2003	2024	4.00-5.25%	\$750,000 - \$2,735,000	42,575,000	41,045,000
2003 Refunding Lease Revenue Bonds Justice Center	2004	2014	2.00-4.125%	\$420,000 - \$645,000	5,705,000	<u>4,385,000</u> <u>52,445,000</u>
Total Governmental Bonds Payable						<u>\$ 52,445,000</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	\$ 2,310,000
CSA No. 3 (Castella) Special Assessment Bonds	1981	2021	5.00%	\$1,000 - \$10,500	134,500	72,000
CSA No. 6 (Jones Valley) 1980 Revenue Bonds	1980	2020	5.00%	\$7,000 - \$30,000	537,000	302,000
CSA No. 6 (Jones Valley) Limited Obligation Bonds	1998	2038	4.75%	\$6,357 - \$38,000	802,789	648,000
CSA No. 8 (Palo Cedro) Sewer Bonds	1990	2001	6.00-9.20%	\$20,000	857,466	20,000

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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, 2007</u>
<u>Business-Type Activities</u> (continued)						
Bonds Payable (continued):						
CSA No. 17 (Cottonwood) Sewer Bonds – Series B	1986	2025	5.00%	\$5,000 - \$164,000	\$ 504,000	\$ 128,000
CSA No. 17 (Cottonwood) Sewer Bonds – Series C	1986	2026	7.75%	\$500 - \$8,000	114,408	36,000
CSA No. 23 (Crag View) Water Bonds – Series A	1974	2013	5.00%	\$1,000 - \$4,000	103,000	24,000
CSA No. 23 (Crag View) Water Bonds – Series B	1975	2013	5.00%	\$185 - \$1,172	20,000	<u>6,044</u>
						<u>3,546,044</u>
Notes Payable:						
CSA No. 2 (Sugar Loaf) Note Payable	1978	2016	5.00%	\$1,718 - \$73,206	73,206	35,739
CSA No. 11 (French Gulch) Note Payable	1995	2019	3.41%	\$5,389 - \$24,063	420,000	253,728
Fall River Mills Airport Note Payable	1998	2011	5.05%	\$3,753 - \$9,821	90,000	45,068
CSA No. 25 (Keswick) Note Payable	1989	2008	2.50-6.20%	\$678 - \$2,925	41,600	<u>4,438</u>
						<u>338,973</u>
						<u>\$ 3,885,017</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

B. Summary of Long-Term Obligations (continued)

As of June 30, 2007, 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>
2008	\$ 1,545,000	\$ 2,550,306
2009	1,610,000	2,493,599
2010	1,680,000	2,430,587
2011	1,745,000	2,361,427
2012	1,835,000	2,287,309
2013 – 2017	9,255,000	10,103,468
2018 – 2022	9,540,000	7,865,988
2023 – 2027	10,660,000	5,153,938
2028 – 2032	11,840,000	2,517,250
2033 – 2036	<u>2,735,000</u>	<u>136,750</u>
	<u>\$ 52,445,000</u>	<u>\$ 37,900,622</u>

<u>Year Ending</u> <u>June 30</u>	<u>Business-Type Activities</u>			
	<u>Bonds Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 654,383	\$ 156,812	\$ 31,118	\$ 12,846
2009	670,427	126,003	30,992	11,574
2010	573,474	96,185	30,787	10,241
2011	600,522	52,841	32,128	8,943
2012	48,573	51,195	33,177	7,619
2013 – 2017	250,165	219,021	121,111	22,048
2018 – 2022	241,000	141,613	59,660	3,104
2023 – 2027	149,500	99,550	--	--
2028 – 2032	125,000	70,656	--	--
2033 – 2037	159,000	37,169	--	--
2038 – 2041	<u>74,000</u>	<u>3,563</u>	<u>--</u>	<u>--</u>
	<u>\$ 3,546,044</u>	<u>\$ 1,054,608</u>	<u>\$ 338,973</u>	<u>\$ 76,375</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

B. Summary of Long-Term Obligations (continued)

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

C. Compensated Absences/Sick Time

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

Vacation time	\$ 4,907,357
Compensated time-off	478,043
Administrative leave	387,969
Holiday credit	318,010
Sick leave – gross amount	<u>3,577,989</u>
Total	<u>\$ 9,669,368</u>

Rebatable Arbitrage Earnings

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The County's last analysis was performed in 2005 and did not indicate a potential liability.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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

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, 2007</u>
Aircon Energy Retrofit	5.26%	\$ 1,724,722
CSS telephone	4.67%	<u>55,721</u>
		<u>\$ 1,780,443</u>

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

	<u>Governmental Activities</u>
Aircon Energy Retrofit	\$ 2,763,332
CSS telephone	159,064
Less: accumulated depreciation	<u>(1,716,886)</u>
	<u>\$ 1,205,510</u>

As of June 30, 2007, future minimum lease payments under capital leases was as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2008	\$ 311,719
2009	309,182
2010	281,271
2011	281,271
2012	281,271
2013-2015	<u>703,176</u>
Total Future Minimum Lease Payments	2,167,890
Less: Interest	<u>(387,447)</u>
Present Value of Remaining Lease Payments	<u>\$ 1,780,443</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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 \$14,247,859 as of the fiscal year end, which is based on the estimated percentage usage (filled) of 56.54 percent of the landfill site. It is estimated that an additional \$10,952,141 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 \$14,247,859 and the County has set aside \$6,949,634, resulting in an unfunded liability of \$7,298,225. 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, 2007

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	\$ 4,057,298	\$ 2,870,040	\$ 6,927,338
Capital assets	--	48,969	48,969
Total Assets	<u>4,057,298</u>	<u>2,919,009</u>	<u>6,976,307</u>
Current and other liabilities	430,087	1,465,320	1,895,407
Long-term liabilities	9,588	--	9,588
Total Liabilities	<u>439,675</u>	<u>1,465,320</u>	<u>1,904,995</u>
Invested in capital assets, net	--	48,969	48,969
Unrestricted	3,617,623	1,404,720	5,022,343
Total Net Assets	<u>\$ 3,617,623</u>	<u>\$ 1,453,689</u>	<u>\$ 5,071,312</u>
Revenues			
Aid from other governments	\$ 1,954,879	\$ 2,575,758	\$ 4,530,637
Use of money and property	176,967	57,021	233,988
Miscellaneous	--	970	970
Total Revenues	<u>2,131,846</u>	<u>2,633,749</u>	<u>4,765,595</u>
Expenses			
Operating expenses	2,138,997	2,484,866	4,623,863
Depreciation	--	5,981	5,981
Total Expenses	<u>2,138,997</u>	<u>2,490,847</u>	<u>4,629,844</u>
Change in net assets	(7,151)	142,902	135,751
Net assets, beginning	<u>3,624,774</u>	<u>1,310,787</u>	<u>4,935,561</u>
Net assets, ending	<u>\$ 3,617,623</u>	<u>\$ 1,453,689</u>	<u>\$ 5,071,312</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

Note 10: **Fund Balances**

The following is a summary of fund balances at June 30, 2007:

	General Fund	Public Safety Fund	Other Governmental Funds
Reserved			
General	\$ 8,519,242	\$ --	\$ --
Fiscal Agents	582,190	--	--
Imprest Accounts	45,390	56,915	4,900
Inventories	--	--	382,427
Notes Receivable	--	--	3,258,733
Encumbrances	1,230,995	527,015	2,555,638
Total Reserved	10,377,817	583,930	6,201,698
Unreserved			
General Purpose Use	18,887,776	1,229,450	13,517,183
Capital Projects	45,555	--	5,385,152
Child Support Svs Lease	--	--	1,466,667
Fiscal Agent	--	--	782,528
Fair Value of Investments	1,179,011	16,156	386,768
Equipment Acquisition	43,539	55,380	--
Tobacco Settlement	1,504,247	--	--
SB90 Mandated Cost Receivable	1,355,963	854,766	--
Animal Control Shelter	284,570	--	--
DA Misdemeanor Diversion Prog	--	11,442	--
Total Designated Unreserved	23,300,661	2,167,194	21,538,298
Designated Restricted			
Shingletown Runway	77,957	--	--
Vital Statistics	35,532	--	131,570
Recorder Modernization	633,386	--	--
Recorder Micrographics	235,470	--	--
Animal Control Spay/Neuter	49,373	--	--
Federal Grazing	18,357	--	--
Parks	35,000	--	--
Quantity Control	21,429	--	--
Recaptured Payments	31,004	--	--
Smara	55,404	--	--
Document Payment Program	31,355	--	--
Solid Waste Surcharge	183,691	--	386,991
UGT Penalties	79,250	--	--
Alcohol Education Prevention	16,973	--	--
Alcohol Programs	103,407	--	--
CPS Donation	8,522	--	--
Knighten Road Beetle Mitigation	--	--	297,221
CCS Donation	--	--	19,638
City of Shasta Lake Grant	--	--	380,000
Animal Control Shelter	--	--	3,000,000
Desg Roof	--	--	1,000,000
Juvenile Detention	--	--	1,000,000
Adult Detention	--	--	1,000,000
STC Training	--	4,620	--
Asset/Forfeiture	--	171,182	--
Program Sales	--	160,810	--
Prop 172 Sales Tax	--	1,394,601	--
DMV Remote Access	--	96,901	--
Car Seat Program	--	--	40,230
Air Quality Mgmt SB2766	--	--	857,239
Zone of Benefit Traffic Impact	--	--	1,291,199
Fire Zone Measure B	--	--	83,340
Total Designated Restricted	1,616,110	1,828,114	9,487,428
Total Designated	24,916,771	3,995,308	31,025,726
Undesignated	12,105,464	179,747	8,337,591
Total Unreserved	37,022,235	4,175,055	39,363,317
	\$ 47,400,052	\$ 4,758,985	\$ 45,565,015

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

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, 2007, 725 participants were on the plan at a cost to the County of \$3,289,489.

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, 2007, were as follows:

General liability	\$ 1,807,000
Workers’ compensation	<u>14,520,000</u>
Total	<u>\$ 16,327,000</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, 2007

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Balance, Beginning of Year claims liability	\$14,880,000	18,888,000
Current year claims and changes in estimates	4,610,449	177,917
Claim payments	<u>(3,163,449)</u>	<u>(4,185,917)</u>
Balance, End of Year	<u>\$16,327,000</u>	<u>\$14,880,000</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, 2007

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 2006-2007, the County of Shasta's annual pension cost was \$10,100,370 and the County of Shasta actually contributed \$10,100,370. The required contribution for fiscal year 2006-2007 was determined as part of the June 30, 2005 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, 2007, was 31 years for the miscellaneous plan and 18 years for the safety plan.

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2005	\$ 6,148,051	100%	\$ --
6/30/2006	9,222,728	100%	--
6/30/2007	10,100,370	100%	--

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2007

Note 14: Commitments and Contingencies

A. Commitments

The Board of Supervisors entered into the following significant 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, 2011. 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.

July 24, 2007, signed an amendment to the agreement with Mead and Hunt, Inc. to add construction engineering services to the Scope of Work for Phase III of the Fall River Mills Airport Expansion Project, increasing the amount to \$1,442,000 and retaining the term to September 25, 2011.

August 21, 2007, awarded to the low bidder, Northwest Paving, the contract for the Fall River Mills Airport Construction Phase III in the amount of \$1,397,185.50; and to the low bidder, Meyers Earthwork, Inc. awarded the contract for the Fall River Mills Airport Perimeter Fencing Installation in the amount of \$586,160.

2. 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.

June 19, 2007, awarded to the low bidder, R.K. Ricks Construction, on a lump-sum basis, the contract for construction on the West Central Landfill New Scale House project in the amount of \$1,060,000.

September 18, 2007, direction was given by the Board of Supervisors to advertise for bids for the Airport Road at Sacramento River Bridge Replacement Project. The total cost of this project, including environmental, engineering, right of way, construction and contingencies, is estimated to be \$30,000,000.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2007

Note 14: **Commitments and Contingencies**

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, 2007 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 and recognize defeasible loans, adjustment (\$22,872).

Note 16: **Deficit Fund Equity**

The Shasta RDA special revenue fund had a deficit fund balance of \$100,450 at year end. The West Central Landfill enterprise fund had deficit fund equity of \$4,470,939 resulting from transfers to Solid Waste Disposal Administration for general operations and the completion of improvements and expansion at the Landfill started in FY 2003-2004. The County plans to eliminate the deficit equity in subsequent years through a reduction in expenditures and/or subsidies from other funds. The Permanent Road Divisions special revenue fund had an accumulated deficit fund balance of \$212,317 resulting from road construction expenditures financed by an advance from the Roads Dust Mitigation Fund. This advance is being repaid from special assessment parcel charges over a twenty year period.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF SHASTA

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2007**

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>
6/30/04	\$ 263,576,349	\$ 273,130,027	\$ 9,553,678	96.5%	\$ 64,935,946	14.7%
6/30/05	283,503,434	300,592,994	17,089,560	94.3%	67,021,173	25.5%
6/30/06	306,202,210	320,611,908	14,409,698	95.5%	69,775,528	20.7%

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>
6/30/04	\$ 94,414,069	\$ 108,240,899	\$ 13,826,830	87.2%	\$ 12,312,264	112.3%
6/30/05	101,878,996	117,162,756	15,283,760	87.0%	12,360,661	123.6%
6/30/06	109,528,463	124,901,062	15,372,599	87.7%	12,367,664	124.3%

COUNTY OF SHASTA

General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues:				
Taxes	\$ 39,697,276	\$ 39,697,276	\$ 41,924,330	\$ 2,227,054
Licenses and permits	3,914,913	3,915,563	3,766,445	(149,118)
Fines and forfeitures	4,089,870	4,353,120	4,303,781	(49,339)
Use of money and property	2,187,552	2,187,552	3,955,517	1,767,965
Intergovernmental	124,802,358	122,494,960	110,712,192	(11,782,768)
Charges for services	9,701,971	9,841,211	10,049,363	208,152
Miscellaneous	3,267,179	3,357,179	3,650,392	293,213
Total Revenues	<u>187,661,119</u>	<u>185,846,861</u>	<u>178,362,020</u>	<u>(7,484,841)</u>
Expenditures:				
Current:				
General government	20,870,918	21,875,459	14,275,239	7,600,220
Public protection	17,294,246	17,597,270	16,615,787	981,483
Public ways and facilities	20,000	20,000	1,000	19,000
Health and sanitation	38,550,326	37,289,745	36,254,603	1,035,142
Public assistance	97,020,079	97,308,079	84,594,081	12,713,998
Education	2,001,971	2,001,971	1,758,579	243,392
Recreation	370,931	370,931	203,535	167,396
Debt Service	281,270	281,270	281,271	(1)
Total Expenditures	<u>176,409,741</u>	<u>176,744,725</u>	<u>153,984,095</u>	<u>22,760,630</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>11,251,378</u>	<u>9,102,136</u>	<u>24,377,925</u>	<u>15,275,789</u>
Other Financing Sources (Uses):				
Transfers in	13,273,091	15,491,926	408,926	(15,083,000)
Transfers out	(48,284,939)	(50,017,910)	(35,404,406)	14,613,504
Sale of fixed assets	1,000	1,000	9,967	8,967
Net Financing Sources (Uses)	<u>(35,010,848)</u>	<u>(34,524,984)</u>	<u>(34,985,513)</u>	<u>(460,529)</u>
Net Change in Fund Balances	(23,759,470)	(25,422,848)	(10,607,588)	14,815,260
Fund Balance - Beginning	58,007,640	58,007,640	58,007,640	--
Fund Balance - Ending	<u>\$ 34,248,170</u>	<u>\$ 32,584,792</u>	<u>\$ 47,400,052</u>	<u>\$ 14,815,260</u>

COUNTY OF SHASTA

Public Safety Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues:				
Taxes	\$ 14,006,498	\$ 14,006,498	\$ 14,763,240	\$ 756,742
Licenses and permits	30,650	30,650	22,886	(7,764)
Fines and forfeitures	305,384	305,384	375,648	70,264
Use of money and property	(30,000)	(30,000)	61,661	91,661
Intergovernmental	7,314,308	10,123,950	7,353,608	(2,770,342)
Charges for services	5,032,939	5,215,439	4,616,906	(598,533)
Miscellaneous	169,315	256,530	372,024	115,494
Total Revenues	<u>26,829,094</u>	<u>29,908,451</u>	<u>27,565,973</u>	<u>(2,342,478)</u>
Expenditures:				
Current:				
Public Protection	51,856,328	54,337,372	51,225,859	3,111,513
Total Expenditures	<u>51,856,328</u>	<u>54,337,372</u>	<u>51,225,859</u>	<u>3,111,513</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,027,234)</u>	<u>(24,428,921)</u>	<u>(23,659,886)</u>	<u>769,035</u>
Other Financing Sources (Uses):				
Transfers in	21,662,936	21,894,689	21,692,792	(201,897)
Transfers out	(12,712)	(715,673)	(127,821)	587,852
Sale of fixed assets	--	--	4,506	4,506
Net Financing Sources (Uses)	<u>21,650,224</u>	<u>21,179,016</u>	<u>21,569,477</u>	<u>390,461</u>
Net Change in Fund Balance	(3,377,010)	(3,249,905)	(2,090,409)	1,159,496
Fund Balance - Beginning	6,849,394	6,849,394	6,849,394	--
Fund Balance - Ending	<u>\$ 3,472,384</u>	<u>\$ 3,599,489</u>	<u>\$ 4,758,985</u>	<u>\$ 1,159,496</u>

COUNTY OF SHASTA

Required Supplementary Information For the Fiscal Year Ended June 30, 2007

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 \$75,000 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, 2007

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 25,970,464	\$ --	\$ 16,966,777	\$ 42,937,241
Accounts receivable	445,251	--	--	445,251
Due from other county funds	479,266	--	45,381	524,647
Due from other governments	3,929,443	--	1,505,834	5,435,277
Advances to other funds	902,820	--	--	902,820
Inventories	382,427	--	--	382,427
Prepaid items	698,250	--	--	698,250
Special Assessment Receivable	151,984	--	--	151,984
Notes receivable	3,258,733	--	--	3,258,733
Total Assets	<u><u>\$ 36,218,638</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 18,517,992</u></u>	<u><u>\$ 54,736,630</u></u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 651,074	\$ --	\$ 23,611	\$ 674,685
Salaries and benefits payable	1,567,820	--	--	1,567,820
Due to other county funds	611,592	--	1,139,537	1,751,129
Advances from other funds	904,751	--	--	904,751
Due to other governments	397,965	--	--	397,965
Deposits from others	281,429	--	--	281,429
Deferred revenue	2,376,083	--	1,217,753	3,593,836
Total Liabilities	<u>6,790,714</u>	<u>--</u>	<u>2,380,901</u>	<u>9,171,615</u>
 Fund Balances:				
Reserved	5,464,331	--	737,367	6,201,698
Unreserved:				
Designated	14,457,622	--	16,568,104	31,025,726
Undesignated	9,505,971	--	(1,168,380)	8,337,591
Total Fund Balance	<u>29,427,924</u>	<u>--</u>	<u>16,137,091</u>	<u>45,565,015</u>
Total Liabilities and Fund Balances	<u><u>\$ 36,218,638</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 18,517,992</u></u>	<u><u>\$ 54,736,630</u></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, 2007

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total
Revenues:				
Taxes	\$ 7,379,690	\$ --	\$ --	\$ 7,379,690
Licenses and permits	298,740	--	--	298,740
Fines & forfeitures	94,286	--	--	94,286
Use of money and property	1,404,827	--	441,803	1,846,630
Intergovernmental	35,452,449	--	2,185,311	37,637,760
Charges for other services	3,961,838	--	--	3,961,838
Miscellaneous revenue	425,458	--	890,000	1,315,458
Total Revenues	<u>49,017,288</u>	<u>--</u>	<u>3,517,114</u>	<u>52,534,402</u>
Expenditures:				
Current				
General government	--	--	6,712,557	6,712,557
Public protection	13,061,481	--	--	13,061,481
Public assistance	891,869	--	--	891,869
Public ways and facilities	18,871,354	--	--	18,871,354
Health and sanitation	19,744,292	--	--	19,744,292
Debt Service	--	120,360	--	120,360
Total Expenditures	<u>52,568,996</u>	<u>120,360</u>	<u>6,712,557</u>	<u>59,401,913</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,551,708)</u>	<u>(120,360)</u>	<u>(3,195,443)</u>	<u>(6,867,511)</u>
Other Financing Sources (Uses):				
Transfers in	3,222,467	--	10,096,091	13,318,558
Transfers out	(119,121)	--	(41,864)	(160,985)
Sale of fixed assets	70,419	--	--	70,419
Total Other Financing Sources (Uses)	<u>3,173,765</u>	<u>--</u>	<u>10,054,227</u>	<u>13,227,992</u>
Net Change in Fund Balances	(377,943)	(120,360)	6,858,784	6,360,481
Fund Balances - Beginning	29,828,739	120,360	9,278,307	39,227,406
Prior Period Adjustments	(22,872)	--	--	(22,872)
Fund Balances - Beginning as Restated	<u>29,805,867</u>	<u>120,360</u>	<u>9,278,307</u>	<u>39,204,534</u>
Fund Balances - Ending	<u>\$ 29,427,924</u>	<u>\$ --</u>	<u>\$ 16,137,091</u>	<u>\$ 45,565,015</u>

SPECIAL REVENUE FUNDS

COUNTY OF SHASTA

Combining Balance Sheet
Special Revenue Funds
June 30, 2007

	Mental Health Services	Endangered Species	Substance Abuse Fund	Roads Fund	Roads SVAP Fund
ASSETS					
Cash and investments	\$ 2,232,854	\$ 301,377	\$ 147,012	\$ 8,327,335	\$ 119,070
Accounts receivable	--	--	601	34,393	--
Due from other county funds	7,537	3,071	3,024	93,544	--
Due from other governments	--	--	18,343	1,257,133	--
Advances to other funds	--	--	--	--	902,820
Inventories	--	--	--	382,427	--
Prepaid items	--	--	--	--	--
Special Assessment Receivable	--	--	--	--	--
Notes receivable	--	--	--	--	--
Total Assets	<u>\$ 2,240,391</u>	<u>\$ 304,448</u>	<u>\$ 168,980</u>	<u>\$ 10,094,832</u>	<u>\$ 1,021,890</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 16,972	\$ --	\$ 229	\$ 258,182	\$ --
Salaries and benefits payable	62,284	--	22,962	446,385	--
Due to other county funds	234,297	--	1,934	2,016	--
Advances from other funds	--	--	--	1,931	--
Due to other governments	95	4,171	--	7,150	--
Deposits from others	--	--	--	281,429	--
Deferred revenue	--	--	601	336,383	--
Total Liabilities	<u>313,648</u>	<u>4,171</u>	<u>25,726</u>	<u>1,333,476</u>	<u>--</u>
Fund Balances:					
Reserved	1,862	--	10,100	1,089,802	--
Unreserved:					
Designated	6,182	300,277	133,154	2,464,253	1,000,170
Undesignated	1,918,699	--	--	5,207,301	21,720
Total Fund Balance	<u>1,926,743</u>	<u>300,277</u>	<u>143,254</u>	<u>8,761,356</u>	<u>1,021,890</u>
Total Liabilities and Fund Balances	<u>\$ 2,240,391</u>	<u>\$ 304,448</u>	<u>\$ 168,980</u>	<u>\$ 10,094,832</u>	<u>\$ 1,021,890</u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
Special Revenue Funds
June 30, 2007

	Child Support Services	County Transit Fund	Public Health	Shasta Housing Fund
ASSETS				
Cash and investments	\$ 2,791,121	\$ 7,641	\$ 5,062,813	\$ 270,520
Accounts receivable	1,575	--	76,685	794
Due from other county funds	39,678	12,299	129,735	--
Due from other governments	--	--	2,076,051	238,238
Advances to other funds	--	--	--	--
Inventories	--	--	--	--
Prepaid items	4,380	--	193,777	380,000
Special Assessment Receivable	--	--	--	--
Notes receivable	--	--	--	3,258,733
Total Assets	<u>\$ 2,836,754</u>	<u>\$ 19,940</u>	<u>\$ 7,539,061</u>	<u>\$ 4,148,285</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,156	\$ 28	\$ 81,119	\$ 70,786
Salaries and benefits payable	338,005	--	653,963	7,443
Due to other county funds	9	28	11,936	40,796
Advances from other funds	--	--	--	--
Due to other governments	4	12,271	325,456	--
Deposits from others	--	--	--	--
Deferred revenue	--	--	1,539,378	14,281
Total Liabilities	<u>345,174</u>	<u>12,327</u>	<u>2,611,852</u>	<u>133,306</u>
Fund Balances:				
Reserved	2,594	--	546,181	3,258,733
Unreserved:				
Designated	2,250,987	7,613	4,381,028	756,246
Undesignated	237,999	--	--	--
Total Fund Balance	<u>2,491,580</u>	<u>7,613</u>	<u>4,927,209</u>	<u>4,014,979</u>
Total Liabilities and Fund Balances	<u>\$ 2,836,754</u>	<u>\$ 19,940</u>	<u>\$ 7,539,061</u>	<u>\$ 4,148,285</u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
 Special Revenue Funds
 June 30, 2007

	<u>County Water Agency</u>	<u>Air Quality Management</u>	<u>Fire Protection CSA #1</u>	<u>Shasta RDA</u>
ASSETS				
Cash and investments	\$ 331,531	\$ 2,146,228	\$ 2,817,778	\$ --
Accounts receivable	--	303,530	--	--
Due from other county funds	7,436	22,308	124,149	--
Due from other governments	25,700	137,140	52,711	--
Advances to other funds	--	--	--	--
Inventories	--	--	--	--
Prepaid items	--	120,000	93	--
Special Assessment Receivable	--	--	--	--
Notes receivable	--	--	--	--
Total Assets	<u>\$ 364,667</u>	<u>\$ 2,729,206</u>	<u>\$ 2,994,731</u>	<u>\$ --</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 27,950	\$ 153,800	\$ 28,799	\$ --
Salaries and benefits payable	--	29,505	7,273	--
Due to other county funds	2	24	4,155	100,450
Advances from other funds	--	--	--	--
Due to other governments	--	--	48,818	--
Deposits from others	--	--	--	--
Deferred revenue	--	485,440	--	--
Total Liabilities	<u>27,952</u>	<u>668,769</u>	<u>89,045</u>	<u>100,450</u>
Fund Balances:				
Reserved	6,582	201,955	339,144	--
Unreserved:				
Designated	202,641	1,632,535	837,619	--
Undesignated	127,492	225,947	1,728,923	(100,450)
Total Fund Balance	<u>336,715</u>	<u>2,060,437</u>	<u>2,905,686</u>	<u>(100,450)</u>
Total Liabilities and Fund Balances	<u>\$ 364,667</u>	<u>\$ 2,729,206</u>	<u>\$ 2,994,731</u>	<u>\$ --</u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
 Special Revenue Funds
 June 30, 2007

	In-Home Support Services	Inmate Welfare Fund	Lighting Districts
ASSETS			
Cash and investments	\$ --	\$ 358,635	\$ 197,016
Accounts receivable	--	27,673	--
Due from other county funds	728	4,560	2,425
Due from other governments	124,127	--	--
Advances to other funds	--	--	--
Inventories	--	--	--
Prepaid items	--	--	--
Special Assessment Receivable	--	--	--
Notes receivable	--	--	--
Total Assets	<u>\$ 124,855</u>	<u>\$ 390,868</u>	<u>\$ 199,441</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,356	\$ 4,697	\$ --
Salaries and benefits payable	--	--	--
Due to other county funds	109,029	106,912	--
Advances from other funds	--	--	--
Due to other governments	--	--	--
Deposits from others	--	--	--
Deferred revenue	--	--	--
Total Liabilities	<u>110,385</u>	<u>111,609</u>	<u>--</u>
Fund Balances:			
Reserved	50	7,328	--
Unreserved:			
Designated	--	7,086	186,941
Undesignated	14,420	264,845	12,500
Total Fund Balance	<u>14,470</u>	<u>279,259</u>	<u>199,441</u>
Total Liabilities and Fund Balances	<u>\$ 124,855</u>	<u>\$ 390,868</u>	<u>\$ 199,441</u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
 Special Revenue Funds
 June 30, 2007

	County Service Areas	Permanent Road Divisions	Total
ASSETS			
Cash and investments	\$ 340,593	\$ 518,940	\$ 25,970,464
Accounts receivable	--	--	445,251
Due from other county funds	9,189	19,583	479,266
Due from other governments	--	--	3,929,443
Advances to other funds	--	--	902,820
Inventories	--	--	382,427
Prepaid items	--	--	698,250
Special Assessment Receivable	20,170	131,814	151,984
Notes receivable	--	--	3,258,733
Total Assets	<u>\$ 369,952</u>	<u>\$ 670,337</u>	<u>\$ 36,218,638</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ --	\$ --	\$ 651,074
Salaries and benefits payable	--	--	1,567,820
Due to other county funds	--	4	611,592
Advances from other funds	20,170	882,650	904,751
Due to other governments	--	--	397,965
Deposits from others	--	--	281,429
Deferred revenue	--	--	2,376,083
Total Liabilities	<u>20,170</u>	<u>882,654</u>	<u>6,790,714</u>
Fund Balances:			
Reserved	--	--	5,464,331
Unreserved:			
Designated	290,890	--	14,457,622
Undesignated	58,892	(212,317)	9,505,971
Total Fund Balance	<u>349,782</u>	<u>(212,317)</u>	<u>29,427,924</u>
Total Liabilities and Fund Balances	<u>\$ 369,952</u>	<u>\$ 670,337</u>	<u>\$ 36,218,638</u>

COUNTY OF SHASTA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2007

	Mental Health Services	Endangered Species	Substance Abuse Fund	Roads Funds	Road SVAP Fund
Revenues:					
Taxes	\$ --	\$ --	\$ --	\$ 5,363,328	\$ --
Licenses and permits	--	--	--	63,728	--
Fines & forfeitures	--	--	--	--	--
Use of money and property	13,719	15,084	12,086	339,609	--
Intergovernmental	2,939,011	--	723,249	11,471,458	--
Charges for other services	--	--	41,720	1,596,824	12,800
Miscellaneous revenue	--	--	--	20,993	--
Total Revenues	<u>2,952,730</u>	<u>15,084</u>	<u>777,055</u>	<u>18,855,940</u>	<u>12,800</u>
Expenditures:					
Current					
Public protection	--	17,160	--	--	--
Public assistance	--	--	--	--	--
Public ways and facilities	--	--	--	17,920,489	8,481
Health and sanitation	1,025,987	--	769,670	--	--
Total Expenditures	<u>1,025,987</u>	<u>17,160</u>	<u>769,670</u>	<u>17,920,489</u>	<u>8,481</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,926,743</u>	<u>(2,076)</u>	<u>7,385</u>	<u>935,451</u>	<u>4,319</u>
Other Financing Sources (Uses):					
Transfers in	--	--	--	--	--
Transfers out	--	--	--	(22,314)	--
Sale of fixed assets	--	--	--	31,261	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,947</u>	<u>--</u>
Net Change in Fund Balances	<u>1,926,743</u>	<u>(2,076)</u>	<u>7,385</u>	<u>944,398</u>	<u>4,319</u>
Fund Balances - Beginning	--	302,353	135,869	7,816,958	1,017,571
Prior Period Adjustments	--	--	--	--	--
Fund Balances - Beginning as Restated	<u>--</u>	<u>302,353</u>	<u>135,869</u>	<u>7,816,958</u>	<u>1,017,571</u>
Fund Balances - Ending	<u>\$ 1,926,743</u>	<u>\$ 300,277</u>	<u>\$ 143,254</u>	<u>\$ 8,761,356</u>	<u>\$ 1,021,890</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, 2007

	Child Support Services	County Transit Fund	Public Health	Shasta Housing Fund
Revenues:				
Taxes	\$ --	\$ 108,175	\$ --	\$ --
Licenses and permits	--	--	4,628	--
Fines & forfeitures	--	--	8,887	--
Use of money and property	291,521	(279)	193,835	32,510
Intergovernmental	7,955,090	--	10,515,448	212,174
Charges for other services	1,000	--	1,092,323	--
Miscellaneous revenue	20,533	--	197,709	--
Total Revenues	<u>8,268,144</u>	<u>107,896</u>	<u>12,012,830</u>	<u>244,684</u>
Expenditures:				
Current				
Public protection	8,528,236	--	--	--
Public assistance	--	--	--	263,024
Public ways and facilities	--	108,127	--	--
Health and sanitation	--	--	16,727,542	--
Total Expenditures	<u>8,528,236</u>	<u>108,127</u>	<u>16,727,542</u>	<u>263,024</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(260,092)</u>	<u>(231)</u>	<u>(4,714,712)</u>	<u>(18,340)</u>
Other Financing Sources (Uses):				
Transfers in	74,951	--	616,493	--
Transfers out	--	--	(40,678)	(56,129)
Sale of fixed assets	98	--	20,286	--
Total Other Financing Sources (Uses)	<u>75,049</u>	<u>--</u>	<u>596,101</u>	<u>(56,129)</u>
Net Change in Fund Balances	<u>(185,043)</u>	<u>(231)</u>	<u>(4,118,611)</u>	<u>(74,469)</u>
Fund Balances - Beginning	2,676,623	7,844	9,045,820	4,112,320
Prior Period Adjustments	--	--	--	(22,872)
Fund Balances - Beginning as Restated	<u>2,676,623</u>	<u>7,844</u>	<u>9,045,820</u>	<u>4,089,448</u>
Fund Balances - Ending	<u>\$ 2,491,580</u>	<u>\$ 7,613</u>	<u>\$ 4,927,209</u>	<u>\$ 4,014,979</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, 2007

	County Water Agency	Air Quality Management	Fire Protection CSA #1	Shasta RDA
Revenues:				
Taxes	\$ 142,194	\$ --	\$ 1,652,676	\$ --
Licenses and permits	--	203,046	27,338	--
Fines & forfeitures	--	83,978	1,421	--
Use of money and property	18,206	103,969	105,298	(4,891)
Intergovernmental	59,734	861,809	91,173	--
Charges for other services	50,848	14,517	833,006	--
Miscellaneous revenue	--	--	89,564	--
Total Revenues	<u>270,982</u>	<u>1,267,319</u>	<u>2,800,476</u>	<u>(4,891)</u>
Expenditures:				
Current				
Public protection	--	--	4,134,025	--
Public assistance	--	--	--	--
Public ways and facilities	364,917	--	--	--
Health and sanitation	--	1,221,093	--	--
Total Expenditures	<u>364,917</u>	<u>1,221,093</u>	<u>4,134,025</u>	<u>--</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(93,935)</u>	<u>46,226</u>	<u>(1,333,549)</u>	<u>(4,891)</u>
Other Financing Sources (Uses):				
Transfers in	61,174	--	2,469,849	--
Transfers out	--	--	--	--
Sale of fixed assets	--	18,774	--	--
Total Other Financing Sources (Uses)	<u>61,174</u>	<u>18,774</u>	<u>2,469,849</u>	<u>--</u>
Net Change in Fund Balances	<u>(32,761)</u>	<u>65,000</u>	<u>1,136,300</u>	<u>(4,891)</u>
Fund Balances - Beginning	369,476	1,995,437	1,769,386	(95,559)
Prior Period Adjustments	--	--	--	--
Fund Balances - Beginning as Restated	<u>369,476</u>	<u>1,995,437</u>	<u>1,769,386</u>	<u>(95,559)</u>
Fund Balances - Ending	<u>\$ 336,715</u>	<u>\$ 2,060,437</u>	<u>\$ 2,905,686</u>	<u>\$ (100,450)</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, 2007

	In-Home Support Services	Inmate Welfare Fund	Lighting Districts
Revenues:			
Taxes	\$ --	\$ --	\$ 17,009
Licenses and permits	--	--	--
Fines & forfeitures	--	--	--
Use of money and property	(10,270)	245,574	9,466
Intergovernmental	621,100	--	329
Charges for other services	--	--	--
Miscellaneous revenue	--	96,540	--
Total Revenues	<u>610,830</u>	<u>342,114</u>	<u>26,804</u>
Expenditures:			
Current			
Public protection	--	382,060	--
Public assistance	628,845	--	--
Public ways and facilities	--	--	5,692
Health and sanitation	--	--	--
Total Expenditures	<u>628,845</u>	<u>382,060</u>	<u>5,692</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,015)</u>	<u>(39,946)</u>	<u>21,112</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	<u>(18,015)</u>	<u>(39,946)</u>	<u>21,112</u>
Fund Balances - Beginning	32,485	319,205	178,329
Prior Period Adjustments	--	--	--
Fund Balances - Beginning as Restated	<u>32,485</u>	<u>319,205</u>	<u>178,329</u>
Fund Balances - Ending	<u>\$ 14,470</u>	<u>\$ 279,259</u>	<u>\$ 199,441</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, 2007

	County Service Areas	Permanent Road Divisions	Total
Revenues:			
Taxes	\$ 95,444	\$ 864	\$ 7,379,690
Licenses and permits	--	--	298,740
Fines & forfeitures	--	--	94,286
Use of money and property	15,758	23,632	1,404,827
Intergovernmental	1,857	17	35,452,449
Charges for other services	57,996	260,804	3,961,838
Miscellaneous revenue	--	119	425,458
Total Revenues	<u>171,055</u>	<u>285,436</u>	<u>49,017,288</u>
Expenditures:			
Current			
Public protection	--	--	13,061,481
Public assistance	--	--	891,869
Public ways and facilities	109,952	353,696	18,871,354
Health and sanitation	--	--	19,744,292
Total Expenditures	<u>109,952</u>	<u>353,696</u>	<u>52,568,996</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>61,103</u>	<u>(68,260)</u>	<u>(3,551,708)</u>
Other Financing Sources (Uses):			
Transfers in	--	--	3,222,467
Transfers out	--	--	(119,121)
Sale of fixed assets	--	--	70,419
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>3,173,765</u>
Net Change in Fund Balances	<u>61,103</u>	<u>(68,260)</u>	<u>(377,943)</u>
Fund Balances - Beginning	288,679	(144,057)	29,828,739
Prior Period Adjustments	--	--	(22,872)
Fund Balances - Beginning as Restated	<u>288,679</u>	<u>(144,057)</u>	<u>29,805,867</u>
Fund Balances - Ending	<u>\$ 349,782</u>	<u>\$ (212,317)</u>	<u>\$ 29,427,924</u>

CAPITAL PROJECTS FUNDS

COUNTY OF SHASTA

Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2007

	Accumulated Capital Outlay	Courthouse Renovation	Library Building	Administration Building	Total
ASSETS					
Cash and investments	\$ 11,025,959	\$ 783,196	\$ --	\$ 5,157,622	\$ 16,966,777
Due from other county funds	44,586	--	--	795	45,381
Due from other governments	--	--	1,505,834	--	1,505,834
Total Assets	<u>\$ 11,070,545</u>	<u>\$ 783,196</u>	<u>\$ 1,505,834</u>	<u>\$ 5,158,417</u>	<u>\$ 18,517,992</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ --	\$ --	\$ 23,611	\$ --	\$ 23,611
Due to other county funds	--	--	1,139,537	--	1,139,537
Deferred revenue	--	--	1,217,753	--	1,217,753
Total Liabilities	<u>--</u>	<u>--</u>	<u>2,380,901</u>	<u>--</u>	<u>2,380,901</u>
Fund Balances:					
Reserved	--	--	737,367	--	737,367
Unreserved:					
Designated	11,070,545	783,196	--	4,714,363	16,568,104
Undesignated	--	--	(1,612,434)	444,054	(1,168,380)
Total Fund Balance	<u>11,070,545</u>	<u>783,196</u>	<u>(875,067)</u>	<u>5,158,417</u>	<u>16,137,091</u>
Total Liabilities and Fund Balances	<u>\$ 11,070,545</u>	<u>\$ 783,196</u>	<u>\$ 1,505,834</u>	<u>\$ 5,158,417</u>	<u>\$ 18,517,992</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, 2007

	Accumulated Capital Outlay	Courthouse Renovation	Library Building	Administration Building	Total
Revenues:					
Use of money and property	\$ 104,181	\$ 37,863	\$ (33,800)	\$ 333,559	\$ 441,803
Intergovernmental	--	--	2,185,311	--	2,185,311
Miscellaneous revenue	--	--	890,000	--	890,000
Total Revenues	<u>104,181</u>	<u>37,863</u>	<u>3,041,511</u>	<u>333,559</u>	<u>3,517,114</u>
Expenditures:					
Current					
General government	--	--	6,608,974	103,583	6,712,557
Total Expenditures	<u>--</u>	<u>--</u>	<u>6,608,974</u>	<u>103,583</u>	<u>6,712,557</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>104,181</u>	<u>37,863</u>	<u>(3,567,463)</u>	<u>229,976</u>	<u>(3,195,443)</u>
Other Financing Sources (Uses):					
Transfers in	10,000,000	--	96,091	--	10,096,091
Transfers out	(1,717)	(40,147)	--	--	(41,864)
Total Other Financing Sources (Uses)	<u>9,998,283</u>	<u>(40,147)</u>	<u>96,091</u>	<u>--</u>	<u>10,054,227</u>
Net Change in Fund Balances	10,102,464	(2,284)	(3,471,372)	229,976	6,858,784
Fund Balances - Beginning	<u>968,081</u>	<u>785,480</u>	<u>2,596,305</u>	<u>4,928,441</u>	<u>9,278,307</u>
Fund Balances - Ending	<u>\$ 11,070,545</u>	<u>\$ 783,196</u>	<u>\$ (875,067)</u>	<u>\$ 5,158,417</u>	<u>\$ 16,137,091</u>

NONMAJOR ENTERPRISE FUNDS

COUNTY OF SHASTA

Combining Statement of Net Assets Non-Major Enterprise Funds June 30, 2007

	CSA #2 Sugarloaf Water	CSA #3 Castella Water	CSA #6 Jones Valley Water	CSA # 8 Palo Cedro
ASSETS				
Current assets:				
Cash and investments	\$ 37,782	\$ 67,554	\$ 215,307	\$ 1,352,477
Receivables, net	6,238	8,388	26,394	25,599
Due from other county funds	817	1,069	9,176	14,290
Prepays	--	5,300	--	--
Total current assets	<u>44,837</u>	<u>82,311</u>	<u>250,877</u>	<u>1,392,366</u>
Noncurrent assets:				
Special assessment receivable	--	62,177	634,675	--
Capital assets, net	72,268	364,928	1,876,559	2,251,141
Total noncurrent assets	<u>72,268</u>	<u>427,105</u>	<u>2,511,234</u>	<u>2,251,141</u>
Total Assets	<u>117,105</u>	<u>509,416</u>	<u>2,762,111</u>	<u>3,643,507</u>
LIABILITIES				
Current liabilities:				
Accounts payable	321	1,498	2,880	833
Interest payable	808	--	14,235	--
Due to other county funds	1,656	11,027	2,957	15,256
Deposits from others	--	--	--	1,682
Bonds, notes, loans payable	3,591	3,500	26,000	20,000
Total current liabilities	<u>6,376</u>	<u>16,025</u>	<u>46,072</u>	<u>37,771</u>
Noncurrent Liabilities:				
Advances from other funds	--	--	--	--
Bonds, notes, loans payable	32,148	68,500	924,000	--
Total noncurrent liabilities	<u>32,148</u>	<u>68,500</u>	<u>924,000</u>	<u>--</u>
Total Liabilities	<u>38,524</u>	<u>84,525</u>	<u>970,072</u>	<u>37,771</u>
NET ASSETS				
Invested in capital assets, net	36,535	292,927	926,559	2,231,140
Restricted for debt service	5,378	80,018	32,500	--
Unrestricted	36,668	51,946	832,980	1,374,596
Total Net Assets	<u>\$ 78,581</u>	<u>\$ 424,891</u>	<u>\$ 1,792,039</u>	<u>\$ 3,605,736</u>

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued)
 Non-Major Enterprise Funds
 June 30, 2007

	CSA #11 French Gulch	CSA #13 Alpine Meadows	CSA # 17 Cotton- wood
ASSETS			
Current assets:			
Cash and investments	\$ 78,873	\$ 6,922	\$ 495,938
Receivables, net	7,045	2,747	82,002
Due from other county funds	3,348	200	12,913
Prepays	--	--	14,000
Total current assets	<u>89,266</u>	<u>9,869</u>	<u>604,853</u>
Noncurrent assets:			
Special assessment receivable	--	--	453,828
Capital assets, net	1,195,242	147,890	5,083,046
Total noncurrent assets	<u>1,195,242</u>	<u>147,890</u>	<u>5,536,874</u>
Total Assets	<u>1,284,508</u>	<u>157,759</u>	<u>6,141,727</u>
LIABILITIES			
Current liabilities:			
Accounts payable	898	45	6,812
Interest payable	2,163	--	--
Due to other county funds	3,075	1,656	17,385
Deposits from others	--	--	2,284
Bonds, notes, loans payable	16,589	--	--
Total current liabilities	<u>22,725</u>	<u>1,701</u>	<u>26,481</u>
Noncurrent Liabilities:			
Advances from other funds	--	--	503,331
Bonds, notes, loans payable	237,139	--	164,000
Total noncurrent liabilities	<u>237,139</u>	<u>--</u>	<u>667,331</u>
Total Liabilities	<u>259,864</u>	<u>1,701</u>	<u>693,812</u>
NET ASSETS			
Invested in capital assets, net	941,532	147,890	4,933,046
Restricted for debt service	25,101	--	--
Unrestricted	58,011	8,168	514,869
Total Net Assets	<u>\$ 1,024,644</u>	<u>\$ 156,058</u>	<u>\$ 5,447,915</u>

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued)
 Non-Major Enterprise Funds
 June 30, 2007

	CSA #23 Crag View Water	CSA #25 Keswick Water	Total
ASSETS			
Current assets:			
Cash and investments	\$ 70,891	\$ 89,921	\$ 2,415,665
Receivables, net	8,606	11,052	178,071
Due from other county funds	1,139	2,017	44,969
Prepays	--	--	19,300
Total current assets	<u>80,636</u>	<u>102,990</u>	<u>2,658,005</u>
Noncurrent assets:			
Special assessment receivable	--	--	1,150,680
Capital assets, net	<u>98,958</u>	<u>338,486</u>	<u>11,428,518</u>
Total noncurrent assets	<u>98,958</u>	<u>338,486</u>	<u>12,579,198</u>
Total Assets	<u>179,594</u>	<u>441,476</u>	<u>15,237,203</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,760	381	15,428
Interest payable	--	46	17,252
Due to other county funds	3,075	2,365	58,452
Deposits from others	--	--	3,966
Bonds, notes, loans payable	<u>4,883</u>	<u>2,925</u>	<u>77,488</u>
Total current liabilities	<u>9,718</u>	<u>5,717</u>	<u>172,586</u>
Noncurrent Liabilities:			
Advances from other funds	--	--	503,331
Bonds, notes, loans payable	<u>25,161</u>	<u>1,513</u>	<u>1,452,461</u>
Total noncurrent liabilities	<u>25,161</u>	<u>1,513</u>	<u>1,955,792</u>
Total Liabilities	<u>34,879</u>	<u>7,230</u>	<u>2,128,378</u>
NET ASSETS			
Invested in capital assets, net	67,147	334,052	9,910,828
Restricted for debt service	--	7,099	150,096
Unrestricted	<u>77,568</u>	<u>93,095</u>	<u>3,047,901</u>
Total Net Assets	<u>\$ 144,715</u>	<u>\$ 434,246</u>	<u>\$ 13,108,825</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, 2007

	CSA #2 Sugarloaf Water	CSA #3 Castella Water	CSA #6 Jones Valley Water	CSA # 8 Palo Cedro
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:				
Charges for services	\$ 33,469	\$ 40,157	\$ 125,498	\$ 156,275
Total Operating Revenues	<u>33,469</u>	<u>40,157</u>	<u>125,498</u>	<u>156,275</u>
OPERATING EXPENSES:				
Services and supplies	26,163	57,424	166,057	159,145
Central Service Costs	540	537	1,115	(123)
Depreciation	5,055	23,004	121,974	96,782
Total Operating Expenses	<u>31,758</u>	<u>80,965</u>	<u>289,146</u>	<u>255,804</u>
Operating Income (Loss)	<u>1,711</u>	<u>(40,808)</u>	<u>(163,648)</u>	<u>(99,529)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest	1,900	3,221	11,882	67,059
Miscellaneous revenue	10,533	5,608	75,113	--
Interest and other expense	(3,403)	(3,097)	(46,564)	--
Total Non-Operating Revenues (Expenses)	<u>9,030</u>	<u>5,732</u>	<u>40,431</u>	<u>67,059</u>
Net Income (Loss) before Contributions and Transfers	<u>10,741</u>	<u>(35,076)</u>	<u>(123,217)</u>	<u>(32,470)</u>
Capital Contributions	--	--	6,927	--
Change in Net Assets	<u>10,741</u>	<u>(35,076)</u>	<u>(116,290)</u>	<u>(32,470)</u>
Net Assets - Beginning	<u>67,840</u>	<u>459,967</u>	<u>1,908,329</u>	<u>3,638,206</u>
Net Assets - Ending	<u>\$ 78,581</u>	<u>\$ 424,891</u>	<u>\$ 1,792,039</u>	<u>\$ 3,605,736</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, 2007

	CSA #11 French Gulch	CSA #13 Alpine Meadows	CSA # 17 Cotton- wood
OPERATING REVENUES:			
Charges for services	\$ 46,589	\$ 17,862	\$ 417,549
Total Operating Revenues	46,589	17,862	417,549
OPERATING EXPENSES:			
Services and supplies	49,115	26,723	439,332
Central Service Costs	447	351	1,054
Depreciation	44,467	7,529	238,966
Total Operating Expenses	94,029	34,603	679,352
Operating Income (Loss)	(47,440)	(16,741)	(261,803)
NON-OPERATING REVENUES (EXPENSES)			
Interest	3,953	445	25,894
Miscellaneous revenue	28,069	(2)	32,734
Interest and other expense	(8,927)	--	(20,870)
Total Non-Operating Revenues (Expenses)	23,095	443	37,758
Net Income (Loss) before Contributions and Transfers	(24,345)	(16,298)	(224,045)
Capital Contributions	--	--	88,800
Change in Net Assets	(24,345)	(16,298)	(135,245)
Net Assets - Beginning	1,048,989	172,356	5,583,160
Net Assets - Ending	\$ 1,024,644	\$ 156,058	\$ 5,447,915

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, 2007

	CSA #23 Crag View Water	CSA #25 Keswick Water	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:			
Charges for services	\$ 42,331	\$ 56,022	\$ 935,752
Total Operating Revenues	<u>42,331</u>	<u>56,022</u>	<u>935,752</u>
OPERATING EXPENSES:			
Services and supplies	54,512	72,549	1,051,020
Central Service Costs	508	127	4,556
Depreciation	4,348	15,348	557,473
Total Operating Expenses	<u>59,368</u>	<u>88,024</u>	<u>1,613,049</u>
Operating Income (Loss)	<u>(17,037)</u>	<u>(32,002)</u>	<u>(677,297)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest	3,993	4,818	123,165
Miscellaneous revenue	12,680	22,609	187,344
Interest and other expense	(872)	(242)	(83,975)
Total Non-Operating Revenues (Expenses)	<u>15,801</u>	<u>27,185</u>	<u>226,534</u>
Net Income (Loss) before Contributions and Transfers	<u>(1,236)</u>	<u>(4,817)</u>	<u>(450,763)</u>
Capital Contributions	--	--	95,727
Change in Net Assets	<u>(1,236)</u>	<u>(4,817)</u>	<u>(355,036)</u>
Net Assets - Beginning	<u>145,951</u>	<u>439,063</u>	<u>13,463,861</u>
Net Assets - Ending	<u>\$ 144,715</u>	<u>\$ 434,246</u>	<u>\$ 13,108,825</u>

COUNTY OF SHASTA

Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2007

	CSA #2 Sugarloaf Water	CSA #3 Castella Water	CSA #6 Jones Valley Water	CSA # 8 Palo Cedro
Cash Flows from Operating Activities:				
Receipts from customers	\$ 33,010	\$ 39,530	\$ 129,264	\$ 155,193
Payments to suppliers	(26,225)	(60,453)	(163,944)	(144,330)
Other receipts (payments)	(540)	(537)	(1,115)	123
Net Cash Provided (Used) by Operating Activities	<u>6,245</u>	<u>(21,460)</u>	<u>(35,795)</u>	<u>10,986</u>
Cash Flows from Non-Capital Financing Activities:				
Other revenue (expense)	10,825	5,561	74,305	--
Operating subsidies				
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,825</u>	<u>5,561</u>	<u>74,305</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	--	--	6,927	--
Principal payments on capital debt	(3,542)	(3,500)	(25,000)	--
Proceeds from capital-type special assessments		3,177	8,939	
Interest payments on capital debt	(1,836)	(3,688)	(46,894)	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,378)</u>	<u>(4,011)</u>	<u>(56,028)</u>	<u>--</u>
Cash Flows from Investing Activities:				
Interest on investments	1,685	2,851	11,163	62,540
Net Cash Provided (Used) by Investing Activities	<u>1,685</u>	<u>2,851</u>	<u>11,163</u>	<u>62,540</u>
Net Increase (Decrease) in Cash	13,377	(17,059)	(6,355)	73,526
Cash and cash equivalents, beginning of year	<u>24,405</u>	<u>84,613</u>	<u>221,662</u>	<u>1,278,951</u>
Cash and cash equivalents, end of year	<u>\$ 37,782</u>	<u>\$ 67,554</u>	<u>\$ 215,307</u>	<u>\$ 1,352,477</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,711	\$ (40,808)	\$ (163,648)	\$ (99,529)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:				
Depreciation expense	5,055	23,004	121,974	96,782
Changes in assets and liabilities:				
Receivables, net	(459)	(627)	3,766	(1,083)
Accounts and other payables	(62)	(3,029)	2,113	14,816
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,245</u>	<u>\$ (21,460)</u>	<u>\$ (35,795)</u>	<u>10,986</u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued)
 Non-Major Enterprise Funds
 For the Fiscal Year Ended June 30, 2007

	CSA #11 French Gulch	CSA #13 Alpine Meadows	CSA # 17 Cotton- wood
Cash Flows from Operating Activities:			
Receipts from customers	\$ 48,541	\$ 17,672	\$ 410,700
Payments to suppliers	(45,452)	(25,066)	(430,648)
Other receipts (payments)	(447)	(351)	(1,054)
Net Cash Provided (Used) by Operating Activities	<u>2,642</u>	<u>(7,745)</u>	<u>(21,002)</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	--	--	46,026
Operating subsidies	28,316		
Net Cash Provided (Used) by Noncapital Financing Activities	<u>28,316</u>	<u>--</u>	<u>46,026</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	--	--	88,800
Principal payments on capital debt	(16,037)	--	(394,748)
Proceeds from capital-type special assessments			
Interest payments on capital debt	(9,064)	--	(32,312)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(25,101)</u>	<u>--</u>	<u>(338,260)</u>
Cash Flows from Investing Activities:			
Interest on investments	3,691	464	26,747
Net Cash Provided (Used) by Investing Activities	<u>3,691</u>	<u>464</u>	<u>26,747</u>
Net Increase (Decrease) in Cash	9,548	(7,281)	(286,489)
Cash and cash equivalents, beginning of year	69,325	14,203	782,427
Cash and cash equivalents, end of year	<u>\$ 78,873</u>	<u>\$ 6,922</u>	<u>\$ 495,938</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (47,440)	\$ (16,741)	\$ (261,803)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	44,467	7,529	238,966
Changes in assets and liabilities:			
Receivables, net	1,951	(189)	(6,849)
Accounts and other payables	3,664	1,656	8,684
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,642</u>	<u>\$ (7,745)</u>	<u>\$ (21,002)</u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued) Non-Major Enterprise Funds For the Fiscal Year Ended June 30, 2007

	CSA #23 Crag View Water	CSA #25 Keswick Water	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 41,659	\$ 55,144	\$ 930,713
Payments to suppliers	(50,547)	(70,034)	(1,016,699)
Other receipts (payments)	(508)	(127)	(4,556)
Net Cash Provided (Used) by Operating Activities	<u>(9,396)</u>	<u>(15,017)</u>	<u>(90,542)</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	12,644	22,617	171,978
Operating subsidies			28,316
Net Cash Provided (Used) by Noncapital Financing Activities	<u>12,644</u>	<u>22,617</u>	<u>200,294</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	--	--	95,727
Principal payments on capital debt	(4,841)	(2,810)	(450,478)
Proceeds from capital-type special assessments			12,116
Interest payments on capital debt	(1,585)	(272)	(95,651)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,426)</u>	<u>(3,082)</u>	<u>(438,286)</u>
Cash Flows from Investing Activities:			
Interest on investments	3,793	4,420	117,354
Net Cash Provided (Used) by Investing Activities	<u>3,793</u>	<u>4,420</u>	<u>117,354</u>
Net Increase (Decrease) in Cash	615	8,938	(211,180)
Cash and cash equivalents, beginning of year	<u>70,276</u>	<u>80,983</u>	<u>2,626,845</u>
Cash and cash equivalents, end of year	<u>\$ 70,891</u>	<u>\$ 89,921</u>	<u>\$ 2,415,665</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (17,037)	\$ (32,002)	\$ (677,297)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	4,348	15,348	557,473
Changes in assets and liabilities:			
Receivables, net	(672)	(866)	(5,028)
Accounts and other payables	3,965	2,503	34,310
Net Cash Provided (Used) by Operating Activities	<u>\$ (9,396)</u>	<u>\$ (15,017)</u>	<u>\$ (90,542)</u>

INTERNAL SERVICE FUNDS

COUNTY OF SHASTA

Combining Statement of Net Assets Internal Service Funds June 30, 2007

	Fleet Management	Risk Management	Information Systems
ASSETS			
Current assets:			
Cash and investments	\$ 3,373,341	\$ 30,159,079	\$ 1,627,875
Receivables, net	9,939	52,582	785
Due from other county funds	39,700	286,889	15,691
Due from other governments	565	--	--
Inventories	48,789	--	--
Prepaid items	25	132,366	11,060
Total current assets	3,472,359	30,630,916	1,655,411
Noncurrent Assets:			
Advances to other funds	--	503,331	--
Capital assets, net	2,423,230	1,463	494,599
Total noncurrent assets	2,423,230	504,794	494,599
Total Assets	5,895,589	31,135,710	2,150,010
LIABILITIES			
Current liabilities:			
Accounts payable	104,378	332,972	14,324
Salaries and benefits payable	26,921	44,076	213,211
Due to other county funds	4,728	5,325	218,798
Total current liabilities	136,027	382,373	446,333
Noncurrent liabilities:			
Advances from other funds	--	4,433	--
Claims payable	--	16,327,000	--
Total noncurrent liabilities	--	16,331,433	--
Total Liabilities	136,027	16,713,806	446,333
NET ASSETS			
Invested in capital assets, net	2,422,930	1,463	494,599
Unrestricted	3,336,632	14,420,441	1,209,078
Total Net Assets	\$ 5,759,562	\$ 14,421,904	\$ 1,703,677

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued)
Internal Service Funds
June 30, 2007

	<u>Facilities Management</u>	<u>County Utilities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 400,590	\$ 146,651	\$ 35,707,536
Receivables, net	--	--	63,306
Due from other county funds	2,389	--	344,669
Due from other governments	--	--	565
Inventories	24,421	--	73,210
Prepaid items	--	--	143,451
Total current assets	<u>427,400</u>	<u>146,651</u>	<u>36,332,737</u>
Noncurrent Assets:			
Inventories	--	--	503,331
Capital Assets, net	15,283	--	2,934,575
Total noncurrent assets	<u>15,283</u>	<u>--</u>	<u>3,437,906</u>
Total Assets	<u>442,683</u>	<u>146,651</u>	<u>39,770,643</u>
LIABILITIES			
Current liabilities:			
Accounts payable	83,732	50	535,456
Salaries and benefits payable	121,372	--	405,580
Due to other county funds	1,650	1,247	231,748
Total current liabilities	<u>206,754</u>	<u>1,297</u>	<u>1,172,784</u>
Noncurrent liabilities:			
Advances from other funds	--	--	4,433
Claims payable	--	--	16,327,000
Total noncurrent liabilities	<u>--</u>	<u>--</u>	<u>16,331,433</u>
Total Liabilities	<u>206,754</u>	<u>1,297</u>	<u>17,504,217</u>
NET ASSETS			
Invested in capital assets, net	15,283	--	2,934,275
Unrestricted	220,646	145,354	19,332,151
Total Net Assets	<u>\$ 235,929</u>	<u>\$ 145,354</u>	<u>\$ 22,266,426</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, 2007

	Fleet Management	Risk Management	Information Systems
Operating Revenues:			
Charges for services	\$ 2,950,694	\$ 10,962,551	\$ 6,376,957
Operating Expenses:			
Salaries and benefits	440,781	728,784	3,504,106
Services and supplies	1,506,643	1,323,375	2,393,963
Insurance premiums	--	1,745,720	--
Claims paid	--	4,610,449	--
Central Service Costs	16,964	132,208	547,666
Depreciation	593,062	1,341	164,467
Total Operating Expenses	<u>2,557,450</u>	<u>8,541,877</u>	<u>6,610,202</u>
Operating Income (Loss)	<u>393,244</u>	<u>2,420,674</u>	<u>(233,245)</u>
Non-Operating Revenues (Expenses):			
Interest income	146,539	1,385,908	61,314
Miscellaneous revenue	9,534	877,774	3,340
Miscellaneous expense	--	--	(20,393)
Gain (loss) on disposition of capital assets	14,065	--	(2,484)
Total Non-Operating Revenues (Expenses)	<u>170,138</u>	<u>2,263,682</u>	<u>41,777</u>
Net income (loss) before transfers	563,382	4,684,356	(191,468)
Transfers in	182,751	--	398,064
Transfers out	--	--	--
Change in Net Assets	746,133	4,684,356	206,596
Net Assets - Beginning	<u>5,013,429</u>	<u>9,737,548</u>	<u>1,497,081</u>
Net Assets - Ending	<u>\$ 5,759,562</u>	<u>\$ 14,421,904</u>	<u>\$ 1,703,677</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, 2007

	Facilities Management	County Utilities	Total
Operating Revenues:			
Charges for services	\$ 4,264,292	\$ 1,606,792	\$ 26,161,286
Operating Expenses:			
Salaries and benefits	2,273,307	--	6,946,978
Services and supplies	2,027,196	1,310,845	8,562,022
Insurance premiums	--	--	1,745,720
Claims paid	--	--	4,610,449
Central Service Costs	101,710	--	798,548
Depreciation	2,082	--	760,952
Total Operating Expenses	<u>4,404,295</u>	<u>1,310,845</u>	<u>23,424,669</u>
Operating Income (Loss)	<u>(140,003)</u>	<u>295,947</u>	<u>2,736,617</u>
Non-Operating Revenues (Expenses):			
Interest income	(8,248)	(7,730)	1,577,783
Miscellaneous revenue	1,072	--	891,720
Miscellaneous expense	--	--	(20,393)
Gain (loss) on disposition of capital assets	--	--	11,581
Total Non-Operating Revenues (Expenses)	<u>(7,176)</u>	<u>(7,730)</u>	<u>2,460,691</u>
Net income (loss) before transfers	<u>(147,179)</u>	<u>288,217</u>	<u>5,197,308</u>
Transfers in	5,434	--	586,249
Transfers out	<u>(32,042)</u>	<u>(281,271)</u>	<u>(313,313)</u>
Change in Net Assets	<u>(173,787)</u>	<u>6,946</u>	<u>5,470,244</u>
Net Assets - Beginning	<u>409,716</u>	<u>138,408</u>	<u>16,796,182</u>
Net Assets - Ending	<u>\$ 235,929</u>	<u>\$ 145,354</u>	<u>\$ 22,266,426</u>

COUNTY OF SHASTA

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2007

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,951,388	\$ 11,537,401	\$ 6,395,454
Payments to suppliers	(1,486,866)	(3,214,250)	(2,409,098)
Payments to employees	(467,901)	(723,772)	(3,485,358)
Claims paid	--	(3,163,449)	--
Other receipts (payments)	<u>(16,964)</u>	<u>(132,208)</u>	<u>(547,666)</u>
Net Cash Provided (Used) by Operating Activities	<u>979,657</u>	<u>4,303,722</u>	<u>(46,668)</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	--	893,022	3,340
Operating subsidies and transfers out	--	--	335,923
Net Cash Provided (Used) by Noncapital Financing Activities	<u>--</u>	<u>893,022</u>	<u>339,263</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(609,083)	--	(206,571)
Proceeds from sale of capital assets	55,862	--	186
Transfers for capital acquisitions	182,751	--	201,118
and Related Financing Activities	<u>(370,470)</u>	<u>--</u>	<u>(5,267)</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>124,589</u>	<u>1,261,688</u>	<u>53,354</u>
Net Increase (Decrease) in Cash	733,776	6,458,432	340,682
Cash at Beginning of Year	<u>2,639,565</u>	<u>23,700,647</u>	<u>1,287,193</u>
Cash at End of Year	<u><u>\$ 3,373,341</u></u>	<u><u>\$ 30,159,079</u></u>	<u><u>\$ 1,627,875</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 393,244	\$ 2,420,674	\$ (233,245)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	593,062	1,341	164,467
Changes in assets and liabilities:			
Receivables, net	658	574,851	18,497
Inventories	7,058	--	--
Prepaid expenses and other assets	--	(130,686)	10,000
Accounts and other payables	<u>(14,365)</u>	<u>1,437,542</u>	<u>(6,387)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 979,657</u></u>	<u><u>\$ 4,303,722</u></u>	<u><u>\$ (46,668)</u></u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Fiscal Year Ended June 30, 2007

	Facilities Management	Shasta County Utilities	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 4,261,190	\$ 1,606,792	\$ 26,752,225
Payments to suppliers	(1,972,360)	(1,312,787)	(10,395,361)
Payments to employees	(2,269,867)	--	(6,946,898)
Claims paid	--	--	(3,163,449)
Other receipts (payments)	(101,710)	--	(798,548)
Net Cash Provided (Used) by Operating Activities	<u>(82,747)</u>	<u>294,005</u>	<u>5,447,969</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	765	--	897,127
Operating subsidies and transfers out	(26,608)	(281,271)	28,044
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(25,843)</u>	<u>(281,271)</u>	<u>925,171</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(12,375)	--	(828,029)
Proceeds from sale of capital assets	--	--	56,048
Transfers for capital acquisitions	--	--	383,869
and Related Financing Activities	<u>(12,375)</u>	<u>--</u>	<u>(388,112)</u>
Cash Flows from Investing Activities:			
Interest on investments	(5,834)	(7,911)	1,425,886
Net Increase (Decrease) in Cash	(126,799)	4,823	7,410,914
Cash at Beginning of Year	<u>527,389</u>	<u>141,828</u>	<u>28,296,622</u>
Cash at End of Year	<u><u>\$ 400,590</u></u>	<u><u>\$ 146,651</u></u>	<u><u>\$ 35,707,536</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (140,003)	\$ 295,947	2,736,617
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	2,082	--	760,952
Changes in assets and liabilities:			
Receivables, net	(2,389)	--	591,617
Inventories	20,591	--	27,649
Prepaid expenses and other assets	--	--	(120,686)
Accounts and other payables	36,972	(1,942)	1,451,820
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (82,747)</u></u>	<u><u>\$ 294,005</u></u>	<u><u>\$ 5,447,969</u></u>