

COUNTY OF SHASTA

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2008

COUNTY OF SHASTA

COUNTY OFFICIALS

JUNE 30, 2008

OFFICIALS

POSITION

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, 2008, 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 Children and Families First Commission (Commission) and the Shasta Regional Transportation Planning Agency (RTPA), which represents 100 percent of the assets, 100 percent of the net assets and 100 percent of the revenue of the County's aggregate discretely presented component units. Those statements were audited by other auditors whose reports, dated October 20, 2008 and October 1, 2008 for the Commission and the RTPA, were unqualified, and our opinion, insofar as it relates to the amounts included for the Commission and 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, 2008, 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 23, 2008 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.

Gallina LLP

Roseville, California
December 23, 2008

MANAGEMENT'S DISCUSSION & ANALYSIS (MD &A)

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

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, 2008. 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 \$246,511,984 (*net assets*). Of this amount, \$73,429,660 (*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 \$63,582,457 restricted for specific purpose (*restricted net assets*), and \$109,499,867 invested in capital assets, net of related debt. The government's total net assets increased by \$13,961,952.
- The County's net assets invested in capital assets, net of related debt, increased by \$11,149,184.
- The County's governmental funds reported combined fund balances of \$116,714,698 an increase of \$11,220,463 in comparison with the restated prior year.
- The County's unreserved fund balance for the governmental funds was \$93,439,038, or 34% of total general fund expenditures.

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.

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

- The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

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, recreation and interest expense. 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

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the airport, solid waste disposal, landfill, water and sewer operations. *Internal services 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, risk management, information systems, facilities management, and County utilities functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Disposal, West Central Landfill, and the Fall River Mills Airport 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 provides the schedule of funding progress for the County Employees Retirement Plan and Other Post Employment Benefits. Also presented are the County's General Fund and Major Special Revenue Funds budgetary schedules. The County adopts an annual appropriated budget for each fiscal year. A budgetary comparison schedule has been provided for the General Fund and the Public Safety Fund to demonstrate compliance with this budget.

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

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

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 \$246,511,984 at the close of the most recent fiscal year. Of these combined net assets 44% reflects the County's invested in capital assets, net of related debt. Another 26% of the County's net assets are subject to external restrictions on how they may be used. In addition, a portion of the remaining 30%, referred to as unrestricted, is dedicated for spending on specific programs or services.

The County's Net Assets (in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2007</u>
Current and Other Assets	\$ 188,389	\$ 174,459	\$ 17,949	\$ 17,078	206,338	\$ 191,537
Capital Assets	137,295	131,523	30,976	26,149	168,271	157,672
Total Assets	<u>325,684</u>	<u>305,982</u>	<u>48,925</u>	<u>43,227</u>	<u>374,609</u>	<u>349,209</u>
Current and Other Liabilities	38,216	32,406	1,188	1,152	39,404	33,558
Long-Term Liabilities	69,164	65,668	19,529	17,433	88,693	83,101
Total Liabilities	<u>107,380</u>	<u>98,074</u>	<u>20,717</u>	<u>18,585</u>	<u>128,097</u>	<u>116,659</u>
Invested in Capital Assets, net of related debt	83,659	76,072	25,841	22,278	109,500	98,350
Restricted	63,512	58,777	70	-	63,582	58,777
Unrestricted	71,133	73,059	2,297	2,364	73,430	75,423
Total Net Assets	<u>\$ 218,304</u>	<u>\$ 207,908</u>	<u>\$ 28,208</u>	<u>\$ 24,642</u>	<u>\$ 246,512</u>	<u>\$ 232,550</u>

A significant portion of the County's net assets \$73,429,660 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 \$109,499,867 reflects the amount invested 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 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 \$63,582,457 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.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

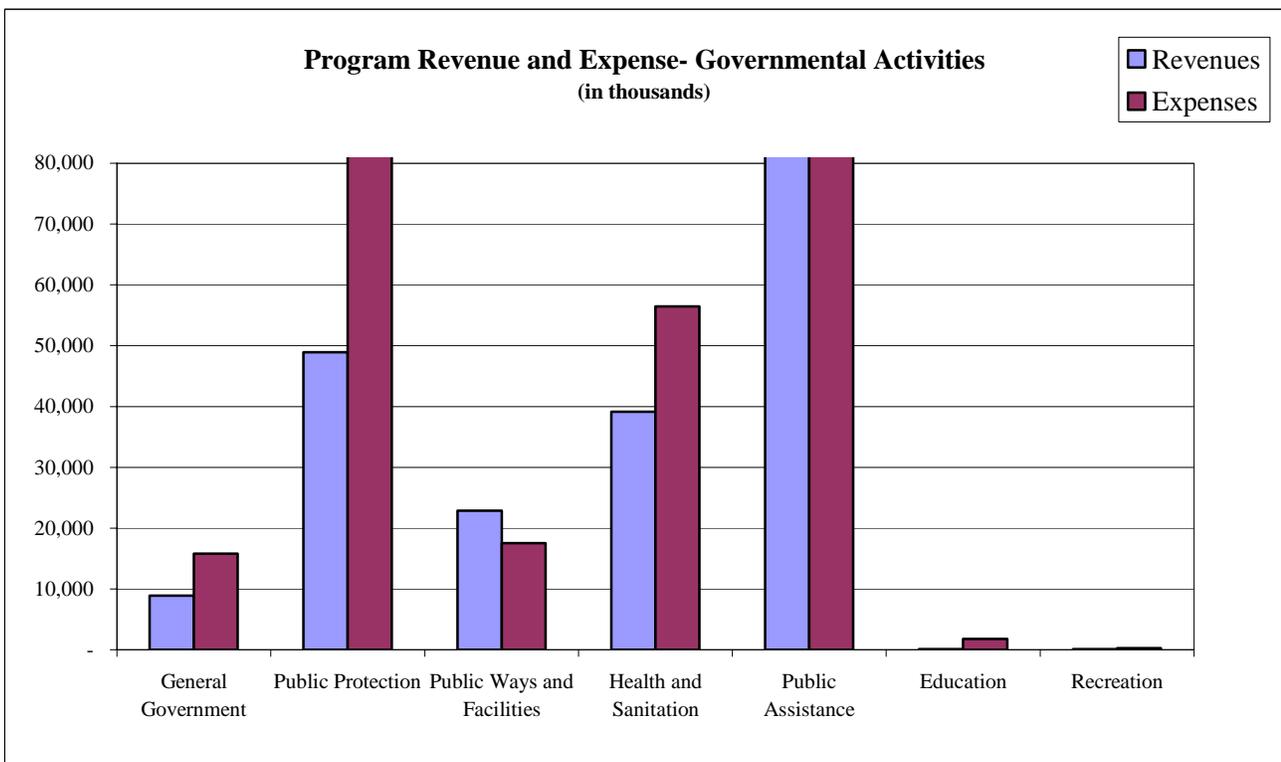
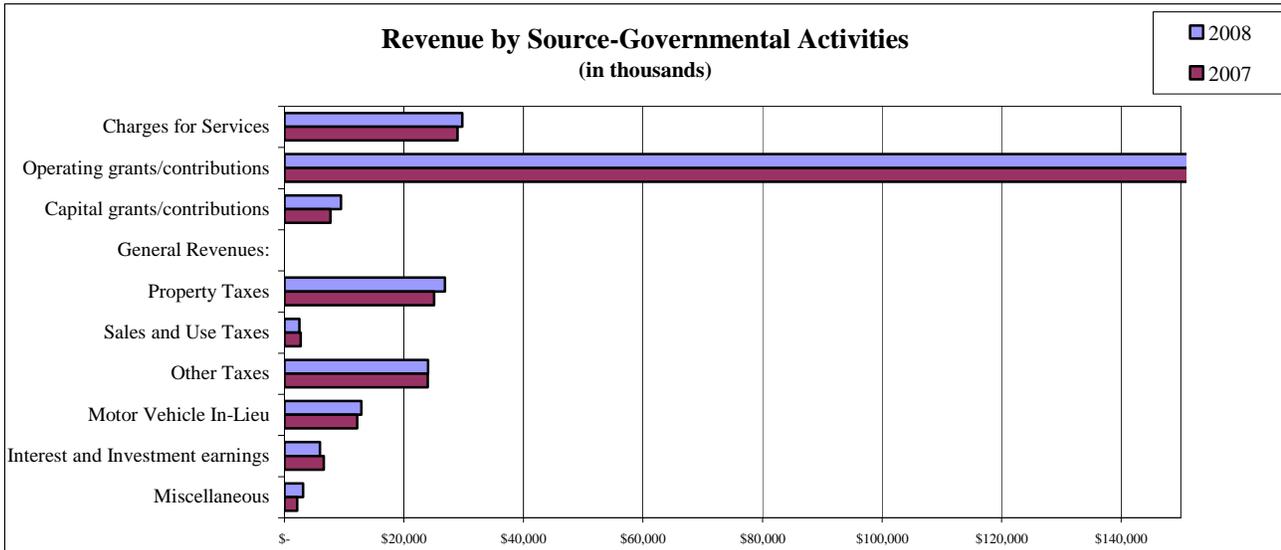
The County's net assets increased by \$13,961,952 during the current fiscal year. The net increase in unrestricted net assets represent the degree to which increases in ongoing revenues exceeded increases in ongoing expenses.

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

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Revenues						
Program Revenues:						
Charges for Services	\$ 29,802	\$ 28,971	\$ 4,815	\$ 4,561	\$ 34,617	\$ 33,532
Operating grants/contributions	168,077	159,878		11	168,077	159,889
Capital grants/contributions	9,484	7,715	1,670	5,552	11,154	13,267
General Revenues:						
Property Taxes	26,853	25,041		33	26,853	25,074
Sales and Use Taxes	2,512	2,696			2,512	2,696
Other Taxes	24,046	23,995			24,046	23,995
Motor Vehicle In-Lieu	12,889	12,155			12,889	12,155
Interest and Investment earnings	5,974	6,615	593	747	6,567	7,362
Miscellaneous	3,145	2,123	105		3,250	2,123
Total Revenues	<u>282,782</u>	<u>269,189</u>	<u>7,183</u>	<u>10,904</u>	<u>289,965</u>	<u>280,093</u>
Expenses						
General Government	15,790	14,476	-	-	15,790	14,476
Public Protection	87,084	77,348	-	-	87,084	77,348
Public Ways and Facilities	17,528	16,792	-	-	17,528	16,792
Health and Sanitation	56,461	53,797	-	-	56,461	53,797
Public Assistance	90,910	85,168	-	-	90,910	85,168
Education	1,792	1,637	-	-	1,792	1,637
Recreation	245	204	-	-	245	204
Interest and Fiscal Charges	2,576	2,807	-	-	2,576	2,807
Fall River Mills Airport	-	-	101	88	101	88
Solid Waste Disposal	-	-	875	2,561	875	2,561
West Central Landfill	-	-	978	994	978	994
County Service Areas (water/sewer)	-	-	1,663	1,697	1,663	1,697
Total Expenses	<u>272,386</u>	<u>252,229</u>	<u>3,617</u>	<u>5,340</u>	<u>276,003</u>	<u>257,569</u>
Change in Net Assets	<u>10,396</u>	<u>16,960</u>	<u>3,566</u>	<u>5,564</u>	<u>13,962</u>	<u>22,524</u>
Net Assets - Beg as previously stated	198,366	181,430	26,110	20,546	224,476	201,976
Prior Period Adjustments	9,542	(24)	(1,468)		8,074	(24)
Net Assets - Beg as restated	<u>207,908</u>	<u>181,406</u>	<u>24,642</u>	<u>20,546</u>	<u>232,550</u>	<u>201,952</u>
Net Assets - Ending	<u>\$ 218,304</u>	<u>\$ 198,366</u>	<u>\$ 28,208</u>	<u>\$ 26,110</u>	<u>\$ 246,512</u>	<u>\$ 224,476</u>

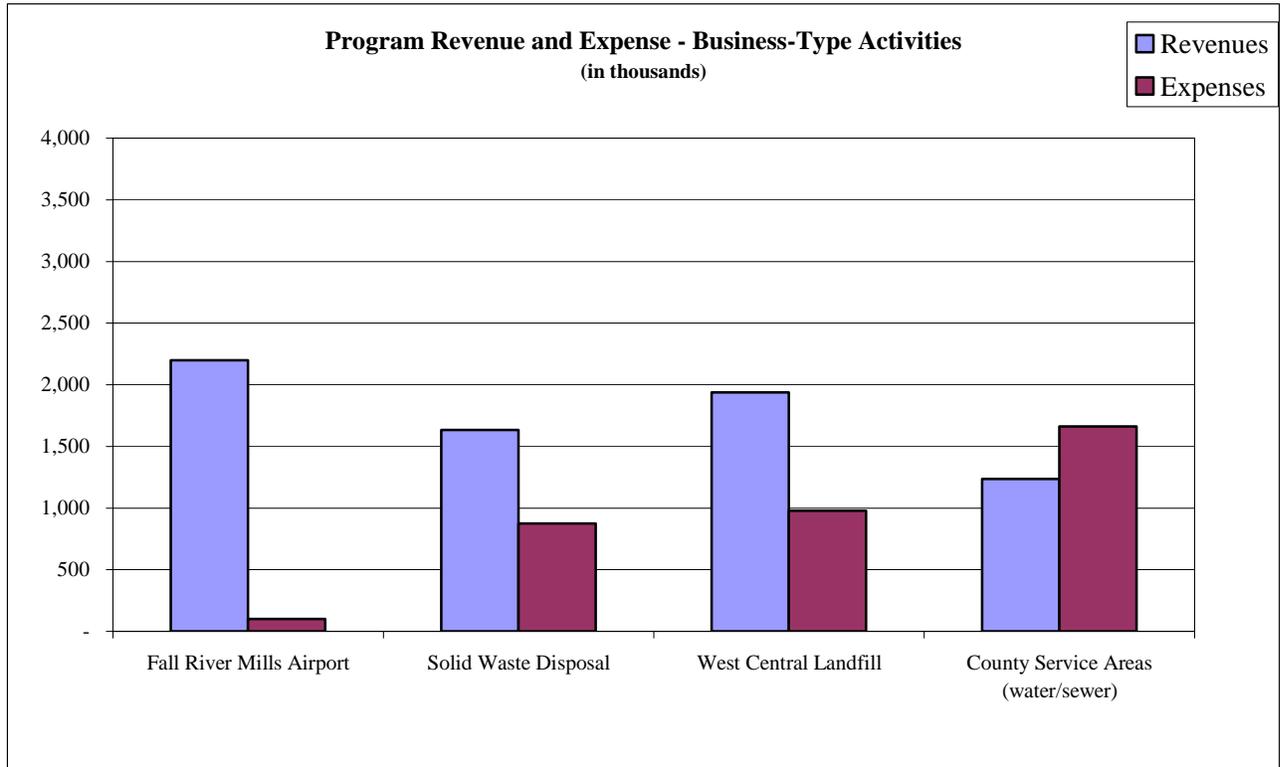
COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008



COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As described 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 2008	FY 2007	Net Change	
			Amount	Percent
Fund Balance - Beginning	\$ 97,724,052	\$ 104,084,440	\$ (6,360,388)	-6.11%
Prior Period Adjustments	7,770,183	(22,872)	7,793,055	
Fund Balance - Beg as restated	\$ 105,494,235	\$ 104,061,568	\$ 1,432,667	1.38%
Revenues	283,805,987	258,462,395	25,343,592	9.81%
Expenditures	(272,081,296)	(264,611,867)	(7,469,429)	2.82%
Other Financing Sources (Uses)	(504,228)	(188,044)	(316,184)	168.14%
Fund Balance - Ending	\$ 116,714,698	\$ 97,724,052	\$ 18,990,646	19.43%

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

At June, 30, 2008, the County's governmental funds reported combined fund balances of \$116,714,698. Of these combined fund balances, \$93,439,038 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, \$23,275,660 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, 2008, unreserved fund balance was \$43,017,686, while total fund balance reached \$54,306,918. 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 27% of total General Fund expenditures, while the total fund balance represents 34% 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 \$43,017,686 General Fund unreserved fund balance, 48% is designated.

Total governmental funds Fund Balance increased by \$11,220,463 in comparison with the restated prior year. The major governmental funds had changes in fund balance as follows: General Fund increased \$4,315,554 and Public Safety Fund decreased \$778,412. The non-major governmental funds increased by \$7,683,321.

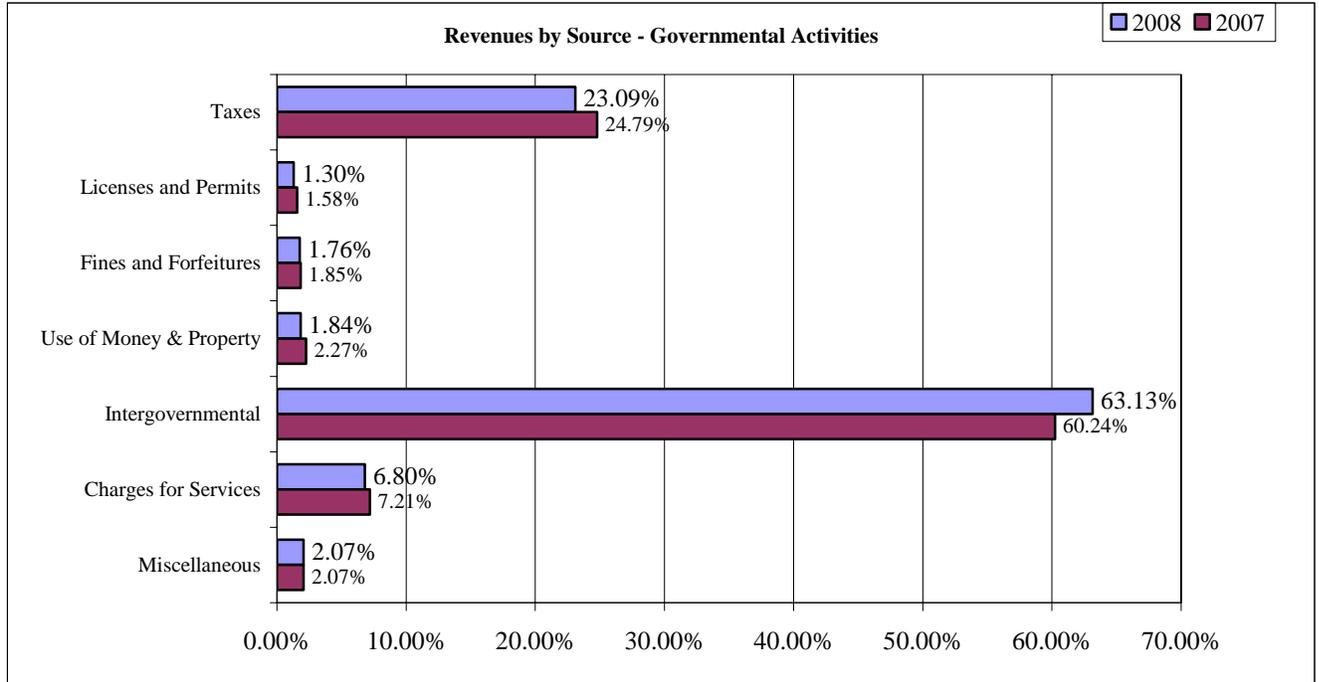
The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

	Revenues Classified by Source Governmental Funds					
	FY 2008		FY 2007		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 65,518,036	23.09%	\$ 64,067,260	24.79%	\$ 1,450,776	2.26%
Licenses and Permits	3,688,130	1.30%	4,088,071	1.58%	(399,941)	-9.78%
Fines and Forfeitures	5,006,304	1.76%	4,773,715	1.85%	232,589	4.87%
Use of Money & Property	5,227,636	1.84%	5,863,808	2.27%	(636,172)	-10.85%
Intergovernmental	179,178,421	63.13%	155,703,560	60.24%	23,474,861	15.08%
Charges for Services	19,306,530	6.80%	18,628,107	7.21%	678,423	3.64%
Miscellaneous	5,880,930	2.07%	5,337,874	2.07%	543,056	10.17%
Total Revenue by Source	<u>\$283,805,987</u>	<u>100.00%</u>	<u>\$ 258,462,395</u>	<u>100.00%</u>	<u>\$ 25,343,592</u>	

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

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



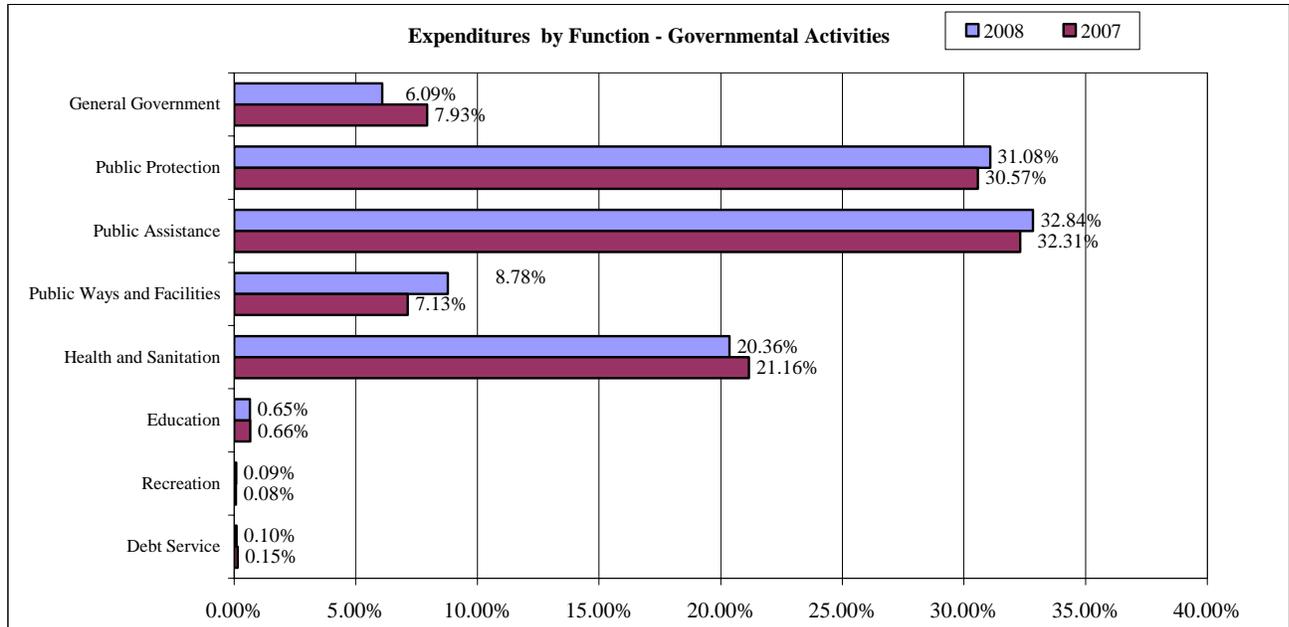
The following table presents expenditures by function compared to prior year amounts.

	Expenditures Classified by Function Governmental Funds					
	FY 2008		FY 2007		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$ 16,576,871	6.09%	\$ 20,987,796	7.93%	\$(4,410,925)	-21.02%
Public Protection	84,572,152	31.08%	80,903,127	30.57%	3,669,025	4.54%
Public Assistance	89,347,777	32.84%	85,485,950	32.31%	3,861,827	4.52%
Public Ways and Facilities	23,899,525	8.78%	18,872,354	7.13%	5,027,171	26.64%
Health and Sanitation	55,387,792	20.36%	55,998,895	21.16%	(611,103)	-1.09%
Education	1,769,668	0.65%	1,758,579	0.66%	11,089	0.63%
Recreation	246,240	0.09%	203,535	0.08%	42,705	20.98%
Debt Service	281,271	0.10%	401,631	0.15%	(120,360)	-29.97%
Total by Function	\$ 272,081,296	100.00%	\$ 264,611,867	100.00%	\$ 7,469,429	

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

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



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

Other Financing Sources (Uses) Governmental Funds

	FY 2008	FY 2007	Increase(Decrease)	
			Amount	Percent
Proceeds from Sale of Capital Assets	\$ 81,988	\$ 84,892	\$(2,904)	-3.42%
Transfers In	28,459,897	35,420,276	(6,960,379)	-19.65%
Transfers Out	(29,046,113)	(35,693,212)	6,647,099	-18.62%
Net financing sources(uses)	<u>\$(504,228)</u>	<u>\$(188,044)</u>	<u>\$(316,184)</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.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

Net Change in Fund Net Assets Enterprise Funds

	FY 2008	FY 2007	Net Change	
			Amount	Percent
Total Net Assets - Beg as previously stated	\$ 26,110,486	\$ 20,546,124	\$ 5,564,362	
Prior Period Adjustment	\$ (1,467,969)	\$ -	\$ (1,467,969)	
Total Net Assets - Beginning as Restated	24,642,517	20,546,124	4,096,393	19.94%
Operating Revenues	4,814,546	4,095,491	719,055	17.56%
Operating Expenses	(3,469,284)	(5,107,524)	1,638,240	-32.08%
Non-Operating Revenues (Expenses)	2,220,204	6,576,395	(4,356,191)	-66.24%
Total Net Assets - Ending	<u>\$ 28,207,983</u>	<u>\$ 26,110,486</u>	<u>\$ 2,097,497</u>	

Net assets restricted for invested in capital assets net of related debt at fiscal year end were \$25,841,139, and for debt service were \$70,078. Unrestricted net assets of the enterprise funds at fiscal year end were \$2,296,766.

The net assets of the enterprise funds increased \$3,565,466 over the restated prior fiscal year. Operating revenues increased 18% and operating expenses decreased 32%. The substantial decrease to operating expenses was due to decreased depreciation resulting from the percentage of fill for the newly opened Unit #4 at the landfill.

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.

Net Change in Fund Net Assets Internal Service Funds

	FY 2008	FY 2007	Net Change	
			Amount	Percent
Total Net Assets - Beg as previously stated	\$ 22,266,426	\$ 16,796,182	5,470,244	32.57%
Prior Period Adjustment	(352,740)		(352,740)	
Total Net Assets - Beginning as Restated	21,913,686	16,796,182	5,117,504	30.47%
Operating Revenues	25,479,973	26,161,286	(681,313)	-2.60%
Operating Expenses	(33,603,846)	(23,424,669)	(10,179,177)	43.45%
Non-Operating Revenues (Expenses)	2,065,163	2,460,691	(395,528)	-16.07%
Operating Transfers In (Out)	591,302	272,936	318,366	116.64%
Total Net Assets - Ending	<u>\$ 16,446,278</u>	<u>\$ 22,266,426</u>	<u>\$ (5,820,148)</u>	

Total net assets of the internal service funds at fiscal year end were \$16,446,278 and include \$3,183,021 invested in capital assets.

The net assets of the internal service funds decreased \$5,467,408 over the restated prior fiscal year. Operating revenues decreased 3% and operating expenses increased 43%. The increase in operating expenses was due to excess Workers Compensation and general liability insurance reserves being refunded to departments.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

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, new appropriations and a budget amendment are 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 \$8,153,080 decrease in appropriations. The components of appropriations variance are briefly summarized as follows: \$528,334 increase in general government; \$998,525 decrease in public protection; \$1,442,755 decrease in public assistance; \$6,182,297 decrease in public health and sanitation; \$70,163 increase in education; \$128,000 decrease in recreation.

Even with these adjustments, actual expenditures were \$15,706,625 below final budget amounts. Resources available for appropriation were \$4,352,783 above final budget amounts. Major components of this increase was from grants received and actual taxes collected.

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	\$ 183,745,219	\$ 185,245,795	\$ 1,500,576	0.81%	
Total Expenditures	(182,714,727)	(174,561,647)	8,153,080	-4.67%	
Other Financing Sources (Uses)	(26,981,940)	(25,346,008)	1,635,932	-6.45%	
Net Change in Fund Balances	<u>\$ (25,951,448)</u>	<u>\$ (14,661,860)</u>	<u>\$ 11,289,588</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	\$ 185,245,795	\$ 189,598,578	\$ 4,352,783	2.30%	
Total Expenditures	(174,561,647)	(158,855,022)	15,706,625	-9.89%	
Other Financing Sources (Uses)	(25,346,008)	(26,428,002)	(1,081,994)	4.09%	
Net Change in Fund Balances	<u>\$ (14,661,860)</u>	<u>\$ 4,315,554</u>	<u>\$ 18,977,414</u>		

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounted to \$168,271,122 (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 \$10,599,205 [7%].

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	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,528,755	\$ 3,528,755	\$ 1,800,295	\$ 1,800,295	\$ 5,329,050	\$ 5,329,050
Structures & Improvements	110,463,524	106,821,467	47,714,949	43,746,747	158,178,473	150,568,214
Leasehold Improvements	1,025,843	1,025,843	-	-	1,025,843	1,025,843
Equipment	42,198,023	41,253,710	255,043	255,043	42,453,066	41,508,753
Infrastructure	87,759,301	87,759,301	-	-	87,759,301	87,759,301
Construction In Progress	9,016,774	3,724,628	9,922,022	8,288,695	18,938,796	12,013,323
Total	253,992,220	244,113,704	59,692,309	54,090,780	313,684,529	298,204,484
Accumulated Depreciation	(116,696,779)	(112,591,047)	(28,716,629)	(27,941,521)	(145,413,408)	(140,532,568)
Net Capital Assets	<u>\$ 137,295,441</u>	<u>\$ 131,522,657</u>	<u>\$ 30,975,680</u>	<u>\$ 26,149,259</u>	<u>\$ 168,271,121</u>	<u>\$ 157,671,916</u>

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

	Additions	Retirements	Transfers & Adjustments	Depreciation	Net Change
		(Net of Accum. Depreciation)			
General Government	\$ 1,471,247	\$ (2,600)	\$ -	\$ (2,701,860)	\$ (1,233,213)
Public Protection	995,882	(7,150)	(1,264)	(1,177,458)	(189,990)
Public Ways & Facilities	8,411,791	-	-	(1,280,497)	7,131,294
Health & Sanitation	72,843	(10,776)	(3,822)	(202,741)	(144,496)
Public Assistance	135,766	(15,458)	-	(152,601)	(32,293)
Education	-	-	-	(6,966)	(6,966)
Internal Service Funds	1,114,540	(45,246)	5,086	(825,932)	248,448
Enterprise Funds	5,601,529	-	-	(775,108)	4,826,421
Totals	<u>\$ 17,803,598</u>	<u>\$ (81,230)</u>	<u>\$ -</u>	<u>\$ (7,123,163)</u>	<u>\$ 10,599,205</u>

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

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

	Current Year Costs	Total Costs
Major bridge, road and construction projects:		
Governmental Funds:		
Public Safety Building HVAC	510,448	531,000
Courthouse Annex First Floor	240,018	264,009
Soils Lab Modular	34,269	38,678
Public Works/Resource Management Placer Admin Remodel	418,952	418,952
Veteran's Hall Restroom	102,731	102,731
ADA Parking	58,332	79,981
Public Health - Anderson Teen Center	6,393	2,199,276
Zogg Mine Road @ Zogg Creek Bridge (expensed)	(111,279)	N/A
Total Governmental Funds	1,259,864	3,634,627
Enterprise Funds:		
West Central Landfill Scale House	1,353,224	1,563,828
West Central Landfill Septage Pond Expansion	2,369,094	2,373,136
Cottonwood Sewer Diffuser Upgrade	31,240	31,240
Total Enterprise Funds	3,753,558	3,968,204
Total projects completed in current fiscal year	5,013,422	7,602,831
Construction in progress at June 30, 2008:		
Major bridge and road projects:	Current Year Costs	Cost to Date
Governmental Funds:		
Swede Creek Road @ Swede Creek Bridge	59,420	103,385
Swede Creek Road @ Little Cow Creek	3,062	76,397
Old Oasis Road @ Churn Creek	21,692	29,142
North Street @ Airport Road Bridge	7,464,849	8,274,697
Buzzard Roost @ Cedar Creek Bridge	23,800	210,683
East Fork Road @ Clear Creek	11,789	200,820
Spring Creek Road @ Fall River Bridge	4,436	4,436
Total Governmental Funds	7,589,048	8,899,560
Building upgrades:		
Governmental Funds:		
County Clerk - Needs Study	13,807	48,526
Mental Health Building Roof	11,507	11,507
Cascade Building Roof	45,711	45,711
Total Governmental Funds	71,025	105,744
Enterprise Funds:		
West Central Landfill Tipping Pad Expansion	88,873	88,873
Cottonwood Sewer Sludge Pond Liner	47,870	47,870
Castella Water System Upgrade	1,295	1,295
Total Enterprise Funds	138,038	138,038
Major construction:		
Governmental Funds:		
Fire Department Metal Buildings	6,836	11,470
Enterprise Funds:		
Fall River Mills Airport Extension	1,709,936	9,783,984
Total construction in progress at June 30, 2008	9,514,883	18,938,796
Totals:		
Total Governmental Funds	8,926,773	9,016,774
Total Enterprise Funds	5,601,532	9,922,022
Total construction in progress	14,528,305	18,938,796

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total debt obligation outstanding of \$57,593,478. Of this amount, \$52,610,000 comprises bonds that are secured by the County's lease rental payments and other dedicated sources of revenue, and \$1,116,661 of special assessment debt secured by property subject to the assessment. The remainder of the County's debt represents loans secured solely by specified revenue sources.

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

	Long-Term Debt Obligations					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Lease Revenue Bonds	\$ 50,900,000	\$ 52,445,000	\$ 1,710,000	\$ 2,310,000	\$ 52,610,000	\$ 54,755,000
Special Assessment Bonds	-	-	1,071,500	1,172,000	1,071,500	1,172,000
Water/Sewer Bonds	-	-	45,161	50,044	45,161	50,044
Capital Lease Obligations	1,558,938	1,780,445	-	-	1,558,938	1,780,445
Financing Leases	-	-	2,000,000	-	2,000,000	-
Notes Payable	-	-	307,879	338,973	307,879	338,973
Debt Obligation	52,458,938	54,225,445	5,134,540	3,871,017	57,593,478	58,096,462
Unamortized Bond Premium	1,177,776	1,224,771	-	-	1,177,776	1,224,771
Total Debt	53,636,714	55,450,216	5,134,540	3,871,017	58,771,254	59,321,233
Less Current Portion	(1,887,610)	(1,813,502)	(830,961)	(685,501)	(2,718,571)	(2,499,003)
Net Long-Term Debt	<u>\$ 51,749,104</u>	<u>\$ 53,636,714</u>	<u>\$ 4,303,579</u>	<u>\$ 3,185,516</u>	<u>\$ 56,052,683</u>	<u>\$ 56,822,230</u>

Reductions of the County's total outstanding debt included principal payments of \$1,766,507 and amortization of bond premium of \$46,995 with \$2,575,722 in interest expense for governmental activities and principal payments of \$736,477 with \$147,384 in interest expense for business-type activities.

Other obligations include compensated absences (accrued vacation and sick leave), workers' compensation and general liability insurance claims liability, and the landfill closure/postclosure care costs liability. 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 2008-09 budget takes into consideration the overall financial health of the County and related impacts of the California State Budget. The Governor's Budget reduced funding that supports activities by local governmental agencies. Such programs include law enforcement, realigned mental health, public health and indigent health/social services programs, libraries, and housing.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

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. Due to the continuing economic downturn, the County has projected, in its 2008-09 budget, that Property Taxes in Lieu of VLF will remain static, or \$17 million.

Proposition 1A also suspended payment on state-imposed mandates to counties, cities and special districts. The State Budget defers the annual payment of old mandate claims (pre July 2004), while appropriating \$12.8 million for payment of current mandate claims.

The County's Budget took into consideration the impact of the State's fiscal crisis on County revenue. These impacts include the following:

Administration of Justice, 1) 10 percent reduction in Citizens' Option for Public Safety (COPS); 2) 10 percent reduction in Juvenile Justice Crime Prevention Act funding; 3) 10 percent reduction in Booking Fee subventions; 4) 10 percent reduction in Juvenile Probation and Camps Funding; 5) Zero funding for the Mentally Ill Offender Crime Reduction Grant (MIOCR); 5) \$10 million reduction Statewide to the California Methamphetamine Enforcement Teams (CAL-MMET);

General Government, 1) 10 percent reduction in Williamson Act subventions; 2) \$75 million reduction in State Mandate reimbursements (deferred pre-July 2004 claims); 3) \$85.6 million appropriated Statewide for the February Presidential Primary; 4) \$1.7 million reduction to Statewide Library Assistance; 5) Shifted \$350 million from local Redevelopment Agencies (ERAF shift);

Health and Human Services, 1) \$106.8 million reduction (state and federal funds) for county administration of Medi-Cal; 2) \$20.9 million reduction for county administration of Food Stamps; 3) \$12.7 million reduction to county administration of In-Home Supportive Services; 4) \$60 million reduction to CalWORKS employment services funding; 5) \$40 million reduction to CalWORKS Pay for Performance Incentives; 6) \$11.4 million reduction to Adult Protective Services; 7) Reduces funding for Proposition 36 and the Offender Treatment Program by a combined \$12 million; 8) 10 percent reduction to Medi-Cal provider rates; 9) \$3.854 reduction from California Children's Services (CCS); 10) 10 percent reduction to Child Health and Disability Prevention Program (CHDP); 11) Reduction of \$6.9 million for State Pandemic Flu planning; 12) \$13 million reduction to mental health managed care; 13) Eliminates \$9.8 million that assists counties with the purchase of State Mental Health Hospital beds;

Land Use and Transportation, 1) Funds \$286 million in Proposition 42 proceeds for maintenance, rehabilitation, and storm damage repair to improve the local transportation system; and 2) Counties will receive \$63 million in Proposition 1B Local Streets and Roads funding for safety, congestion relief, preservation, and transit improvement projects on the local system.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

In addition to the above statewide programmatic reductions, the State is managing its short-term cash needs by delaying reimbursement to counties. Shasta County must continue to provide service regardless of receipt of State allocations. When County operating funds run into cash flow shortages, they must borrow from the County Treasury. This results in a negative interest apportionment. The State does not pay interest on the late payments, with the exception of deferred mandates. In essence, the County is "loaning" the State funds, at a cost to the County. This is either in reduced interest earnings, or negative interest.

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 \$1.2 million in FY 2008-09.

Workers compensation, PERS retirement, health insurance rate increases, and retiree health care continue to impact the County. The 2007 actuarial indicated that the County's self-insured workers compensation program was super-funded; that is, the program's assets exceed the expected loss. In December 2007, the Board of Supervisors adopted an 80 percent confidence level for the County's self-insured workers' compensation and liability insurance programs. The County is committed to maintaining a prudent reserve.

In addition to adopting an 80 percent confidence level, the Board of Supervisors approved a plan to refund excess reserves in the insurance funds and to charge for retiree health care costs (Other Post Employment Benefits, or OPEB) Charges for the self-insured programs and for OPEB are on the same base, a percentage of payroll costs.

The County of Shasta provides postretirement medical and dental benefits to eligible employees who retire directly from the County. Eligible retirees pay a portion of the medical premium based on the PEHMCA (CalPERS medical program) "unequal method." The remaining premium is shared by the County and active employees in accordance with bargaining agreements. Like most governmental agencies, the County pays for these postretirement benefits on a "pay-as-you-go" basis. This means that OPEB costs are ignored while an employee renders service and recognized only after the employee retires.

GASB 45 requires governmental agencies to conduct an actuarial valuation of the liability for OPEB and report them on their financial statements. The valuation is now complete; the County's Unfunded Actuarial Liability as of June 30, 2007, is \$140 million. The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over Plan Assets. This represents the amount of the Actuarial Accrued Liability at the valuation date that still must be funded.

COUNTY OF SHASTA

Management's Discussion and Analysis June 30, 2008

Although GASB does not require that counties pre-fund their OPEB liability, Shasta County is taking positive steps towards addressing OPEB. The action plan includes the establishment of two irrevocable OPEB Trusts with initial funding of \$6 million each; implementing a one percent charge, as a percent of payroll, effective July 1, 2008; advocating for legislative changes to PEMHCA to give counties greater flexibility in establishing a tiered benefit system; and considering OPEB cost avoidance through labor negotiations. Within available resources the County will incrementally increase the payroll charges for OPEB which will pass a portion of this expense to state and federal programs when appropriate.

The total unfunded liability for the PERS retirement plans is \$38.8 million. As of June 30, 2007, the Miscellaneous Plan has an unfunded liability of \$18 million. The safety plan has an unfunded liability of \$20.8 million. Based upon PERS *negative* return of 2.4 percent in 2008, and the continuing decline in the stock market, the County expects to pay increasingly higher employer contributions to PERS. This is in stark contrast to one year ago when we were projecting the Miscellaneous Plan would be fully funded by June 2010.

Any reduction in the County's workforce will further compound the cost of future retirement benefits. A component of the cost is recovered by employee contributions. Additionally, to the extent that the County is picking up the employee contribution, the ever increasing cost of retirement reduces resources available for service delivery.

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

Statements of Net Assets June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Cash and investments	\$ 140,564,556	\$ 16,019,144	\$ 156,583,700	\$ 5,096,893
Receivables, net	6,188,533	586,774	6,775,307	28,355
Due from component units	2,750	--	2,750	--
Internal balances	578,750	(578,750)	--	--
Due from fiduciary funds	1,947,763	99,989	2,047,752	(67,348)
Other assets -OPEB	110,000	--	110,000	--
Other assets	721,573	68,895	790,468	--
Due from other governments	27,912,718	651,427	28,564,145	1,143,587
Inventories	515,625	22,445	538,070	--
Deferred issuance costs	1,208,305	--	1,208,305	--
Special assessment receivable	151,985	1,079,563	1,231,548	--
Notes receivable	8,486,472	--	8,486,472	--
Capital Assets:				
Non-depreciable	12,545,529	11,722,317	24,267,846	--
Depreciable, net	124,749,912	19,253,363	144,003,275	51,187
Total Assets	<u>325,684,471</u>	<u>48,925,167</u>	<u>374,609,638</u>	<u>6,252,674</u>
LIABILITIES				
Accounts payable	4,277,846	157,355	4,435,201	443,909
Retention payable	13,411	109,272	122,683	--
Salaries and benefits payable	7,987,249	--	7,987,249	11,914
Interest payable	622,241	86,500	708,741	--
Due to other governments	1,472,207	35	1,472,242	112,962
Other liabilities	12,000,000	--	12,000,000	--
Due to primary government	--	--	--	2,750
Deferred revenue	2,816,602	--	2,816,602	--
Deposits from others	327,137	3,700	330,837	--
Long-Term Liabilities:				
Due within one year	8,699,798	830,961	9,530,759	13,175
Due beyond one year	69,163,979	19,529,361	88,693,340	--
Total Liabilities	<u>107,380,470</u>	<u>20,717,184</u>	<u>128,097,654</u>	<u>584,710</u>
NET ASSETS				
Invested in capital assets, net of related debt	83,658,728	25,841,139	109,499,867	51,187
Restricted for:				
Special revenue	39,914,703	--	39,914,703	--
Public safety	4,790,328	--	4,790,328	--
Debt service	--	70,078	70,078	--
Capital projects	18,231,579	--	18,231,579	--
Other purposes	575,769	--	575,769	5,616,777
Unrestricted	71,132,894	2,296,766	73,429,660	--
Total Net Assets	<u>\$ 218,304,001</u>	<u>\$ 28,207,983</u>	<u>\$ 246,511,984</u>	<u>\$ 5,667,964</u>

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

COUNTY OF SHASTA

Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs Primary Government	Expenses	Indirect Expense Allocation	Program Revenues		
			Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:					
General government	\$ 15,035,505	\$ 754,609	\$ 6,636,321	\$ 1,700,084	\$ 547,774
Public protection	84,214,777	2,869,410	15,317,744	33,011,650	577,577
Public ways and facilities	17,190,821	337,247	1,917,056	12,574,140	8,358,784
Health and sanitation	55,315,876	1,144,865	2,819,608	36,313,568	--
Public assistance	89,550,096	1,360,141	3,076,029	84,321,782	--
Education	1,724,953	67,366	33,088	73,331	--
Recreation	245,113	--	2,253	82,605	--
Interest expense	2,575,722	--	--	--	--
Total Governmental Activities	<u>265,852,863</u>	<u>6,533,638</u>	<u>29,802,099</u>	<u>168,077,160</u>	<u>9,484,135</u>
Business-Type Activities:					
Fall River Mills Airport	99,242	1,198	82,640	--	1,626,839
Solid Waste Disposal	874,601	698	1,633,828	--	--
West Central Landfill	977,923	--	1,936,877	--	--
County Service Areas	1,648,190	14,816	1,161,201	--	42,677
Total Business-Type Activities:	<u>3,599,956</u>	<u>16,712</u>	<u>4,814,546</u>	<u>--</u>	<u>1,669,516</u>
Total Primary Government	<u>\$ 269,452,819</u>	<u>\$ 6,550,350</u>	<u>\$ 34,616,645</u>	<u>\$ 168,077,160</u>	<u>\$ 11,153,651</u>
Component Units:					
Children and Families First	\$ 2,156,178	\$ --	--	\$ 2,312,136	\$ --
Rural Transportation Planning	2,849,141	--	--	3,083,703	--
Total Component Units	<u>\$ 5,005,319</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,395,839</u>	<u>\$ --</u>

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 as previously stated
- 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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
\$ (6,905,935)	\$ --	\$ (6,905,935)	\$ --
(38,177,216)	--	(38,177,216)	--
5,321,912	--	5,321,912	--
(17,327,565)	--	(17,327,565)	--
(3,512,426)	--	(3,512,426)	--
(1,685,900)	--	(1,685,900)	--
(160,255)	--	(160,255)	--
<u>(2,575,722)</u>	<u>--</u>	<u>(2,575,722)</u>	<u>--</u>
<u>(65,023,107)</u>	<u>--</u>	<u>(65,023,107)</u>	<u>--</u>
--	1,609,039	1,609,039	--
--	758,529	758,529	--
--	958,954	958,954	--
--	<u>(459,128)</u>	<u>(459,128)</u>	<u>--</u>
--	<u>2,867,394</u>	<u>2,867,394</u>	<u>--</u>
<u>(65,023,107)</u>	<u>2,867,394</u>	<u>(62,155,713)</u>	<u>--</u>
--	--	--	155,958
--	--	--	<u>234,562</u>
--	--	--	<u>390,520</u>
\$ 26,853,110	\$ --	26,853,110	\$ --
2,512,380	--	2,512,380	--
24,046,131	--	24,046,131	--
12,889,149	--	12,889,149	--
5,973,678	593,265	6,566,943	203,078
3,145,145	<u>104,807</u>	<u>3,249,952</u>	<u>3,054</u>
<u>75,419,593</u>	<u>698,072</u>	<u>76,117,665</u>	<u>206,132</u>
<u>10,396,486</u>	<u>3,565,466</u>	<u>13,961,952</u>	<u>596,652</u>
198,365,411	26,110,486	224,475,897	5,071,312
9,542,104	<u>(1,467,969)</u>	<u>8,074,135</u>	--
<u>207,907,515</u>	<u>24,642,517</u>	<u>232,550,032</u>	<u>5,071,312</u>
<u>\$ 218,304,001</u>	<u>\$ 28,207,983</u>	<u>\$ 246,511,984</u>	<u>\$ 5,667,964</u>

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF SHASTA

Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Public Safety Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 51,626,154	\$ 2,526,271	\$ 44,078,453	\$ 98,230,878
Accounts receivable	3,195,088	2,664,122	313,911	6,173,121
Due from other county funds	1,819,355	179,646	2,076,089	4,075,090
Due from other governments	13,464,929	6,235,774	8,206,584	27,907,287
Inventories	--	--	385,509	385,509
Other assets	82,623	--	633,995	716,618
Advances to other funds	--	--	865,285	865,285
Notes receivable	--	--	8,486,472	8,486,472
Special assessment receivable	--	--	151,985	151,985
Totals Assets	<u>\$ 70,188,149</u>	<u>\$ 11,605,813</u>	<u>\$ 65,198,283</u>	<u>\$ 146,992,245</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,854,323	388,256	1,530,413	\$ 3,772,992
Retention payable	--	--	7,665	7,665
Salaries and benefits payable	3,581,827	2,173,280	1,786,157	7,541,264
Due to other county funds	1,503,120	214,622	382,300	2,100,042
Due to other governments	278,411	691,215	161,103	1,130,729
Deferred revenue	8,658,921	4,406,424	1,492,136	14,557,481
Deposits from others	4,629	--	322,460	327,089
Advances from other funds	--	--	840,285	840,285
Total Liabilities	<u>15,881,231</u>	<u>7,873,797</u>	<u>6,522,519</u>	<u>30,277,547</u>
Fund Balances:				
Reserved	11,289,232	137,167	11,849,261	23,275,660
Unreserved:				
Designated	20,639,081	2,070,218	36,556,390	59,265,689
Undesignated	22,378,605	1,524,631	--	23,903,236
Undesignated reported in:				
Special revenue funds	--	--	9,045,960	9,045,960
Capital projects funds	--	--	1,224,153	1,224,153
Total Fund Balances	<u>54,306,918</u>	<u>3,732,016</u>	<u>58,675,764</u>	<u>116,714,698</u>
Total Liabilities and Fund Balances	<u>\$ 70,188,149</u>	<u>\$ 11,605,813</u>	<u>\$ 65,198,283</u>	<u>\$ 146,992,245</u>

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

COUNTY OF SHASTA

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2008

Total Fund Balances - Governmental Funds (page 23)	\$ 116,714,698
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.	134,112,420
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Unavailable revenues	11,740,879
Other post employment benefits asset	105,255
Long-Term Debt that has not been included in the governmental fund activity.	(53,636,714)
Interest on outstanding debt not due and payable in the current period is not accrued in the governmental funds.	(622,241)
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred in the Statement of Net Assets. This amount is the unamortized portion of bond issuance costs.	1,208,305
Compensated absences are not accrued in the Governmental Funds.	(7,764,879)
Internal Service Funds assets and liabilities are included in governmental activities in the Statement of Net Assets	<u>16,446,278</u>
Net assets of Governmental Activities (page 19)	<u><u>\$ 218,304,001</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, 2008

	General Fund	Public Safety Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 44,354,871	\$ 14,542,020	\$ 6,621,145	\$ 65,518,036
Licenses and permits	3,420,720	21,699	245,711	3,688,130
Fines and forfeitures	4,589,863	332,280	84,161	5,006,304
Use of money and property	2,916,893	--	2,310,743	5,227,636
Intergovernmental	119,167,519	10,093,579	49,917,323	179,178,421
Charges for other services	10,512,815	5,047,040	3,746,675	19,306,530
Miscellaneous revenue	4,635,897	426,091	818,942	5,880,930
Total Revenues	<u>189,598,578</u>	<u>30,462,709</u>	<u>63,744,700</u>	<u>283,805,987</u>
Expenditures:				
Current:				
General government	16,065,612	--	511,259	16,576,871
Public protection	16,940,647	54,507,799	13,123,706	84,572,152
Public assistance	88,222,239	--	1,125,538	89,347,777
Public ways and facilities	6,857	--	23,892,668	23,899,525
Health and sanitation	35,322,488	--	20,065,304	55,387,792
Education	1,769,668	--	--	1,769,668
Recreation	246,240	--	--	246,240
Debt Service	281,271	--	--	281,271
Total Expenditures	<u>158,855,022</u>	<u>54,507,799</u>	<u>58,718,475</u>	<u>272,081,296</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>30,743,556</u>	<u>(24,045,090)</u>	<u>5,026,225</u>	<u>11,724,691</u>
Other Financing Sources (Uses):				
Transfers in	1,435,048	23,782,451	3,242,398	28,459,897
Transfers out	(27,873,354)	(527,505)	(645,254)	(29,046,113)
Sale of capital assets	10,304	11,732	59,952	81,988
Total Other Financing Sources (Uses)	<u>(26,428,002)</u>	<u>23,266,678</u>	<u>2,657,096</u>	<u>(504,228)</u>
Net Change in Fund Balances	<u>4,315,554</u>	<u>(778,412)</u>	<u>7,683,321</u>	<u>11,220,463</u>
Fund Balances - Beginning as Previously Stated	47,400,052	4,758,985	45,565,015	97,724,052
Prior Period Adjustments	2,591,312	(248,557)	5,427,428	7,770,183
Fund Balances - Beginning as Restated	<u>49,991,364</u>	<u>4,510,428</u>	<u>50,992,443</u>	<u>105,494,235</u>
Fund Balances - Ending	<u>\$ 54,306,918</u>	<u>\$ 3,732,016</u>	<u>\$ 58,675,764</u>	<u>\$ 116,714,698</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, 2008

Net Change in Fund Balances - Total Governmental Funds (page 25)	\$ 11,220,463
Amounts reported for governmental activities in the Statement of Net Activities are different because:	
Governmental funds report capital outlays as expenditures.	11,087,530
In the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(5,522,123)
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.	(41,070)
Revenues in the Governmental Funds previously reported in the Statement of Activities	(2,541,082)
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.	1,766,507
Interest on outstanding debt is reported as an expenditure when due in the Governmental Funds, but is accrued in the Statement of Activities.	64,797
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the current year amortization of bond issuance costs.	(56,212)
Compensated absences in the Statement of Activities is reported as an expense, but is not reported in the Governmental Funds.	(220,171)
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.	(5,467,408)
Other post employment benefits are reported as an expense when contributions are made in the governmental funds, but are deferred assets for contributions made in excess of required amounts.	<u>105,255</u>
Change in Net Assets of Governmental Activities (page 22)	<u>\$ 10,396,486</u>

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

COUNTY OF SHASTA

Statement of Net Assets
Proprietary Funds
June 30, 2008

	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	\$ 3,339,001	\$ 9,989,051	\$ 268,455	\$ 2,422,637	\$ 16,019,144	\$ 42,333,678
Receivables, net	399,228	--	886	186,660	586,774	15,412
Due from other county funds	10,859	57,377	1,408	30,463	100,107	228,800
Due from other governments	21,828	626,730	2,869	--	651,427	5,431
Inventories	--	--	22,445	--	22,445	130,116
Other post employment benefits asset	--	--	--	--	--	4,745
Other assets	68,895	--	--	--	68,895	4,955
Total current assets	3,839,811	10,673,158	296,063	2,639,760	17,448,792	42,723,137
Noncurrent assets:						
Special assessment receivable	--	--	--	1,079,563	1,079,563	--
Advances to other funds	--	--	--	--	--	487,473
Capital assets, non depreciable	963,800	--	9,893,984	864,533	11,722,317	55,375
Capital assets, depreciable - net	10,152,253	--	375,229	8,725,881	19,253,363	3,127,646
Total noncurrent assets	11,116,053	--	10,269,213	10,669,977	32,055,243	3,670,494
Total Assets	14,955,864	10,673,158	10,565,276	13,309,737	49,504,035	46,393,631
LIABILITIES						
Current liabilities:						
Accounts payable	103,449	--	33,900	20,006	157,355	504,854
Retention payable	--	--	107,272	2,000	109,272	5,746
Salaries and benefits payable	--	--	--	--	--	445,985
Other liabilities	--	--	--	--	--	12,000,000
Interest payable	65,277	--	1,247	19,976	86,500	--
Due to other governments	--	--	35	--	35	341,478
Due to other county funds	46,252	--	--	20,143	66,395	187,058
Deposits from others	3,000	--	700	--	3,700	48
Claims payable	--	--	--	--	--	2,482,291
Compensated absences payable	--	--	--	--	--	196,522
Bonds, notes, loans payable	734,039	--	8,545	88,377	830,961	--
Total current liabilities	952,017	--	151,699	150,502	1,254,218	16,163,982
Noncurrent liabilities:						
Claims payable	--	--	--	--	--	13,610,709
Advances from other funds	--	--	--	512,473	512,473	--
Compensated absences payable	--	--	--	--	--	172,662
Bonds, notes, loans payable	2,975,961	--	28,510	1,299,108	4,303,579	--
Landfill closure/postclosure care costs	--	15,225,782	--	--	15,225,782	--
Total noncurrent liabilities	2,975,961	15,225,782	28,510	1,811,581	20,041,834	13,783,371
Total Liabilities	3,927,978	15,225,782	180,209	1,962,083	21,296,052	29,947,353
NET ASSETS						
Invested in capital assets, net	7,406,053	--	10,232,158	8,202,928	25,841,139	3,183,021
Restricted for debt service	--	--	--	70,078	70,078	--
Unrestricted	3,621,833	(4,552,624)	152,909	3,074,648	2,296,766	13,263,257
Total Net Assets	\$11,027,886	\$ (4,552,624)	\$ 10,385,067	\$11,347,654	\$ 28,207,983	\$ 16,446,278

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, 2008

	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	\$ 1,633,828	\$ 1,936,877	\$ 82,640	\$ 1,161,201	\$ 4,814,546	\$ 25,479,973
OPERATING EXPENSES						
Salaries and benefits	--	--	--	--	--	7,900,206
Services and supplies	584,381	--	82,437	1,032,724	1,699,542	7,222,517
Refund of excess insurance reserves	--	--	--	--	--	12,000,000
Landfill closure/postclosure care costs	--	977,923	--	--	977,923	--
Insurance premiums	--	--	--	--	--	1,656,551
Claims expense	--	--	--	--	--	2,701,434
Central service costs	698	--	1,198	14,815	16,711	1,297,206
Depreciation	247,782	--	14,609	512,717	775,108	825,932
Total Operating Expenses	832,861	977,923	98,244	1,560,256	3,469,284	33,603,846
Operating Income (Loss)	800,967	958,954	(15,604)	(399,055)	1,345,262	(8,123,873)
NON-OPERATING REVENUES						
(EXPENSES)						
Interest income	61,506	424,879	8,708	98,172	593,265	1,603,945
Miscellaneous revenue	--	--	37,053	67,754	104,807	468,037
Interest expense	(42,438)	--	(2,196)	(102,750)	(147,384)	--
Gain (loss) on sale of fixed assets	--	--	--	--	--	(6,819)
Total Nonoperating Revenues						
(Expenses)	19,068	424,879	43,565	63,176	550,688	2,065,163
Net Income (Loss) Before Contributions and Transfers	820,035	1,383,833	27,961	(335,879)	1,895,950	(6,058,710)
Capital contributions	--	--	--	--	--	5,086
Capital improvement fees	--	--	--	42,677	42,677	--
Capital grants	--	--	1,626,839	--	1,626,839	--
Transfers in	1,465,518	--	--	--	1,465,518	871,405
Transfers out	--	(1,465,518)	--	--	(1,465,518)	(285,189)
Change in Net Assets	2,285,553	(81,685)	1,654,800	(293,202)	3,565,466	(5,467,408)
Net Assets - Beginning as Previously Stated	8,742,333	(4,470,939)	8,730,267	13,108,825	26,110,486	22,266,426
Prior period adjustment	--	--	--	(1,467,969)	(1,467,969)	(352,740)
Net Assets - Restated	8,742,333	(4,470,939)	8,730,267	11,640,856	24,642,517	21,913,686
Net Assets - Ending	\$ 11,027,886	\$ (4,552,624)	\$ 10,385,067	\$ 11,347,654	\$ 28,207,983	\$ 16,446,278

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, 2008

	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	\$ 1,598,356	\$ 1,830,002	\$ 82,671	\$ 1,152,974	\$ 4,664,003	\$ 24,925,235
Payments to suppliers	(479,592)	--	(137,247)	(1,084,791)	(1,701,630)	(9,793,324)
Payments to employees	--	--	--	--	--	(7,350,711)
Operating subsidies and transfers	--	--	--	8,998	8,998	55
Claims paid	--	--	--	--	--	(2,935,434)
Net Cash Provided (Used) by Operating Activities	1,118,764	1,830,002	(54,576)	77,181	2,971,371	4,845,821
Cash Flows from Non-Capital Financing Activities:						
Other revenue (expense)	--	--	1,042	76,694	77,736	502,680
Operating subsidies and transfers out	1,465,518	(1,465,518)	36,011	9,142	45,153	595,425
Net Cash Provided (Used) by Non-Capital Financing Activities	1,465,518	(1,465,518)	37,053	85,836	122,889	1,098,105
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(3,740,016)	--	(1,863,200)	(78,405)	(5,681,621)	(1,108,793)
Proceeds from sale of capital assets	--	--	--	--	--	55,504
Capital improvement fees	--	--	--	38,711	38,711	--
Principal payments on debt	(600,000)	--	(8,013)	(128,464)	(736,477)	--
Proceeds from capital debt	2,000,000	--	--	--	2,000,000	--
Capital grants received	--	--	1,669,374	--	1,669,374	--
Interest payments on debt	(121,235)	--	(2,277)	(98,226)	(221,738)	--
Net Cash Used by Capital and Related Financing Activities	(2,461,251)	--	(204,116)	(266,384)	(2,931,751)	(1,053,289)
Cash Flows From Investing Activities:						
Interest on investments	85,959	463,221	11,415	110,339	670,934	1,735,505
Net Increase (Decrease) in Cash and Cash Equivalents	208,990	827,705	(210,224)	6,972	833,443	6,626,142
Cash and Cash Equivalents - Beginning of Year	3,130,011	9,161,346	478,679	2,415,665	15,185,701	35,707,536
Cash and Cash Equivalents - End of Year	\$ 3,339,001	\$ 9,989,051	\$ 268,455	\$ 2,422,637	\$ 16,019,144	\$ 42,333,678
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 800,967	\$ 958,954	\$ (15,604)	\$ (399,055)	1,345,262	\$ (8,123,873)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:						
Depreciation expense	247,782	--	14,609	512,717	775,108	825,932
Amortization of bond issuance costs	34,447	--	--	--	34,447	--
Landfill closure/postclosure care expense	--	977,923	--	--	977,923	--
Changes in assets and liabilities:						
Receivables, net	(73,055)	--	(669)	(8,589)	(82,313)	(3,825)
Due from other county funds	77	--	--	2,457	2,534	(18,165)
Due from other governments	(8,746)	(106,875)	--	--	(115,621)	(4,866)
Inventories	--	--	(11,083)	--	(11,083)	(56,906)
Other assets	--	--	--	3,500	3,500	133,751
Accounts payable	71,040	--	(41,829)	4,578	33,789	(30,602)
Salaries and benefits payable	--	--	--	--	--	40,405
Other liabilities	--	--	--	--	--	12,000,000
Due to other governments	--	--	--	--	--	341,478
Due to other county funds	46,252	--	--	(38,427)	7,825	(40,000)
Deposits from others	--	--	--	--	--	48
Claims payable	--	--	--	--	--	(234,000)
Compensated absences payable	--	--	--	--	--	16,444
Net Cash Provided (Used) by Operating Activities	\$ 1,118,764	\$ 1,830,002	\$ (54,576)	\$ 77,181	\$ 2,971,371	\$ 4,845,821

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

COUNTY OF SHASTA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ 139,735,245	\$ 36,444,819
Accounts receivable, net	6,596	36,476
Taxes receivable, net	--	17,015,041
Due from other governments	--	1,523,421
Due from other funds	--	1,581,363
Totals Assets	\$ 139,741,841	\$ 56,601,120
 LIABILITIES		
Due to other funds	\$ --	\$ 3,561,767
Due to other governments	395	3,934,265
Taxes due to other funds	--	19,455,447
Agency funds liabilities	--	29,649,641
Total Liabilities	395	\$ 56,601,120
 NET ASSETS		
Net assets held in trust for investment pool participants	<u>139,741,446</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, 2008

ADDITIONS:	
Contributions to investment pool	\$ 543,750,414
DEDUCTIONS:	
Distributions from investment pool	<u>530,902,083</u>
CHANGE IN NET ASSETS	12,848,331
NET ASSETS, BEGINNING	<u>126,893,115</u>
NET ASSETS, ENDING	<u><u>\$ 139,741,446</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, 2008

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, 2008

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.

- Aegean Way PRD
- Aiden Park PRD
- Alpine Way PRD
- Amber Lane PRD
- Amber Ridge PRD
- Amesbury Village PRD
- Blackstone Estates PRD
- Buckshot Lane EFER PRD
- Butterfield 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
- 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, 2008

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

A. Component Units (continued)

- Foxwood Estates PRD
- Fullerton Way PRD
- Holiday Acres PRD
- Honeybee 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
- Silver Saddle Estates PRD
- Sonora Trail PRD
- Squaw Carpet Fire Access PRD
- Timber Ridge PRD
- Tract 1323
- Valparaiso Way PRD
- Vedder Road PRD
- Victoria Highlands Estates PRD
- Village Green PRD
- Wisteria 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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

A. **Component Units** (continued)

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

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

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

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

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

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

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, 2008

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. **New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 45

For the fiscal year ended June 30, 2008, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This statement is effective for the County for fiscal periods beginning after December 15, 2006.

This Statement requires that governments account for, and report, the annual cost of other postemployment benefits (OPEB) and the outstanding obligation and commitments related to OPEB in the same manner as they currently do for pensions. The Statement does not require that governments fund their OPEB plans, only that they account for them and report them. OPEB generally consist of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including their beneficiaries in some cases.

Implementation of GASB Statement No. 45 primarily impacted the County's government-wide and proprietary funds financial statements for the year ended June 30, 2008. In addition, implementation required additional note disclosure (see Note 13) and required supplemental information (see Required Supplementary Information – Other Post Employment Benefits Plan – Schedule of Funding Progress).

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

B. **New Accounting Pronouncements** (continued)

Governmental Accounting Standards Board Statement No. 50

For the fiscal year ended June 30, 2008, the County implemented GASB Statement No. 50, "Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27". This statement is effective for the County for fiscal periods beginning after June 15, 2007.

GASB Statement No. 50 amends GASB Statements 25 and 27 to require defined benefit pension plans and sole and agent employers present the following information related to note disclosures or Required Supplementary Information (RSI):

- Notes to financial statements should disclose the funded status of the plan as of the most recent actuarial valuation date. Defined benefit pension plans also should disclose actuarial methods and significant assumptions used in the most recent actuarial valuation in notes to financial statements instead of in notes to RSI.
- If the aggregate actuarial cost method is used to determine the annual required contribution of the employer (ARC), notes to financial statements should disclose the funded status of the plan, and a schedule of funding progress should be presented as RSI, using the entry age actuarial cost method. Plans and employers also should disclose that the purpose of doing so is to provide information that services as a surrogate for the funded status and funding progress of the plan.
- Notes to financial statements should include a reference linking the funded status disclosure in the notes to financial statements to the required schedule of funding progress in RSI.
- If applicable, notes to financial statements should disclose legal or contractual maximum contribution rates. In addition, if relevant, they should disclose that the maximum contribution rates have not been explicitly taken into consideration in the projection of pension benefits for financial accounting measurement purposes.
- If an actuarial assumption is different for successive years, notes to financial statements should disclose the initial and ultimate rates.

GASB Statement No. 50 amends Statement 25 to require defined benefit pension plans and defined contribution plans to disclose in the notes to financial statements the methods and assumptions used to determine the fair value of investments, if the fair value is based on other than quoted market prices.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

B. **New Accounting Pronouncements** (continued)

Governmental Accounting Standards Board Statement No. 50 (continued)

GASB Statement No. 50 amends Statement 27 to require cost-sharing employers to include, in the note disclosures of the required contribution rates of the employer(s) in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, how the contractually required contribution rate is determined (for example, by statute or by contract, or on an actuarially determined basis) or that the cost-sharing plan is financed on a pay-as-you-go basis.

GASB Statement No. 50 also amends Statement 27 to require that, if a cost-sharing plan does not issue a publicly available stand-alone plan financial report prepared in accordance with the requirements of Statement 25, as amended, and the plan is not included in the financial report of another entity, each employer in that plan should present as RSI the schedules of funding progress and employer contributions for the plan (and notes to these schedules). Each employer also should disclose that the information presented relates to the cost-sharing plan as a whole, of which the employer is one participating employer, and should provide information helpful for understanding the scale of the information presented relative to the employer.

More information regarding the County's participation in the Public Employees Retirement System of the State of California can be found in Note 12.

C. **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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

C. **Related Organizations** (continued)

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.

D. **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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

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

Fund Financial Statements

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

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

The County reports the following major governmental funds:

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

The County reports the following major proprietary funds:

- The *Solid Waste 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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

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

Fund Financial Statements (continued)

Additionally, the County reports the following fund types:

- *Internal Service Funds* account for vehicle operations, risk management, information technology, communications operations, janitorial services, and County utilities that provide services to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.
- The *Investment Trust Fund* accounts for the external portion of the County Treasurer's investment pool, which commingles resources of legally separate local governments within the County in an investment portfolio for the benefit of all participants.
- *Agency Funds* are custodial in nature and do not involve measurement of results of operations. These funds account for assets held by the County in an agency capacity for individuals or other government units.

E. **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

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

E. Measurement Focus and Basis of Accounting (continued)

purpose, the County considers revenues available if they are collected within two months 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.

F. 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 to the appropriate funds quarterly using a formula based on the average daily balance of each participating fund.

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

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

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

G. Receivables and Payables

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

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

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

Notes receivable in governmental funds consist of non-current rehabilitation, CALhome, and redevelopment loans. The non-current portion of loans receivable are offset by reservation of fund balance.

H. Inventories and Other Assets

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 other assets. The inventories and other assets recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

I. Capital Assets

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

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

I. **Capital Assets** (continued)

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, material and capitalized interest costs.

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

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

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

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

The State of California’s (State) Constitution Article XIII provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless voters have approved an additional amount for the general obligation debt. Assessed value is calculated at 100 percent of market value, as defined by Article XIII A, and may not be adjusted by more than two percent per year unless the property is sold or transferred. The State Legislature has determined the

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

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

method of distribution of receipts from a one percent tax levy among the County, cities, school districts, and other districts. The County assesses properties, enrolls values, and collects property taxes as follows:

	Secured	Unsecured
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)

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.

K. 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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

L. 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 the straight-line method which is not materially different from 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.

M. 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.

N. 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.

O. 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.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 2: **Cash in Treasury**

A. **Cash Management**

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

The County Treasurer determines the fair value of investments annually, at fiscal year-end, for the purpose of financial reporting. Participants may withdraw their investment from the pool on a dollar per dollar basis. School districts are considered involuntary participants in the investment pool and comprise 39 percent of the total treasury investment pool (including County Operational funds). Special districts and various trust funds approximate 4 percent of the investment pool and the extent of involuntary participation cannot be determined at this time. County operational funds comprise the remaining 57 percent of the investment pool.

At June 30, 2008, total County cash and investments were as follows:

Cash:

Cash on hand and imprest cash	\$ 821,994
Deposits	8,824,473
Total cash and deposits	<u>9,646,467</u>

Investments:

In Treasurer's pool	320,101,514
External to the Treasurer's pool	8,112,676
Total investments	<u>328,214,190</u>

Total cash and investments	<u><u>\$ 337,860,657</u></u>
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COUNTY OF SHASTA

Notes to Financial Statements June 30, 2008

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

A. **Cash Management** (continued)

Total cash and investments at June 30, 2008 were presented on the County's financial statements as follows:

Primary government	\$ 156,583,700
Component units	5,096,893
Investment trust funds	139,735,245
Agency funds	36,444,819
Total cash and investments	\$ 337,860,657

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 \$12,446,438 at June 30, 2008.

Investments

At June 30, 2008, the County had the following investments:

	Interest Rates	Maturities	Par	Cost	Fair Value	WAM (Years)
Investments in Investment Pool						
Local Agency Investment Fund	2.86%	7/01/08	\$ 35,000,000	\$ 35,000,000	\$ 34,998,257	0.00
Repurchase Agreement	2.23%	7/01/08	13,000,000	13,000,000	13,000,805	0.00
Inactive Public Deposit	3.59% - 4.97%	8/11/08 - 6/18/10	3,000,000	3,000,000	3,000,000	0.79
Negotiable Certificates of Deposit	2.81%	7/21/08	5,000,000	5,000,000	5,000,000	0.06
Commercial Paper	2.32% - 3.81%	7/24/08 - 2/13/09	29,000,000	28,566,987	28,751,970	0.28
Federal Farm Credit	1.91% - 4.55%	7/22/08 - 8/04/09	47,520,000	46,305,493	47,123,308	0.46
Federal Home Loan Bank Discount Note	1.99% - 4.92%	7/18/08 - 5/12/09	58,149,000	56,596,653	57,532,941	0.47
Federal National Mortgage Discount Note	1.91% - 4.58%	7/25/08 - 4/28/10	69,000,000	67,476,698	68,284,590	0.58
Federal Home Loan Mortgage Corp. Discount Note	2.02% - 5.25%	9/15/08 - 5/21/09	63,000,000	61,576,526	62,373,990	0.53
Government National Mortgage Association	8% - 9.5%	3/17/17 - 8/15/17	33,824	17,510	35,653	8.86
			\$ 322,702,824	\$ 316,539,867	\$ 320,101,514	
Investments outside Investment Pool						
Shasta Lake Local Agency Investment Fund	2.86%	7/01/08	\$ 310,915	\$ 310,915	\$ 310,915	0.00
Cash with fiscal agent	1.56% - 1.62%	7/01/08	7,801,761	7,801,761	7,801,761	0.00
			\$ 8,112,676	\$ 8,112,676	\$ 8,112,676	
Total Investments			\$ 330,815,500	\$ 324,652,543	\$ 328,214,190	

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.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2008

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

A. Cash Management (continued)

Credit Risk

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

Concentration of Credit Risk

At June 30, 2008, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2008.

	S&P	Moody's	% of Portfolio
Investments in Investment Pool			
Local Agency Investment Fund	Unrated	Unrated	11.06%
Repurchase Agreement	Unrated	Unrated	4.11%
Inactive Public Deposit	Unrated	Unrated	0.95%
Negotiable Certificates of Deposit	A-1	P-1	1.58%
Commercial Paper	A-1	P-1	9.02%
Federal Farm Credit	not available	AAA	14.63%
Federal Home Loan Bank Discount Note	not available	AAA	17.88%
Federal National Mortgage Discount Note	not available	AAA	21.32%
Federal Home Loan Mortgage Corp. Discount Note	not available	AAA	19.45%
Government National Mortgage Association	Unrated	Unrated	0.00%
			100.00%

Custodial Credit Risk

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

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2008

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

A. **Cash Management** (continued)

Local Agency Investment Fund

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

At June 30, 2008, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$35,000,000, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$69,955,386,488; 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, 2008:

Statement of Net Assets

Assets:

Investments	\$ 320,101,514
Other deposits	7,148,746
Total assets	<u>327,250,260</u>

Liabilities:

Checks and warrants payable	<u>12,446,438</u>
-----------------------------	-------------------

Net Assets:

Equity of internal pool participants	175,068,577
Equity of external pool participants	139,735,245
Total net assets	<u>\$ 314,803,822</u>

Statement of Changes in Net Assets

Investment earnings	\$ 14,308,300
Investment expenses	(793,998)
Net distribution to pool participants	<u>14,897,147</u>

Increase in Net Assets 28,411,449

Net assets at July 1, 2007	286,392,373
Net assets at June 30, 2008	<u>\$ 314,803,822</u>

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2008

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.

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

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

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2008

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 \$8,486,472, as reported in the governmental non-major funds, include \$2,333,038 in loans to individuals for housing rehabilitation, and \$5,288,877 for the purchase of a home. 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 no interest to 6 percent.

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2008

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, 2008, was as follows:

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 3,528,755	\$ --	\$ --	\$ --	\$ 3,528,755
Construction in progress	3,724,628	8,926,773	--	(3,634,627)	9,016,774
Total Capital Assets Not Being Depreciated	7,253,383	8,926,773	--	(3,634,627)	12,545,529
Capital assets being depreciated:					
Structures and improvements	106,821,467	7,430	--	3,634,627	110,463,524
Long-term leasehold improvements	1,025,843	--	--	--	1,025,843
Equipment	41,253,710	3,267,866	(2,323,553)	--	42,198,023
Infrastructure	87,759,301	--	--	--	87,759,301
Total Capital Assets Being Depreciated	236,860,321	3,275,296	(2,323,553)	3,634,627	241,446,691
Less accumulated depreciation for:					
Structures and Improvements	(26,964,362)	(2,198,649)	--	--	(29,163,011)
Long-term leasehold improvements	(420,404)	(12,272)	--	--	(432,676)
Equipment	(24,920,423)	(3,386,947)	2,242,323	--	(26,065,047)
Infrastructure	(60,285,858)	(750,187)	--	--	(61,036,045)
Total Accumulated Depreciation	(112,591,047)	(6,348,055)	2,242,323	--	(116,696,779)
Total Capital Assets Being Depreciated, Net	124,269,274	(3,072,759)	(81,230)	3,634,627	124,749,912
Governmental Activities Capital Assets, Net	\$ 131,522,657	\$ 5,854,014	\$ (81,230)	\$ --	\$ 137,295,441

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
Business-Type Activities					
Capital assets not being depreciated:					
Land and improvements	\$ 1,800,295	\$ --	\$ --	\$ --	\$ 1,800,295
Construction in progress	8,288,695	5,601,529	--	(3,968,202)	9,922,022
Total Capital Assets Not Being Depreciated	<u>10,088,990</u>	<u>5,601,529</u>	<u>--</u>	<u>(3,968,202)</u>	<u>11,722,317</u>
Capital assets being depreciated:					
Structures and improvements	43,746,747	--	--	3,968,202	47,714,949
Equipment	255,043	--	--	--	255,043
Total Capital Assets Being Depreciated	<u>44,001,790</u>	<u>--</u>	<u>--</u>	<u>3,968,202</u>	<u>47,969,992</u>
Less accumulated depreciation for:					
Structures and Improvements	(27,709,242)	(766,429)	--	--	(28,475,671)
Equipment	(232,279)	(8,679)	--	--	(240,958)
Total Accumulated Depreciation	<u>(27,941,521)</u>	<u>(775,108)</u>	<u>--</u>	<u>--</u>	<u>(28,716,629)</u>
Total Capital Assets Being Depreciated, Net	<u>16,060,269</u>	<u>(775,108)</u>	<u>--</u>	<u>3,968,202</u>	<u>19,253,363</u>
Business-Type Activities Capital Assets, Net	<u>\$ 26,149,259</u>	<u>\$ 4,826,421</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 30,975,680</u>

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

Governmental Activities

General government	\$ 2,701,860
Public protection	1,177,459
Public ways	1,280,496
Health and sanitation	202,741
Public assistance	152,601
Education	6,966
Capital assets held by the County's internal service funds are charged to the various functions based on the usage of the assets	<u>825,932</u>
Total Depreciation Expenses Governmental Activities	<u>\$ 6,348,055</u>

Business-Type Activities

Airport	\$ 14,609
Solid Waste	247,782
County Service Areas	<u>512,717</u>
Total Depreciation Expenses Business-Type Activities	<u>\$ 775,108</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 5: **Interfund Transactions**

Interfund Receivables/Payables

Due to/from Other Funds:

Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Receivable Fund	Payable Fund	Amount
General	Public Safety	\$ 214,590
	Nonmajor Governmental Funds	367,764
	Solid Waste Disposal	46,252
	Nonmajor Enterprise Funds	20,025
	Internal Service Funds	83,762
	Agency Funds	1,086,962
		<u>1,819,355</u>
Public Safety	General	88,946
	Nonmajor Governmental Funds	672
	Internal Service Funds	87,400
	Agency Funds	2,628
		<u>179,646</u>
Nonmajor Governmental Funds	General	1,413,244
	Nonmajor Governmental Funds	661
	Internal Service Funds	5,884
	Agency Funds	653,550
	Component Unit Funds	2,750
		<u>2,076,089</u>
Internal Service Funds	Nonmajor Governmental Funds	11,465
	Internal Service Funds	10,012
	Agency Funds	207,323
	<u>228,800</u>	

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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	\$ 10,859
West Central Landfill	Agency Funds	<u>57,377</u>
Fall River Mills Airport	Agency Funds	<u>1,408</u>
Nonmajor Enterprise Funds	Agency Funds	<u>30,463</u>
Agency Funds	General	930
	Public Safety	32
	Nonmajor Governmental Funds	1,738
	Nonmajor Enterprise Funds	118
	Agency Funds	1,471,997
	Component Units	<u>106,548</u>
		<u>1,581,363</u>
Component Units	Agency Funds	<u>39,200</u>
		<u>\$ 6,024,560</u>

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

Due to General Reserves from Shasta County Redevelopment Agency	\$ 79,713
Due to General Reserves from CSA#3 Castella Water	7,500
Due to General Reserves from Public Safety Fund	<u>211,812</u>
	<u>\$ 299,025</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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	\$ 840,285
	Nonmajor Enterprise Funds	<u>25,000</u>
		<u>865,285</u>
Internal Service Funds	Nonmajor Enterprise Funds	<u>487,473</u>
		<u><u>\$ 1,352,758</u></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, 2008, consisted of the following:

<u>Paying Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Public Safety	\$ 23,782,451	Funding of operational expenditures
	Nonmajor Governmental Funds	3,242,398	Funding of operational expenditures
	Internal Service Funds	<u>848,505</u>	Purchase of vehicles and funding operational expenses
		<u>27,873,354</u>	
Public Safety	General	516,245	Funding of capital improvement projects and share of Social Services program
	Internal Service Funds	<u>11,260</u>	Purchase of vehicles
		<u>527,505</u>	

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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	\$ 637,532	Funding of capital improvement projects and share of Social Service program
	Internal Service Funds	<u>7,722</u>	
		<u>645,254</u>	
West Central Landfill	Solid Waste Disposal	<u>1,465,518</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>3,918</u>	Purchase of vehicle
		<u>285,189</u>	
		<u>\$ 30,796,820</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, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds Payable:					
Lease revenue bonds	\$ 52,445,000	\$ --	\$ 1,545,000	\$ 50,900,000	\$ 1,610,000
Unamortized bond premium	1,224,771	--	46,995	1,177,776	46,995
Total Bonds payable	<u>53,669,771</u>	<u>--</u>	<u>1,591,995</u>	<u>52,077,776</u>	<u>1,656,995</u>
Claims liability	16,327,000	2,701,434	2,935,434	16,093,000	2,482,291
Capital leases obligations	1,780,445	--	221,507	1,558,938	230,615
Compensated absences	<u>7,897,448</u>	<u>9,494,797</u>	<u>9,258,182</u>	<u>8,134,063</u>	<u>4,329,897</u>
Governmental Activities Long-Term Liabilities	<u>\$ 79,674,664</u>	<u>\$ 12,196,231</u>	<u>\$ 14,007,118</u>	<u>\$ 77,863,777</u>	<u>\$ 8,699,798</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

A. Changes in Long-Term Obligations (continued)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Business-Type Activities					
Bonds payable	\$ 3,532,044	\$ --	\$ 705,383	\$ 2,826,661	\$ 690,927
Financing leases	--	2,000,000	--	2,000,000	109,039
Notes payable	338,973	--	31,094	307,879	30,995
Liability for landfill closure/ postclosure care costs	14,247,859	977,923	--	15,225,782	--
	<u>14,247,859</u>	<u>977,923</u>	<u>--</u>	<u>15,225,782</u>	<u>--</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 18,118,876</u>	<u>\$ 2,977,923</u>	<u>\$ 736,477</u>	<u>\$ 20,360,322</u>	<u>\$ 830,961</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, 2008
<u>Governmental activities</u>						
Bonds Payable:						
Lease Revenue Bonds:						
1998 Lease Revenue Bonds – County Courthouse Improvement Project	1998	2023	3.40-4.80%	\$185,000 - \$1,385,000	\$ 9,165,000	\$ 6,745,000
2003 Lease Revenue Bonds – Administration Center	2003	2033	4.00-5.25%	\$750,000 - \$2,735,000	42,575,000	40,235,000
2003 Refunding Lease Revenue Bonds Justice Center	2004	2014	2.00-4.125%	\$420,000 - \$645,000	5,705,000	<u>3,920,000</u>
Total Governmental Bonds Payable						<u>\$ 50,900,000</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	\$ 1,710,000
CSA No. 3 (Castella) Special Assessment Bonds	1981	2021	5.00%	\$1,000 - \$10,500	134,500	--
CSA No. 6 (Jones Valley) 1980 Revenue Bonds	1980	2020	5.00%	\$7,000 - \$30,000	537,000	285,000
CSA No. 6 (Jones Valley) Limited Obligation Bonds	1998	2038	4.75%	\$6,357 - \$38,000	802,789	639,000
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, 2008

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, 2008</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	\$ 113,000
CSA No. 17 (Cottonwood) Sewer Bonds – Series C	1986	2026	7.75%	\$500 - \$8,000	114,408	34,500
CSA No. 23 (Crag View) Water Bonds – Series A	1974	2013	5.00%	\$1,000 - \$4,000	103,000	20,000
CSA No. 23 (Crag View) Water Bonds – Series B	1975	2013	5.00%	\$185 - \$1,172	20,000	<u>5,161</u>
						<u>2,826,661</u>
Financing Lease:						
Solid Waste – California Infrastructure and Economic Bank	2007	2022	2.81%	\$109,039-\$160,723	2,000,000	<u>2,000,000</u>
Notes Payable:						
CSA No. 2 (Sugar Loaf) Note Payable	1978	2016	5.00%	\$1,718 - \$73,206	73,206	32,148
CSA No. 11 (French Gulch) Note Payable	1995	2019	3.41%	\$5,389 - \$24,063	420,000	237,156
Fall River Mills Airport Note Payable	1998	2011	5.05%	\$3,753 - \$9,821	90,000	37,055
CSA No. 25 (Keswick) Note Payable	1989	2008	2.50-6.20%	\$678 - \$2,925	41,600	<u>1,520</u>
						<u>307,879</u>
						<u>\$ 5,134,540</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

B. Summary of Long-Term Obligations (continued)

As of June 30, 2008, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30	<u>Governmental Activities</u>					
	<u>Lease Revenue Bonds</u>					
	<u>Principal</u>	<u>Interest</u>				
2009	\$ 1,610,000	\$ 2,493,599				
2010	1,680,000	2,430,586				
2011	1,745,000	2,361,427				
2012	1,835,000	2,287,309				
2013	1,925,000	2,202,508				
2014 – 2018	9,045,000	9,661,885				
2019 – 2023	10,885,000	7,371,002				
2024 – 2028	9,745,000	4,616,750				
2029 – 2033	<u>12,430,000</u>	<u>1,925,250</u>				
	<u>\$ 50,900,000</u>	<u>\$ 35,350,316</u>				
	<u>Business-Type Activities</u>					
Year Ending June 30	<u>Bonds Payable</u>		<u>Notes Payable</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2009	\$ 690,927	\$ 122,962	\$ 30,995	\$ 11,451		
2010	568,974	92,100	30,787	10,210		
2011	595,022	63,294	32,128	8,943		
2012	43,573	47,359	33,177	7,619		
2013	44,665	45,185	24,227	6,251		
2014 – 2018	228,500	192,608	120,146	17,634		
2019 – 2023	192,000	133,452	36,419	1,247		
2024 – 2028	128,000	94,069	--	--		
2029 – 2033	131,000	64,576	--	--		
2034 – 2038	166,000	29,450	--	--		
2039	<u>38,000</u>	<u>903</u>	<u>--</u>	<u>--</u>		
	<u>\$ 2,826,661</u>	<u>\$ 885,958</u>	<u>\$ 307,879</u>	<u>\$ 63,355</u>		

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

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

B. Summary of Long-Term Obligations (continued)

Year Ending June 30	Business-Type Activities	
	Financing Lease	
	Principal	Interest
2009	\$ 109,039	\$ 54,668
2010	112,103	51,561
2011	115,253	48,367
2012	118,492	45,082
2013	121,822	41,706
2014 – 2018	662,421	154,469
2019 – 2023	<u>760,870</u>	<u>54,635</u>
	<u>\$ 2,000,000</u>	<u>\$ 450,488</u>

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 internal service funds.

C. Compensated Absences/Sick Time

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

Vacation time	\$ 5,107,997
Compensated time-off	463,103
Administrative leave	262,142
Holiday credit	336,940
Sick leave – gross amount	<u>1,963,881</u>
Total	<u>\$ 8,134,063</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 7: **Capital Leases**

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

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

		<u>Governmental Activities</u>
Aircon Energy Retrofit		\$ 2,631,984
CSS telephone		159,064
Less: accumulated depreciation		<u>(576,752)</u>
		<u>\$ 2,214,296</u>
	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2008</u>
Aircon Energy Retrofit	5.26%	\$ 1,531,667
CSS telephone	4.67%	<u>27,271</u>
		<u>\$ 1,558,938</u>

As of June 30, 2008, future minimum lease payments under capital leases was as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2009	\$ 309,183
2010	281,271
2011	281,271
2012	281,271
2013	281,271
2014-2015	<u>421,902</u>
Total Future Minimum Lease Payments	1,856,169
Less: Interest	<u>(297,231)</u>
Present Value of Remaining Lease Payments	<u>\$ 1,558,938</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 8: **Landfill Closure and Postclosure Costs**

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 estimated total current cost of the landfill closure and postclosure maintenance costs is \$25,200,000 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. At June 30, 2008 the estimated percentage usage (filled) of the landfill site was 60.42 percent and the County has recognized an estimated liability of \$15,225,782 for the County landfill site for closure and postclosure maintenance costs. It is estimated that an additional \$9,974,218 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.

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.

The landfill is technically not in 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 was \$15,225,782 and as of June 30, 2008 the County has set aside \$7,549,800, resulting in an unfunded liability of \$7,675,982. 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, 2008

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	\$ 4,404,077	\$ 1,797,410	\$ 6,201,487
Capital assets	--	51,187	51,187
Total Assets	<u>4,404,077</u>	<u>1,848,597</u>	<u>6,252,674</u>
Current and other liabilities	455,823	115,712	571,535
Long-term liabilities	13,175	--	13,175
Total Liabilities	<u>468,998</u>	<u>115,712</u>	<u>584,710</u>
Invested in capital assets, net	--	51,187	51,187
Restricted	3,935,079	1,681,698	5,616,777
Total Net Assets	<u>\$ 3,935,079</u>	<u>\$ 1,732,885</u>	<u>\$ 5,667,964</u>
Revenues			
Aid from other governments	\$ 2,312,136	\$ 3,083,703	\$ 5,395,839
Use of money and property	158,449	44,629	203,078
Miscellaneous	3,049	5	3,054
Total Revenues	<u>2,473,634</u>	<u>3,128,337</u>	<u>5,601,971</u>
Expenses			
Operating expenses	2,156,178	2,840,671	4,996,849
Depreciation	--	8,470	8,470
Total Expenses	<u>2,156,178</u>	<u>2,849,141</u>	<u>5,005,319</u>
Change in net assets	317,456	279,196	596,652
Net assets, beginning	<u>3,617,623</u>	<u>1,453,689</u>	<u>5,071,312</u>
Net assets, ending	<u>\$ 3,935,079</u>	<u>\$ 1,732,885</u>	<u>\$ 5,667,964</u>

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 10: **Fund Balances**

The following is a summary of fund balances at June 30, 2008:

	General Fund	Public Safety Fund	Other Governmental Funds
Reserved			
General	\$ 9,717,679		
Fiscal Agents	575,769		
Imprest Accounts	45,740	56,915	5,900
Notes Receivable			8,486,472
Inventories			385,509
Encumbrances	950,044	80,252	2,401,623
Prudent Reserve			569,757
Total Reserved	<u>11,289,232</u>	<u>137,167</u>	<u>11,849,261</u>
Unreserved			
Designated			
General Purpose Use	17,942,249		12,993,734
Capital Projects	31,505		6,697,434
Child Support Svs Lease			1,333,333
Fiscal Agent			833,895
Fair Value of Investments	783,367	25,926	427,640
Equipment Acquisition	5,710	57,151	
Tobacco Settlement	417,900		
Animal Control Shelter	285,510		
DA Misdemeanor Diversion Prog		1,117	
Total Designated Unrestricted	<u>19,466,242</u>	<u>84,195</u>	<u>22,286,036</u>
Designated Restricted			
Shingletown Runway	71,100		
Vital Statistics	7,683		152,098
Recorder Modernization	213,021		
Recorder Micrographics	123,374		
Recorder SSN Redaction	22,531		
Animal Control Spay/Neuter	51,443		
Federal Grazing	19,667		
Parks	35,000		
Quantity Control	20,637		
Recaptured Payments	31,004		
Veterans Home Donation	1,000		
Smara	83,049		
Document Payment Program	20,491		
Solid Waste Surcharge	229,943		487,354
UGT Penalties	82,250		
Alcohol Education Prevention	17,259		
Alcohol Programs	134,864		
CPS Donation	8,522		
Knighten Road Beetle Mitigation			286,465
CCS Donation			20,338
City of Shasta Lake Grant			380,000
Animal Control Shelter			3,000,000
Desg Roof			981,081
Juvenile Detention			1,000,000
Adult Detention			1,000,000
STC Training		7,193	
Asset/Forfeiture		198,272	
Program Sales		177,439	
Prop 172 Sales Tax		1,277,677	
Probation Donation		3,489	
DMV Remote Access		321,953	
Car Seat Program			36,109
Air Quality Mgmt SB2766			1,055,827
Zone of Benefit Traffic Impact			1,543,446
Roads Prop 1B			3,938,769
Fire Zone Measure B			388,867
Total Designated Restricted	<u>1,172,839</u>	<u>1,986,023</u>	<u>14,270,354</u>
Total Designated	<u>20,639,081</u>	<u>2,070,218</u>	<u>36,556,390</u>
Undesignated			
Total Undesignated	<u>22,378,605</u>	<u>1,524,631</u>	<u>10,270,113</u>
Total Unreserved	<u>43,017,686</u>	<u>3,594,849</u>	<u>46,826,503</u>
Total Fund Balance	<u>\$ 54,306,918</u>	<u>\$ 3,732,016</u>	<u>\$ 58,675,764</u>

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2008

Note 11: 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 an 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 including incurred but not reported claims and expense liability adjustment (at 80 percent confidence level, after recognition of anticipated investment income) as of June 30, 2008, were as follows:

General liability	\$ 1,807,000
Workers' compensation	<u>14,286,000</u>
Total	<u>\$ 16,093,000</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, 2008

Note 11: **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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Balance, Beginning of Year claims liability	\$16,327,000	\$14,880,000
Current year claims and changes in estimates	2,701,434	4,610,449
Claim payments	<u>(2,935,434)</u>	<u>(3,163,449)</u>
Balance, End of Year	<u>\$16,093,000</u>	<u>\$16,327,000</u>

Note 12: **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, 2008

Note 12: **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. Based on the various bargaining units the County pays all or a portion of qualified employees required contributions (employer paid member contributions). 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 2007-2008, was 10.894 percent for miscellaneous employees and 26.518 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 2007-2008, the County of Shasta's annual pension cost was \$15,475,595 (consisting of employer contributions of \$10,658,859 and employer paid member contributions of \$4,816,736) and the County of Shasta actually contributed \$15,475,595. The required contribution for fiscal year 2007-2008 was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The three-year trend information for the Miscellaneous and Safety Plan is as follows.

Fiscal Year Ending	Annual Pension			Percentage of APC Contributed	Net Pension Obligation
	Miscellaneous	Safety	Total (APC)		
6/30/2006	9,172,816	3,692,510	12,865,326	100%	--
6/30/2007	10,403,857	4,228,315	14,632,172	100%	--
6/30/2008	11,026,555	4,449,040	15,475,595	100%	--

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 12: **Employee Retirement Systems** (continued)

D. Funded Status and Funding Progress

The funding status of each plan as of June 30, 2007, the most recent actuarial valuation date is as follows:

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>
6/30/07	\$ 333,364,314	\$ 351,398,502	\$ 18,034,188	94.9%	\$ 72,448,776	24.9%

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>
6/30/07	\$ 118,395,958	\$ 139,203,168	\$ 20,807,210	85.1%	\$ 13,584,220	153.2%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

In the June 30, 2007 valuation, the entry age actuarial cost method was used. 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 of 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

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 12: **Employee Retirement Systems** (continued)

E. **Actuarial Methods and Assumptions** (continued)

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, 2008, was 19 years for the miscellaneous plan and 22 years for the safety plan.

Note 13: **Other Post-Employment Benefits**

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the County recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability (benefit) from prior years, and provide information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

A. **Plan Description**

The County provides continuation of medical insurance coverage to employees that retire under the California Public Employees' Retirement System (CAPERS) (an agent multiple-employer plan administered by CalPERS) at the same time they end their service to the County. Based on collective bargaining agreements, the retiree and his or her beneficiaries receive this coverage for the life of the retiree. Healthcare benefits for non-union employees are similar to those of union employees. The retiree's share of premium cost based on the PEMHCA (CalPERS medical program) "unequal method" range from 0% to 100%, depending on the employee group and length of service. The remaining premium is shared by the County and active employees in accordance with bargaining agreements. The state legislation which covers CalPERS has established that the retirees receive the same healthcare benefits that are offered to the active employees and the retirees share of premium cost and the state may amend this legislation. Also under requirements of state and local law, the County pays the medical insurance coverage for employees that retire due to disability. The Board of Supervisors establishes and may amend the benefits offered.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 13: **Other Post-Employment Benefits** (continued)

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with an initial \$12 million for the fiscal year ended June 30, 2008 to prefund benefits and 1% of payroll annually thereafter to the CERBT (CalPERS OPEB trust) and PARS trusts. The County is currently in the process of opening the irrevocable trusts. As of June 30, 2008 the \$12 million was held in the County Treasury Pool and will be transferred to the irrevocable trusts no later than December 31, 2008. The Board of Supervisors establishes and may amend the County's funding policy.

C. Annual OPEB Costs and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For fiscal year ended June 30, 2008, the County of Shasta's annual pension cost was \$15,233,132 and the County of Shasta actually contributed \$15,343,132. The required contribution for the fiscal year ended June 30, 2008 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

The Net OPEB Obligation is assumed to be zero as of July 1, 2007, the date the County implemented GASB 45.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 13: **Other Post-Employment Benefits** (continued)

C. Annual OPEB Costs and Net OPEB Obligation (continued)

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation (dollar amounts in thousands):

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Normal Cost	\$ 7,233	\$ 1,789	\$ 9,022
UAAL Amortization	<u>4,860</u>	<u>1,351</u>	<u>6,211</u>
Total ARC	12,093	3,140	15,233
Interest on Net OPEB Obligations	--	--	--
Adjustments to ARC	<u>--</u>	<u>--</u>	<u>--</u>
Total Annual OPEB Costs	12,093	3,140	15,233
Current year contributions	<u>12,180</u>	<u>3,163</u>	<u>15,343</u>
Decrease in net OPEB obligation	(87)	(23)	(110)
Net OPEB obligation June 30, 2007	<u>--</u>	<u>--</u>	<u>--</u>
Net OPEB benefit June 30, 2008	<u><u>\$ (87)</u></u>	<u><u>\$ (23)</u></u>	<u><u>\$ (110)</u></u>
Percentage of annual OPEB cost contributed	101%	101%	101%

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 13: **Other Post-Employment Benefits** (continued)

D. Funded Status and Funding Progress

The following table shows Benefit Obligations and Normal Cost as of June 30, 2007 the most recent actuarial valuation date are as follows (dollar amounts in thousands):

Miscellaneous

<u>Valuation Date</u>	<u>Entry Age Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/07	\$ --	\$ 110,031	\$ 110,031	0.00%	\$ 59,479	184.99%

Safety

<u>Valuation Date</u>	<u>Entry Age Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/07	\$ --	\$ 30,608	\$ 30,608	0.00%	\$ 12,416	246.52%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements only presents one year because this is the year of implementation and multiyear trend information is not available.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 13: **Other Post-Employment Benefits** (continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2007 valuation, the entry age actuarial cost method was used. The actuarial assumptions included (a) the discount rate is a select and ultimate assumption based on the portion of the ARC expected to be funded each year 4.50% for the portion of the ARC not funded (net of administrative expenses), 7.25% for the portion of the ARC funded, representing the average return on the combined CERBT (7.75% return) and PARS trust (6.75% return for the HighMark Moderate portfolio to be selected by the County); (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); (c) 3.25 percent cost-of-living adjustment; and (d) projected healthcare cost increases of 9.75% through 2016 and 4.50% thereafter. Both (a) and (b) include an inflation component of 3.0 percent.

Implied subsidy has been included in the calculations based on estimated PERS Choice Premium. Actives and retirees charged the same premium under union plan, with overall demographics similar to County Trades and Crafts/Teamsters employees. All participants are assumed to be Medicare Part B eligible (and elect coverage).

The unfunded actuarial accrued liability (or excess assets) is being amortized over a fixed 30-year period as a level percentage of projected payroll beginning with the year ended June 30, 2008.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 14: Commitments and Contingencies

A. **Construction Commitments**

At June 30, 2008, the County has commitments of approximately \$27.4 million for construction contracts awarded but not completed. The major contracts outstanding are for the Fall River Mills Airport Expansion Project and the Sacramento River Bridge Replacement Project at Airport Road.

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, 2008 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

Disallowed Reimbursable Costs from the State

During the current year the State Controller's Office performed an audit on the Shasta County Child Abduction and Recovery Program. The audit resulted in disallowed costs of \$248,557 for the period July 1, 2004 through June 30, 2006. Therefore, in the prior year, payables to other governments were understated \$248,557 and fund balance was overstated \$248,557 for the Public Safety Fund. There was no affect on prior year net change in fund balance.

Compensated Absences

In the prior year the calculation of sick leave for compensated absences did not take into account caps on the amount of sick leave eligible for payout as well as special rates that apply to the sick leave payouts.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 15: **Prior Period Adjustments** (continued)

Compensated Absences (continued)

Therefore, in the prior year, the liability for compensated absences was overstated and net assets were understated \$1,771,921 for the Government Wide – Governmental Activities. The affect on prior year change in net assets has not been determined.

In the prior year compensated absences for the internal service funds were recorded in the government wide statements but not in the individual internal service fund statements. Therefore, in the prior year, the liability for compensated absences was understated and net assets were overstated \$352,740 as follows:

Fleet Management Fund	\$	13,250
Risk Management	\$	26,816
Information Systems Fund	\$	191,081
Facilities Management Fund	\$	121,593

The affect on prior year net change in fund balance has not been determined.

Special Assessment Receivable

In the prior years special assessment taxes were collected and incorrectly recorded as revenue. The amounts collected should have reduced the special assessment receivable. Therefore, in the prior year special assessments receivables and retained earnings of CSA#3 were overstated \$62,177. The affect on prior year change in net assets was \$4,532.

Debt

In the prior year a \$14,000 prepayment of principal was incorrectly recorded as prepaid expense. Therefore the prior year prepaid expenses and outstanding debt were overstated \$14,000. There was no affect on prior year change in net assets.

Depreciation

In the prior years depreciation expense had been recorded incorrectly. Therefore in the prior year:

CSA # 2 Sugarloaf accumulated depreciation was overstated and retained earning was understated \$1,268. The affect on prior year change in net assets was a reduction of \$85.

CSA # 3 Castella accumulated depreciation was overstated and retained earning was understated \$6,396. The affect on prior year change in net assets was a reduction of \$426.

COUNTY OF SHASTA

Notes to Financial Statements
June 30, 2008

Note 15: **Prior Period Adjustments** (continued)

Depreciation (continued)

CSA # 6 Jones Valley accumulated depreciation was understated and retained earning was overstated \$528,058. The affect on prior year change in net assets was an increase of \$35,204.

CSA # 8 Palo Cedro accumulated depreciation was understated and retained earning was overstated \$141,577. The affect on prior year change in net assets was an increase of \$7,580.

CSA # 11 French Gulch accumulated depreciation was understated and retained earning was overstated \$22,160. The affect on prior year change in net assets was an increase of 1,128.

CSA # 13 Alpine Meadow accumulated depreciation was overstated and retained earning was understated \$43,010. The affect on prior year change in net assets was an increase of \$459.

CSA # 17 Cottonwood accumulated depreciation was understated and retained earning was overstated \$765,121. The affect on prior year change in net assets was an increase of \$773.

CSA # 23 Cragview accumulated depreciation was understated and retained earning was overstated \$239. The affect on prior year change in net assets was an increase of \$9.

CSA # 25 Cottonwood accumulated depreciation was overstated and retained earning was understated \$689. The affect on prior year change in net assets was an increase of \$179.

Vehicle License Fee and Sales Tax Receivable

The vehicle license fee and sales tax receivable was not properly accrued in the prior year. Therefore, in the prior year due from other governments and retained earnings was understated as follows:

General Fund	\$ 2,591,312
Public Health Fund	\$ 876,982

The affect on prior year net change in fund balance was as follows:

General Fund	\$ 2,591,312
Public Health Fund	\$ 876,982

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF SHASTA

Notes to Financial Statements June 30, 2008

Note 15: **Prior Period Adjustments** (continued)

CDBG Loans Receivable

In the prior year the CDBG loans receivable was incorrectly recorded in the amount of the loan agreements (including the unfunded portion) rather than the actual amount of the receivable. Therefore in the prior year notes receivable and fund balance of Shasta Housing Fund were overstated \$242,550. There was no affect on prior year net change in fund balance.

Home Loans Receivable

Home loans receivable were improperly not recorded in the prior year. Therefore in the prior year home loans and fund balance of Housing Home IPP Fund were understated \$4,792,996. There was no affect on prior year net change in fund balance.

Note 16: **Deficit Fund Equity**

The Shasta RDA special revenue fund had a deficit fund balance of \$104,634 at year end. The Shasta IHSS Public Authority special revenue fund had a deficit fund balance of \$130,713 at year end. The Permanent Road Divisions special revenue fund had an accumulated deficit fund balance of \$84,556 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. The West Central Landfill enterprise fund had deficit fund equity of \$4,552,624 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.

COUNTY OF SHASTA

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2008**

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>Unfunded Actuarial Accrued Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
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%
6/30/07	333,364,314	351,398,502	18,034,188	94.9%	72,448,776	24.9%

Safety Plan

<u>Valuation Date</u>	<u>Entry Age Actuarial Value of Assets</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
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%
6/30/07	118,395,958	139,203,168	20,807,210	85.1%	13,584,220	153.2%

COUNTY OF SHASTA

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2008**

Other Postemployment Benefits

Schedule of Funding Progress

The tables below shows an 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>
6/30/07	\$ --	\$ 110,031	\$ 110,031	0.00%	\$ 59,479	184.99%

Safety

<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>
6/30/07	\$ --	\$ 30,608	\$ 30,608	0.00%	\$ 12,416	246.52%

COUNTY OF SHASTA

General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues:				
Taxes	\$ 43,034,500	\$ 43,034,500	\$ 44,354,871	\$ 1,320,371
Licenses and permits	3,731,047	3,731,047	3,420,720	(310,327)
Fines and forfeitures	3,610,513	3,654,193	4,589,863	935,670
Use of money and property	2,441,358	2,441,358	2,916,893	475,535
Intergovernmental	116,475,952	117,522,772	119,167,519	1,644,747
Charges for services	10,202,151	10,510,509	10,512,815	2,306
Miscellaneous	4,249,698	4,351,416	4,635,897	284,481
Total Revenues	<u>183,745,219</u>	<u>185,245,795</u>	<u>189,598,578</u>	<u>4,352,783</u>
Expenditures:				
Current:				
General government	23,928,611	24,456,945	16,065,612	8,391,333
Public protection	20,020,120	19,021,595	16,940,647	2,080,948
Public assistance	94,270,432	92,827,677	88,222,239	4,605,438
Public ways and facilities	77,957	77,957	6,857	71,100
Health and sanitation	41,547,801	35,365,504	35,322,488	43,016
Education	1,849,881	1,920,044	1,769,668	150,376
Recreation	738,654	610,654	246,240	364,414
Debt Service	281,271	281,271	281,271	--
Total Expenditures	<u>182,714,727</u>	<u>174,561,647</u>	<u>158,855,022</u>	<u>15,706,625</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,030,492</u>	<u>10,684,148</u>	<u>30,743,556</u>	<u>20,059,408</u>
Other Financing Sources (Uses):				
Transfers in	9,076,215	13,711,780	1,435,048	(12,276,732)
Transfers out	(36,058,155)	(39,057,788)	(27,873,354)	11,184,434
Sale of fixed assets	--	--	10,304	10,304
Net Financing Sources (Uses)	<u>(26,981,940)</u>	<u>(25,346,008)</u>	<u>(26,428,002)</u>	<u>(1,081,994)</u>
Net Change in Fund Balances	<u>(25,951,448)</u>	<u>(14,661,860)</u>	<u>4,315,554</u>	<u>18,977,414</u>
Fund Balance - Beginning as Previously Stated	47,400,052	47,400,052	47,400,052	--
Prior period adjustment	--	--	2,591,312	2,591,312
Fund Balance - Restated	<u>47,400,052</u>	<u>47,400,052</u>	<u>49,991,364</u>	<u>2,591,312</u>
Fund Balance - Ending	<u>\$ 21,448,604</u>	<u>\$ 32,738,192</u>	<u>\$ 54,306,918</u>	<u>\$ 21,568,726</u>

COUNTY OF SHASTA

Public Safety Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues:				
Taxes	\$ 14,761,809	\$ 14,666,730	\$ 14,542,020	\$ (124,710)
Licenses and permits	24,100	24,100	21,699	(2,401)
Fines and forfeitures	352,430	377,430	332,280	(45,150)
Use of money and property	30,000	30,000	--	(30,000)
Intergovernmental	8,737,770	11,004,633	10,093,579	(911,054)
Charges for services	5,035,337	5,096,187	5,047,040	(49,147)
Miscellaneous	220,341	277,939	426,091	148,152
Total Revenues	<u>29,161,787</u>	<u>31,477,019</u>	<u>30,462,709</u>	<u>(1,014,310)</u>
Expenditures:				
Current:				
Public Protection	58,106,517	57,540,188	54,507,799	3,032,389
Total Expenditures	<u>58,106,517</u>	<u>57,540,188</u>	<u>54,507,799</u>	<u>3,032,389</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(28,944,730)</u>	<u>(26,063,169)</u>	<u>(24,045,090)</u>	<u>2,018,079</u>
Other Financing Sources (Uses):				
Transfers in	23,674,355	24,101,038	23,782,451	(318,587)
Transfers out	(178,192)	(839,999)	(527,505)	312,494
Sale of fixed assets	3,865	3,865	11,732	7,867
Net Financing Sources (Uses)	<u>23,500,028</u>	<u>23,264,904</u>	<u>23,266,678</u>	<u>1,774</u>
Net Change in Fund Balance	<u>(5,444,702)</u>	<u>(2,798,265)</u>	<u>(778,412)</u>	<u>2,019,853</u>
Fund Balance - Beginning as Previously Stated	4,758,985	4,758,985	4,758,985	--
Prior period adjustment	--	--	(248,557)	(248,557)
Fund Balance - Restated	<u>4,758,985</u>	<u>4,758,985</u>	<u>4,510,428</u>	<u>(248,557)</u>
Fund Balance - Ending	<u>\$ (685,717)</u>	<u>\$ 1,960,720</u>	<u>\$ 3,732,016</u>	<u>\$ 1,771,296</u>

COUNTY OF SHASTA

Required Supplementary Information For the Fiscal Year Ended June 30, 2008

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 for transfers of appropriations 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, 2008

	Special Revenue Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 25,913,982	\$ 18,164,471	\$ 44,078,453
Accounts receivable	313,911	--	313,911
Due from other county funds	2,008,984	67,105	2,076,089
Due from other governments	8,206,584	--	8,206,584
Inventories	385,509	--	385,509
Other assets	633,995	--	633,995
Advances to other funds	865,285	--	865,285
Notes receivable	8,486,472	--	8,486,472
Special assessments receivable	151,985	--	151,985
Total Assets	<u><u>\$ 46,966,707</u></u>	<u><u>\$ 18,231,576</u></u>	<u><u>\$ 65,198,283</u></u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,530,413	\$ --	\$ 1,530,413
Retention payable	7,665	--	7,665
Salaries and benefits payable	1,786,157	--	1,786,157
Due to other county funds	382,300	--	382,300
Due to other governments	161,103	--	161,103
Deferred revenue	1,492,136	--	1,492,136
Deposits from others	322,460	--	322,460
Advances from other funds	840,285	--	840,285
Total Liabilities	<u>6,522,519</u>	<u>--</u>	<u>6,522,519</u>
 Fund Balances:			
Reserved	11,849,261	--	11,849,261
Unreserved:			
Designated	19,548,967	17,007,423	36,556,390
Undesignated	9,045,960	1,224,153	10,270,113
Total Fund Balance	<u>40,444,188</u>	<u>18,231,576</u>	<u>58,675,764</u>
Total Liabilities and Fund Balances	<u><u>\$ 46,966,707</u></u>	<u><u>\$ 18,231,576</u></u>	<u><u>\$ 65,198,283</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, 2008

	Special Revenue Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ 6,621,145	\$ --	\$ 6,621,145
Licenses and permits	245,711	--	245,711
Fines & forfeitures	84,161	--	84,161
Use of money and property	1,401,151	909,592	2,310,743
Intergovernmental	48,126,796	1,790,527	49,917,323
Charges for other services	3,746,675	--	3,746,675
Miscellaneous revenue	806,281	12,661	818,942
Total Revenues	<u>61,031,920</u>	<u>2,712,780</u>	<u>63,744,700</u>
Expenditures:			
Current			
General government	--	511,259	511,259
Public protection	13,123,706	--	13,123,706
Public assistance	1,125,538	--	1,125,538
Public ways and facilities	23,892,668	--	23,892,668
Health and sanitation	20,065,304	--	20,065,304
Total Expenditures	<u>58,207,216</u>	<u>511,259</u>	<u>58,718,475</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,824,704</u>	<u>2,201,521</u>	<u>5,026,225</u>
Other Financing Sources (Uses):			
Transfers in	3,216,924	25,474	3,242,398
Transfers out	(512,744)	(132,510)	(645,254)
Sale of fixed assets	59,952	--	59,952
Total Other Financing Sources (Uses)	<u>2,764,132</u>	<u>(107,036)</u>	<u>2,657,096</u>
Net Change in Fund Balances	5,588,836	2,094,485	7,683,321
Fund Balances - Beginning as Previously Stated	29,427,924	16,137,091	45,565,015
Prior Period Adjustments	5,427,428	--	5,427,428
Fund Balances - Beginning as Restated	<u>34,855,352</u>	<u>16,137,091</u>	<u>50,992,443</u>
Fund Balances - Ending	<u>\$ 40,444,188</u>	<u>\$ 18,231,576</u>	<u>\$ 58,675,764</u>

SPECIAL REVENUE FUNDS

COUNTY OF SHASTA

Combining Balance Sheet
Special Revenue Funds
June 30, 2008

	Mental Health Services	Endangered Species	Substance Abuse Fund	Roads Fund	Roads SVAP Fund
ASSETS					
Cash and investments	\$ 2,774,085	\$ 292,627	\$ 137,438	\$ 8,428,849	\$ 196,804
Accounts receivable	2,299	--	486	48,627	--
Due from other county funds	207,360	1,664	715	388,340	--
Due from other governments	--	--	--	4,505,337	--
Inventories	--	--	--	385,509	--
Other assets	9	--	--	1,802	--
Advances to other funds	--	--	--	--	840,285
Notes receivable	--	--	--	--	--
Special Assessment Receivable	--	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 2,983,753	\$ 294,291	\$ 138,639	\$ 13,758,464	\$ 1,037,089
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 159,372	\$ 3,106	\$ 1,014	\$ 1,012,747	\$ --
Retention payable	--	--	--	7,665	--
Salaries and benefits payable	73,048	--	22,540	498,458	--
Due to other county funds	95,777	--	--	778	--
Due to other governments	--	--	--	11,646	--
Deferred revenue	--	--	486	7,667	--
Deposits from others	--	--	--	322,460	--
Advances from other funds	--	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	328,197	3,106	24,040	1,861,421	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances:					
Reserved	575,418	--	100	1,815,215	--
Unreserved:					
Designated	1,931,206	289,789	114,499	8,301,288	1,021,889
Undesignated	148,932	1,396	--	1,780,540	15,200
Total Fund Balance	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,655,556	291,185	114,599	11,897,043	1,037,089
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 2,983,753	\$ 294,291	\$ 138,639	\$ 13,758,464	\$ 1,037,089
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
 Special Revenue Funds
 June 30, 2008

	Child Support Services	County Transit Fund	Public Health	Shasta Housing Fund
ASSETS				
Cash and investments	\$ 2,725,309	\$ 13,190	\$ 3,646,837	\$ 11,586
Accounts receivable	3,475	--	36,475	439
Due from other county funds	17,880	4,748	1,219,107	14,015
Due from other governments	20,819	--	2,661,543	201,155
Inventories	--	--	--	--
Other assets	2,005	--	150,179	380,000
Advances to other funds	--	--	--	--
Notes receivable	--	--	--	3,197,595
Special assessments receivable	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 2,769,488	\$ 17,938	\$ 7,714,141	\$ 3,804,790
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,764	\$ 10,070	\$ 135,495	\$ 55
Retention payable	--	--	--	--
Salaries and benefits payable	382,339	--	748,471	8,091
Due to other county funds	464	61	21,174	--
Due to other governments	--	--	45,060	--
Deferred revenue	20,819	--	333,312	104,020
Deposits from others	--	--	--	--
Advances from other funds	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	409,386	10,131	1,283,512	112,166
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances:				
Reserved	3,401	--	611,746	3,197,595
Unreserved:				
Designated	1,976,973	7,764	1,782,403	495,029
Undesignated	379,728	43	4,036,480	--
Total Fund Balance	<hr/>	<hr/>	<hr/>	<hr/>
	2,360,102	7,807	6,430,629	3,692,624
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 2,769,488	\$ 17,938	\$ 7,714,141	\$ 3,804,790
	<hr/>	<hr/>	<hr/>	<hr/>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
Special Revenue Funds
June 30, 2008

	<u>County Water Agency</u>	<u>Air Quality Management</u>	<u>Fire Protection CSA #1</u>	<u>Shasta RDA</u>
ASSETS				
Cash and investments	\$ 160,429	\$ 2,126,781	\$ 4,045,153	\$ --
Accounts receivable	--	198,040	940	--
Due from other county funds	6,833	15,844	99,820	--
Due from other governments	2,768	97,216	488,159	--
Inventories	--	--	--	--
Other assets	--	100,000	--	--
Advances to other funds	25,000	--	--	--
Notes receivable	--	--	--	--
Special assessments receivable	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 195,030</u>	<u>\$ 2,537,881</u>	<u>\$ 4,634,072</u>	<u>\$ --</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,834	\$ 2,286	\$ 173,557	\$ --
Retention payable	--	--	--	--
Salaries and benefits payable	--	37,411	11,241	--
Due to other county funds	--	--	--	104,634
Due to other governments	1,799	--	101,123	--
Deferred revenue	283	340,681	488,159	--
Deposits from others	--	--	--	--
Advances from other funds	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>9,916</u>	<u>380,378</u>	<u>774,080</u>	<u>104,634</u>
Fund Balances:				
Reserved	6,650	652	349,557	--
Unreserved:				
Designated	178,464	1,820,123	1,151,512	--
Undesignated	--	336,728	2,358,923	(104,634)
Total Fund Balance	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 195,030</u>	<u>\$ 2,537,881</u>	<u>\$ 4,634,072</u>	<u>\$ --</u>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
 Special Revenue Funds
 June 30, 2008

	In-Home Support Services	Housing Home IPP	Inmate Welfare Fund	Lighting Districts
ASSETS				
Cash and investments	\$ --	\$ --	\$ 143,650	\$ 218,483
Accounts receivable	--	--	23,130	--
Due from other county funds	1,480	--	1,855	1,886
Due from other governments	144,387	85,200	--	--
Inventories	--	--	--	--
Other assets	--	--	--	--
Advances to other funds	--	--	--	--
Notes receivable	--	5,288,877	--	--
Special assessments receivable	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 145,867	\$ 5,374,077	\$ 168,635	\$ 220,369
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,745	\$ 1,113	\$ 15,679	\$ --
Retention payable	--	--	--	--
Salaries and benefits payable	--	4,558	--	--
Due to other county funds	130,448	27,207	240	--
Due to other governments	--	--	1,475	--
Deferred revenue	144,387	52,322	--	--
Deposits from others	--	--	--	--
Advances from other funds	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	276,580	85,200	17,394	--
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances:				
Reserved	50	5,288,877	--	--
Unreserved:				
Designated	--	--	1,632	186,295
Undesignated	(130,763)	--	149,609	34,074
Total Fund Balance	<hr/> (130,713)	<hr/> 5,288,877	<hr/> 151,241	<hr/> 220,369
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 145,867	\$ 5,374,077	\$ 168,635	\$ 220,369
	<hr/>	<hr/>	<hr/>	<hr/>

continued

COUNTY OF SHASTA

Combining Balance Sheet (continued)
Special Revenue Funds
June 30, 2008

	County Service Areas	Permanent Road Divisions	Total
ASSETS			
Cash and investments	\$ 396,418	\$ 596,343	\$ 25,913,982
Accounts receivable	--	--	313,911
Due from other county funds	8,128	19,309	2,008,984
Due from other governments	--	--	8,206,584
Inventories	--	--	385,509
Other assets	--	--	633,995
Advances to other funds	--	--	865,285
Notes receivable	--	--	8,486,472
Special assessments receivable	20,170	131,815	151,985
	<u>20,170</u>	<u>131,815</u>	<u>151,985</u>
Total Assets	<u>\$ 424,716</u>	<u>\$ 747,467</u>	<u>\$ 46,966,707</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 64	\$ 512	\$ 1,530,413
Retention payable	--	--	7,665
Salaries and benefits payable	--	--	1,786,157
Due to other county funds	11	1,506	382,300
Due to other governments	--	--	161,103
Deferred revenue	--	--	1,492,136
Deposits from others	--	--	322,460
Advances from other funds	10,280	830,005	840,285
	<u>10,280</u>	<u>830,005</u>	<u>840,285</u>
Total Liabilities	<u>10,355</u>	<u>832,023</u>	<u>6,522,519</u>
Fund Balances:			
Reserved	--	--	11,849,261
Unreserved:			
Designated	290,101	--	19,548,967
Undesignated	124,260	(84,556)	9,045,960
Total Fund Balance	<u>414,361</u>	<u>(84,556)</u>	<u>40,444,188</u>
Total Liabilities and Fund Balances	<u>\$ 424,716</u>	<u>\$ 747,467</u>	<u>\$ 46,966,707</u>

COUNTY OF SHASTA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2008

	<u>Mental Health Services</u>	<u>Endangered Species</u>	<u>Substance Abuse Fund</u>	<u>Roads Funds</u>	<u>Road SVAP Fund</u>
Revenues:					
Taxes	\$ --	\$ --	\$ --	\$ 4,311,107	\$ --
Licenses and permits	--	--	--	4,710	--
Fines & forfeitures	--	--	--	--	--
Use of money and property	143,377	11,919	--	328,662	--
Intergovernmental	2,882,021	--	668,680	20,333,627	--
Charges for other services	--	--	29,248	1,455,769	15,199
Miscellaneous revenue	54	--	--	33,538	--
Total Revenues	<u>3,025,452</u>	<u>11,919</u>	<u>697,928</u>	<u>26,467,413</u>	<u>15,199</u>
Expenditures:					
Current					
Public protection	--	21,011	--	--	--
Public assistance	--	--	--	--	--
Public ways and facilities	--	--	--	22,968,976	--
Health and sanitation	2,296,639	--	726,583	--	--
Total Expenditures	<u>2,296,639</u>	<u>21,011</u>	<u>726,583</u>	<u>22,968,976</u>	<u>--</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>728,813</u>	<u>(9,092)</u>	<u>(28,655)</u>	<u>3,498,437</u>	<u>15,199</u>
Other Financing Sources (Uses):					
Transfers in	--	--	--	--	--
Transfers out	--	--	--	(404,120)	--
Sale of fixed assets	--	--	--	41,370	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(362,750)</u>	<u>--</u>
Net Change in Fund Balances	<u>728,813</u>	<u>(9,092)</u>	<u>(28,655)</u>	<u>3,135,687</u>	<u>15,199</u>
Fund Balances - Beginning as Previously Stated	1,926,743	300,277	143,254	8,761,356	1,021,890
Prior Period Adjustments	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances - Beginning as Restated	1,926,743	300,277	143,254	8,761,356	1,021,890
Fund Balances - Ending	<u>\$ 2,655,556</u>	<u>\$ 291,185</u>	<u>\$ 114,599</u>	<u>\$ 11,897,043</u>	<u>\$ 1,037,089</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, 2008

	Child Support Services	County Transit Fund	Public Health	Shasta Housing Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ --	\$ 254,574	\$ --	\$ --
Licenses and permits	--	--	4,958	--
Fines & forfeitures	--	--	6,573	--
Use of money and property	290,013	127	91,538	26,472
Intergovernmental	7,859,019	--	14,194,521	131,587
Charges for other services	--	--	1,059,233	--
Miscellaneous revenue	749	1	400,872	2
Total Revenues	<u>8,149,781</u>	<u>254,702</u>	<u>15,757,695</u>	<u>158,061</u>
Expenditures:				
Current				
Public protection	8,363,581	--	--	--
Public assistance	--	--	--	237,866
Public ways and facilities	--	254,508	--	--
Health and sanitation	--	--	15,669,126	--
Total Expenditures	<u>8,363,581</u>	<u>254,508</u>	<u>15,669,126</u>	<u>237,866</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(213,800)</u>	<u>194</u>	<u>88,569</u>	<u>(79,805)</u>
Other Financing Sources (Uses):				
Transfers in	82,211	--	646,493	--
Transfers out	--	--	(108,624)	--
Sale of fixed assets	111	--	--	--
Total Other Financing Sources (Uses)	<u>82,322</u>	<u>--</u>	<u>537,869</u>	<u>--</u>
Net Change in Fund Balances	<u>(131,478)</u>	<u>194</u>	<u>626,438</u>	<u>(79,805)</u>
Fund Balances - Beginning as Previously Stated	2,491,580	7,613	4,927,209	4,014,979
Prior Period Adjustments	<u>--</u>	<u>--</u>	<u>876,982</u>	<u>(242,550)</u>
Fund Balances - Beginning as Restated	2,491,580	7,613	5,804,191	3,772,429
Fund Balances - Ending	<u>\$ 2,360,102</u>	<u>\$ 7,807</u>	<u>\$ 6,430,629</u>	<u>\$ 3,692,624</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, 2008

	County Water Agency	Air Quality Management	Fire Protection CSA #1	Shasta RDA
Revenues:				
Taxes	\$ 152,186	\$ --	\$ 1,781,545	\$ --
Licenses and permits	--	217,318	18,725	--
Fines & forfeitures	--	77,490	98	--
Use of money and property	8,486	83,939	138,264	--
Intergovernmental	2,723	981,544	72,724	--
Charges for other services	22,589	68,380	723,050	--
Miscellaneous revenue	2,487	39,693	3,697	--
Total Revenues	<u>188,471</u>	<u>1,468,364</u>	<u>2,738,103</u>	<u>--</u>
Expenditures:				
Current				
Public protection	--	--	4,288,830	--
Public assistance	--	--	--	4,184
Public ways and facilities	340,072	--	--	--
Health and sanitation	--	1,372,956	--	--
Total Expenditures	<u>340,072</u>	<u>1,372,956</u>	<u>4,288,830</u>	<u>4,184</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(151,601)</u>	<u>95,408</u>	<u>(1,550,727)</u>	<u>(4,184)</u>
Other Financing Sources (Uses):				
Transfers in	--	--	2,488,220	--
Transfers out	--	--	--	--
Sale of fixed assets	--	1,658	16,813	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>1,658</u>	<u>2,505,033</u>	<u>--</u>
Net Change in Fund Balances	<u>(151,601)</u>	<u>97,066</u>	<u>954,306</u>	<u>(4,184)</u>
Fund Balances - Beginning as Previously Stated	336,715	2,060,437	2,905,686	(100,450)
Prior Period Adjustments	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances - Beginning as Restated	336,715	2,060,437	2,905,686	(100,450)
Fund Balances - Ending	<u>\$ 185,114</u>	<u>\$ 2,157,503</u>	<u>\$ 3,859,992</u>	<u>\$ (104,634)</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, 2008

	In-Home Support Services	Housing Home IPP	Inmate Welfare Fund	Lighting Districts
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ 18,045
Licenses and permits	--	--	--	--
Fines & forfeitures	--	--	--	--
Use of money and property	--	--	233,170	8,636
Intergovernmental	518,337	479,757	--	324
Charges for other services	--	--	--	--
Miscellaneous revenue	--	236,092	89,096	--
Total Revenues	<u>518,337</u>	<u>715,849</u>	<u>322,266</u>	<u>27,005</u>
Expenditures:				
Current				
Public protection	--	--	450,284	--
Public assistance	663,520	219,968	--	--
Public ways and facilities	--	--	--	6,077
Health and sanitation	--	--	--	--
Total Expenditures	<u>663,520</u>	<u>219,968</u>	<u>450,284</u>	<u>6,077</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(145,183)</u>	<u>495,881</u>	<u>(128,018)</u>	<u>20,928</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Sale of fixed assets	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	<u>(145,183)</u>	<u>495,881</u>	<u>(128,018)</u>	<u>20,928</u>
Fund Balances - Beginning as Previously Stated	14,470	--	279,259	199,441
Prior Period Adjustments	<u>--</u>	<u>4,792,996</u>	<u>--</u>	<u>--</u>
Fund Balances - Beginning as Restated	14,470	4,792,996	279,259	199,441
Fund Balances - Ending	<u>\$ (130,713)</u>	<u>\$ 5,288,877</u>	<u>\$ 151,241</u>	<u>\$ 220,369</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, 2008

	County Service Areas	Permanent Road Divisions	Total
Revenues:			
Taxes	\$ 102,755	\$ 933	\$ 6,621,145
Licenses and permits	--	--	245,711
Fines & forfeitures	--	--	84,161
Use of money and property	14,740	21,808	1,401,151
Intergovernmental	1,915	17	48,126,796
Charges for other services	59,126	314,081	3,746,675
Miscellaneous revenue	--	--	806,281
Total Revenues	<u>178,536</u>	<u>336,839</u>	<u>61,031,920</u>
Expenditures:			
Current			
Public protection	--	--	13,123,706
Public assistance	--	--	1,125,538
Public ways and facilities	113,957	209,078	23,892,668
Health and sanitation	--	--	20,065,304
Total Expenditures	<u>113,957</u>	<u>209,078</u>	<u>58,207,216</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>64,579</u>	<u>127,761</u>	<u>2,824,704</u>
Other Financing Sources (Uses):			
Transfers in	--	--	3,216,924
Transfers out	--	--	(512,744)
Sale of fixed assets	--	--	59,952
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>2,764,132</u>
Net Change in Fund Balances	<u>64,579</u>	<u>127,761</u>	<u>5,588,836</u>
Fund Balances - Beginning as Previously Stated	349,782	(212,317)	29,427,924
Prior Period Adjustments	<u>--</u>	<u>--</u>	<u>5,427,428</u>
Fund Balances - Beginning as Restated	349,782	(212,317)	34,855,352
Fund Balances - Ending	<u>\$ 414,361</u>	<u>\$ (84,556)</u>	<u>\$ 40,444,188</u>

CAPITAL PROJECTS FUNDS

COUNTY OF SHASTA

Combining Balance Sheet
 Non-Major Capital Projects Funds
 June 30, 2008

	<u>Accumulated Capital Outlay</u>	<u>Courthouse Renovation</u>	<u>Library Building</u>	<u>Administration Building</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 11,472,145	\$ 834,563	\$ 468,206	\$ 5,389,557	\$ 18,164,471
Due from other county funds	64,064	--	3,004	37	67,105
Due from other governments	--	--	--	--	--
Total Assets	<u><u>\$ 11,536,209</u></u>	<u><u>\$ 834,563</u></u>	<u><u>\$ 471,210</u></u>	<u><u>\$ 5,389,594</u></u>	<u><u>\$ 18,231,576</u></u>
 FUND BALANCE					
Unreserved:					
Designated	\$ 11,049,122	\$ 834,563	\$ --	\$ 5,123,738	\$ 17,007,423
Undesignated	487,087	--	471,210	265,856	1,224,153
Total Fund Balance	<u><u>11,536,209</u></u>	<u><u>834,563</u></u>	<u><u>471,210</u></u>	<u><u>5,389,594</u></u>	<u><u>18,231,576</u></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, 2008

	Accumulated Capital Outlay	Courthouse Renovation	Library Building	Administration Building	Total
Revenues:					
Use of money and property	\$ 598,174	\$ 25,893	\$ 9,736	\$ 275,789	\$ 909,592
Intergovernmental	--	--	1,790,527	--	1,790,527
Miscellaneous revenue	--	--	12,661	--	12,661
Total Revenues	<u>598,174</u>	<u>25,893</u>	<u>1,812,924</u>	<u>275,789</u>	<u>2,712,780</u>
Expenditures:					
Current					
General government	--	--	466,647	44,612	511,259
Total Expenditures	<u>--</u>	<u>--</u>	<u>466,647</u>	<u>44,612</u>	<u>511,259</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>598,174</u>	<u>25,893</u>	<u>1,346,277</u>	<u>231,177</u>	<u>2,201,521</u>
Other Financing Sources (Uses):					
Transfers in	--	25,474	--	--	25,474
Transfers out	(132,510)	--	--	--	(132,510)
Total Other Financing Sources (Uses)	<u>(132,510)</u>	<u>25,474</u>	<u>--</u>	<u>--</u>	<u>(107,036)</u>
Net Change in Fund Balances	465,664	51,367	1,346,277	231,177	2,094,485
Fund Balances - Beginning	<u>11,070,545</u>	<u>783,196</u>	<u>(875,067)</u>	<u>5,158,417</u>	<u>16,137,091</u>
Fund Balances - Ending	<u>\$ 11,536,209</u>	<u>\$ 834,563</u>	<u>\$ 471,210</u>	<u>\$ 5,389,594</u>	<u>\$ 18,231,576</u>

NONMAJOR ENTERPRISE FUNDS

COUNTY OF SHASTA

Combining Statement of Net Assets
Non-Major Enterprise Funds
June 30, 2008

	CSA #2 Sugarloaf Water	CSA #3 Castella Water	CSA #6 Jones Valley Water	CSA # 8 Palo Cedro
ASSETS				
Current assets:				
Cash and investments	\$ 43,432	\$ 36,562	\$ 234,146	\$ 1,403,413
Receivables, net	5,913	8,872	28,576	26,747
Due from other county funds	758	371	8,261	7,957
Total current assets	<u>50,103</u>	<u>45,805</u>	<u>270,983</u>	<u>1,438,117</u>
Noncurrent assets:				
Special assessment receivable	--	--	625,735	--
Capital assets, non-depreciable	1,342	21,155	54,400	340,835
Capital assets, depreciable -net	67,054	328,033	1,207,331	1,679,527
Total noncurrent assets	<u>68,396</u>	<u>349,188</u>	<u>1,887,466</u>	<u>2,020,362</u>
Total Assets	<u>118,499</u>	<u>394,993</u>	<u>2,158,449</u>	<u>3,458,479</u>
LIABILITIES				
Current liabilities:				
Accounts payable	101	73	5,219	393
Retention payable	--	--	--	--
Interest payable	804	--	13,680	--
Due to other county funds	--	20,100	--	--
Bonds, notes, loans payable	3,770	--	27,000	20,000
Total current liabilities	<u>4,675</u>	<u>20,173</u>	<u>45,899</u>	<u>20,393</u>
Noncurrent Liabilities:				
Advances from other funds	--	--	--	--
Bonds, notes, loans payable	28,378	--	897,000	--
Total noncurrent liabilities	<u>28,378</u>	<u>--</u>	<u>897,000</u>	<u>--</u>
Total Liabilities	<u>33,053</u>	<u>20,173</u>	<u>942,899</u>	<u>20,393</u>
NET ASSETS				
Invested in capital assets, net	36,246	349,188	337,731	2,000,362
Restricted for debt service	5,378	--	32,500	--
Unrestricted	43,822	25,632	845,319	1,437,724
Total Net Assets	<u>\$ 85,446</u>	<u>\$ 374,820</u>	<u>\$ 1,215,550</u>	<u>\$ 3,438,086</u>

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued)
 Non-Major Enterprise Funds
 June 30, 2008

	<u>CSA #11</u> French Gulch	<u>CSA #13</u> Alpine Meadows	<u>CSA # 17</u> Cotton- wood
ASSETS			
Current assets:			
Cash and investments	\$ 76,017	\$ 25,969	\$ 424,549
Receivables, net	16,093	4,467	78,164
Due from other county funds	2,984	14	7,449
Total current assets	<u>95,094</u>	<u>30,450</u>	<u>510,162</u>
Noncurrent assets:			
Special assessment receivable	--	--	453,828
Capital assets, non-depreciable	45,928	--	400,643
Capital assets, depreciable -net	1,083,815	183,830	3,758,134
Total noncurrent assets	<u>1,129,743</u>	<u>183,830</u>	<u>4,612,605</u>
Total Assets	<u>1,224,837</u>	<u>214,280</u>	<u>5,122,767</u>
LIABILITIES			
Current liabilities:			
Accounts payable	320	47	12,759
Retention payable	--	--	2,000
Interest payable	2,022	--	2,825
Due to other county funds	--	--	43
Bonds, notes, loans payable	17,160	--	14,000
Total current liabilities	<u>19,502</u>	<u>47</u>	<u>31,627</u>
Noncurrent Liabilities:			
Advances from other funds	--	25,000	487,473
Bonds, notes, loans payable	219,996	--	133,500
Total noncurrent liabilities	<u>219,996</u>	<u>25,000</u>	<u>620,973</u>
Total Liabilities	<u>239,498</u>	<u>25,047</u>	<u>652,600</u>
NET ASSETS			
Invested in capital assets, net	892,588	183,830	4,011,277
Restricted for debt service	25,101	--	--
Unrestricted	67,650	5,403	458,890
Total Net Assets	<u>\$ 985,339</u>	<u>\$ 189,233</u>	<u>\$ 4,470,167</u>

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued)
 Non-Major Enterprise Funds
 June 30, 2008

	CSA #23 Crag View Water	CSA #25 Keswick Water	Total
ASSETS			
Current assets:			
Cash and investments	\$ 68,967	\$ 109,582	\$ 2,422,637
Receivables, net	6,741	11,087	186,660
Due from other county funds	728	1,941	30,463
Total current assets	<u>76,436</u>	<u>122,610</u>	<u>2,639,760</u>
Noncurrent assets:			
Special assessment receivable	--	--	1,079,563
Capital assets, non-depreciable	--	230	864,533
Capital assets, depreciable -net	94,381	323,776	8,725,881
Total noncurrent assets	<u>94,381</u>	<u>324,006</u>	<u>10,669,977</u>
Total Assets	<u>170,817</u>	<u>446,616</u>	<u>13,309,737</u>
LIABILITIES			
Current liabilities:			
Accounts payable	153	941	20,006
Retention payable	--	--	2,000
Interest payable	629	16	19,976
Due to other county funds	--	--	20,143
Bonds, notes, loans payable	4,927	1,520	88,377
Total current liabilities	<u>5,709</u>	<u>2,477</u>	<u>150,502</u>
Noncurrent Liabilities:			
Advances from other funds	--	--	512,473
Bonds, notes, loans payable	20,234	--	1,299,108
Total noncurrent liabilities	<u>20,234</u>	<u>--</u>	<u>1,811,581</u>
Total Liabilities	<u>25,943</u>	<u>2,477</u>	<u>1,962,083</u>
NET ASSETS			
Invested in capital assets, net	69,220	322,486	8,202,928
Restricted for debt service	--	7,099	70,078
Unrestricted	75,654	114,554	3,074,648
Total Net Assets	<u>\$ 144,874</u>	<u>\$ 444,139</u>	<u>\$ 11,347,654</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, 2008

	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	\$ 43,087	\$ 90,477	\$ 155,953	\$ 153,041
Total Operating Revenues	<u>43,087</u>	<u>90,477</u>	<u>155,953</u>	<u>153,041</u>
OPERATING EXPENSES:				
Services and supplies	31,584	57,766	126,000	167,043
Central Service Costs	736	1,699	1,627	1,828
Depreciation	5,140	23,431	86,770	89,202
Total Operating Expenses	<u>37,460</u>	<u>82,896</u>	<u>214,397</u>	<u>258,073</u>
Operating Income (Loss)	<u>5,627</u>	<u>7,581</u>	<u>(58,444)</u>	<u>(105,032)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	1,740	1,733	9,043	56,783
Miscellaneous revenue	13	1,621	32,504	276
Interest expense	(1,783)	(5,225)	(45,111)	--
Total Non-Operating Revenues (Expenses)	<u>(30)</u>	<u>(1,871)</u>	<u>(3,564)</u>	<u>57,059</u>
Net Income (Loss) before Contributions and Transfers	<u>5,597</u>	<u>5,710</u>	<u>(62,008)</u>	<u>(47,973)</u>
Capital Contributions				
Capital improvement fees	--	--	13,577	21,900
Change in Net Assets	<u>5,597</u>	<u>5,710</u>	<u>(48,431)</u>	<u>(26,073)</u>
Net Assets - Beginning as Previously Stated	78,581	424,891	1,792,039	3,605,736
Prior period adjustments	<u>1,268</u>	<u>(55,781)</u>	<u>(528,058)</u>	<u>(141,577)</u>
Fund Balance - Restatement	<u>79,849</u>	<u>369,110</u>	<u>1,263,981</u>	<u>3,464,159</u>
Net Assets - Ending	<u>\$ 85,446</u>	<u>\$ 374,820</u>	<u>\$ 1,215,550</u>	<u>\$ 3,438,086</u>

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, 2008

	CSA #11 French Gulch	CSA #13 Alpine Meadows	CSA # 17 Cotton- wood
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:			
Charges for services	\$ 84,881	\$ 22,844	\$ 515,598
Total Operating Revenues	<u>84,881</u>	<u>22,844</u>	<u>515,598</u>
OPERATING EXPENSES:			
Services and supplies	52,438	25,668	470,282
Central Service Costs	988	278	6,170
Depreciation	43,339	7,070	238,258
Total Operating Expenses	<u>96,765</u>	<u>33,016</u>	<u>714,710</u>
Operating Income (Loss)	<u>(11,884)</u>	<u>(10,172)</u>	<u>(199,112)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	3,091	337	18,839
Miscellaneous revenue	36	--	423
Interest expense	(8,388)	--	(39,977)
Total Non-Operating Revenues (Expenses)	<u>(5,261)</u>	<u>337</u>	<u>(20,715)</u>
Net Income (Loss) before Contributions and Transfers	<u>(17,145)</u>	<u>(9,835)</u>	<u>(219,827)</u>
Capital Contributions			
Capital improvement fees	--	--	7,200
Change in Net Assets	<u>(17,145)</u>	<u>(9,835)</u>	<u>(212,627)</u>
Net Assets - Beginning as Previously Stated	1,024,644	156,058	5,447,915
Prior period adjustments	<u>(22,160)</u>	<u>43,010</u>	<u>(765,121)</u>
Fund Balance - Restatement	<u>1,002,484</u>	<u>199,068</u>	<u>4,682,794</u>
Net Assets - Ending	<u>\$ 985,339</u>	<u>\$ 189,233</u>	<u>\$ 4,470,167</u>

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, 2008

	<u>CSA #23</u> <u>Crag View</u> <u>Water</u>	<u>CSA #25</u> <u>Keswick</u> <u>Water</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$ 38,794	\$ 56,526	\$ 1,161,201
Total Operating Revenues	<u>38,794</u>	<u>56,526</u>	<u>1,161,201</u>
OPERATING EXPENSES:			
Services and supplies	43,190	58,753	1,032,724
Central Service Costs	1,211	278	14,815
Depreciation	4,338	15,169	512,717
Total Operating Expenses	<u>48,739</u>	<u>74,200</u>	<u>1,560,256</u>
Operating Income (Loss)	<u>(9,945)</u>	<u>(17,674)</u>	<u>(399,055)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	2,653	3,953	98,172
Miscellaneous revenue	9,822	23,059	67,754
Interest expense	(2,132)	(134)	(102,750)
Total Non-Operating Revenues (Expenses)	<u>10,343</u>	<u>26,878</u>	<u>63,176</u>
Net Income (Loss) before Contributions and Transfers	<u>398</u>	<u>9,204</u>	<u>(335,879)</u>
Capital Contributions			
Capital improvement fees	--	--	42,677
Change in Net Assets	<u>398</u>	<u>9,204</u>	<u>(293,202)</u>
Net Assets - Beginning as Previously Stated	144,715	434,246	13,108,825
Prior period adjustments	<u>(239)</u>	<u>689</u>	<u>(1,467,969)</u>
Fund Balance - Restatement	<u>144,476</u>	<u>434,935</u>	<u>11,640,856</u>
Net Assets - Ending	<u>\$ 144,874</u>	<u>\$ 444,139</u>	<u>\$ 11,347,654</u>

COUNTY OF SHASTA

Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2008

	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	\$ 43,332	\$ 89,918	\$ 153,681	\$ 151,893
Payments to suppliers	(34,196)	(57,390)	(128,245)	(184,567)
Operating subsidies and transfers	--	8,998	--	--
Net Cash Provided (Used) by Operating Activities	<u>9,136</u>	<u>41,526</u>	<u>25,436</u>	<u>(32,674)</u>
Cash Flows from Non-Capital Financing Activities:				
Other revenue (expense)	13	1,621	41,444	276
Operating subsidies	--	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>13</u>	<u>1,621</u>	<u>41,444</u>	<u>276</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	--	(1,295)	--	--
Capital improvement fees	--	--	13,577	20,218
Principal payments on capital debt	(3,591)	(72,000)	(26,000)	--
Interest payments on capital debt	(1,787)	(3,425)	(45,666)	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,378)</u>	<u>(76,720)</u>	<u>(58,089)</u>	<u>20,218</u>
Cash Flows from Investing Activities:				
Interest on investments	1,879	2,581	10,048	63,116
Net Cash Provided (Used) by Investing Activities	<u>1,879</u>	<u>2,581</u>	<u>10,048</u>	<u>63,116</u>
Net Increase (Decrease) in Cash	5,650	(30,992)	18,839	50,936
Cash and cash equivalents, beginning of year	<u>37,782</u>	<u>67,554</u>	<u>215,307</u>	<u>1,352,477</u>
Cash and cash equivalents, end of year	<u>\$ 43,432</u>	<u>\$ 36,562</u>	<u>\$ 234,146</u>	<u>\$ 1,403,413</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 5,627	\$ 7,581	\$ (58,444)	\$ (105,032)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:				
Depreciation expense	5,140	23,431	86,770	89,202
Changes in assets and liabilities:				
Receivables, net	325	(484)	(2,182)	(1,148)
Due from other county funds	(80)	(75)	(90)	--
Other assets	--	3,500	--	--
Accounts payable	(220)	(1,425)	2,339	(440)
Due from other county funds	(1,656)	8,998	(2,957)	(15,256)
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,136</u>	<u>\$ 41,526</u>	<u>\$ 25,436</u>	<u>(32,674)</u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued)
 Non-Major Enterprise Funds
 For the Fiscal Year Ended June 30, 2008

	CSA #11 French Gulch	CSA #13 Alpine Meadows	CSA # 17 Cotton- wood
Cash Flows from Operating Activities:			
Receipts from customers	\$ 75,639	\$ 21,124	\$ 520,902
Payments to suppliers	(56,860)	(27,497)	(486,525)
Operating subsidies and transfers	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>18,779</u>	<u>(6,373)</u>	<u>34,377</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	36	--	423
Operating subsidies	--	25,000	(15,858)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>36</u>	<u>25,000</u>	<u>(15,435)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	--	--	(77,110)
Capital improvement fees	--	--	4,916
Principal payments on capital debt	(16,572)	--	(2,500)
Interest payments on capital debt	(8,529)	--	(37,152)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(25,101)</u>	<u>--</u>	<u>(111,846)</u>
Cash Flows from Investing Activities:			
Interest on investments	3,430	420	21,515
Net Cash Provided (Used) by Investing Activities	<u>3,430</u>	<u>420</u>	<u>21,515</u>
Net Increase (Decrease) in Cash	(2,856)	19,047	(71,389)
Cash and cash equivalents, beginning of year	<u>78,873</u>	<u>6,922</u>	<u>495,938</u>
Cash and cash equivalents, end of year	<u>\$ 76,017</u>	<u>\$ 25,969</u>	<u>\$ 424,549</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (11,884)	\$ (10,172)	\$ (199,112)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	43,339	7,070	238,258
Changes in assets and liabilities:			
Receivables, net	(9,048)	(1,720)	3,838
Due from other county funds	25	103	2,831
Other assets	--	--	--
Accounts payable	(578)	2	5,947
Due from other county funds	(3,075)	(1,656)	(17,385)
Net Cash Provided (Used) by Operating Activities	<u>\$ 18,779</u>	<u>\$ (6,373)</u>	<u>\$ 34,377</u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued)
 Non-Major Enterprise Funds
 For the Fiscal Year Ended June 30, 2008

	CSA #23 Crag View Water	CSA #25 Keswick Water	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 40,529	\$ 55,956	\$ 1,152,974
Payments to suppliers	(48,900)	(60,611)	(1,084,791)
Operating subsidies and transfers	--	--	8,998
Net Cash Provided (Used) by Operating Activities	<u>(8,371)</u>	<u>(4,655)</u>	<u>77,181</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	9,822	23,059	76,694
Operating subsidies	--	--	9,142
Net Cash Provided (Used) by Noncapital Financing Activities	<u>9,822</u>	<u>23,059</u>	<u>85,836</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	--	--	(78,405)
Capital improvement fees	--	--	38,711
Principal payments on capital debt	(4,883)	(2,918)	(128,464)
Interest payments on capital debt	(1,503)	(164)	(98,226)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,386)</u>	<u>(3,082)</u>	<u>(266,384)</u>
Cash Flows from Investing Activities:			
Interest on investments	3,011	4,339	110,339
Net Cash Provided (Used) by Investing Activities	<u>3,011</u>	<u>4,339</u>	<u>110,339</u>
Net Increase (Decrease) in Cash	(1,924)	19,661	6,972
Cash and cash equivalents, beginning of year	<u>70,891</u>	<u>89,921</u>	<u>2,415,665</u>
Cash and cash equivalents, end of year	<u>\$ 68,967</u>	<u>\$ 109,582</u>	<u>\$ 2,422,637</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (9,945)	\$ (17,674)	\$ (399,055)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	4,338	15,169	512,717
Changes in assets and liabilities:			
Receivables, net	1,865	(35)	(8,589)
Due from other county funds	53	(310)	2,457
Other assets	--	--	3,500
Accounts payable	(1,607)	560	4,578
Due from other county funds	(3,075)	(2,365)	(38,427)
Net Cash Provided (Used) by Operating Activities	<u>\$ (8,371)</u>	<u>\$ (4,655)</u>	<u>\$ 77,181</u>

INTERNAL SERVICE FUNDS

COUNTY OF SHASTA

Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
ASSETS			
Current assets:			
Cash and investments	\$ 3,925,470	\$ 36,302,307	\$ 1,404,830
Receivables, net	13,624	297	1,491
Due from other county funds	19,003	191,630	11,770
Due from other governments	789	--	4,642
Inventories	78,486	--	--
Other post employment benefits asset	452	628	1,471
Other assets	25	2,323	2,607
Total current assets	<u>4,037,849</u>	<u>36,497,185</u>	<u>1,426,811</u>
Noncurrent Assets:			
Advances to other funds	--	487,473	--
Capital assets, non-depreciable	55,375	--	--
Capital assets, depreciable -net	2,539,990	6,277	561,048
Total noncurrent assets	<u>2,595,365</u>	<u>493,750</u>	<u>561,048</u>
Total Assets	<u>6,633,214</u>	<u>36,990,935</u>	<u>1,987,859</u>
LIABILITIES			
Current liabilities:			
Accounts payable	157,449	158,132	71,859
Retention payable	--	--	--
Salaries and benefits payable	29,797	45,268	230,171
Other liabilities	--	12,000,000	--
Due to other governments	--	339,707	55
Due to other county funds	185,403	--	--
Deposits from others	--	48	--
Claims payable	--	2,482,291	--
Compensated absences payable	6,079	21,540	106,202
Total current liabilities	<u>378,728</u>	<u>15,046,986</u>	<u>408,287</u>
Noncurrent liabilities:			
Claims payable	--	13,610,709	--
Compensated absences payable	5,342	18,924	93,307
Total noncurrent liabilities	<u>5,342</u>	<u>13,629,633</u>	<u>93,307</u>
Total Liabilities	<u>384,070</u>	<u>28,676,619</u>	<u>501,594</u>
NET ASSETS			
Invested in capital assets, net	2,595,365	6,277	561,048
Unrestricted	3,653,779	8,308,039	925,217
Total Net Assets	<u>\$ 6,249,144</u>	<u>\$ 8,314,316</u>	<u>\$ 1,486,265</u>

continued

COUNTY OF SHASTA

Combining Statement of Net Assets (continued)
Internal Service Funds
June 30, 2008

	<u>Facilities Management</u>	<u>County Utilities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 549,583	\$ 151,488	\$ 42,333,678
Receivables, net	--	--	15,412
Due from other county funds	6,397	--	228,800
Due from other governments	--	--	5,431
Inventories	51,630	--	130,116
Other post employment benefits asset	2,194	--	4,745
Other assets	--	--	4,955
Total current assets	<u>609,804</u>	<u>151,488</u>	<u>42,723,137</u>
Noncurrent Assets:			
Advances to other funds	--	--	487,473
Capital assets, non-depreciable	--	--	55,375
Capital assets, depreciable -net	20,331	--	3,127,646
Total noncurrent assets	<u>20,331</u>	<u>--</u>	<u>3,670,494</u>
Total Assets	<u>630,135</u>	<u>151,488</u>	<u>46,393,631</u>
LIABILITIES			
Current liabilities:			
Accounts payable	117,414	--	504,854
Retention payable	5,746	--	5,746
Salaries and benefits payable	140,749	--	445,985
Other liabilities	--	--	12,000,000
Due to other governments	635	1,081	341,478
Due to other county funds	1,180	475	187,058
Deposits from others	--	--	48
Claims payable	--	--	2,482,291
Compensated absences payable	62,701	--	196,522
Total current liabilities	<u>328,425</u>	<u>1,556</u>	<u>16,163,982</u>
Noncurrent liabilities:			
Claims payable	--	--	13,610,709
Compensated absences payable	55,089	--	172,662
Total noncurrent liabilities	<u>55,089</u>	<u>--</u>	<u>13,783,371</u>
Total Liabilities	<u>383,514</u>	<u>1,556</u>	<u>29,947,353</u>
NET ASSETS			
Invested in capital assets, net	20,331	--	3,183,021
Unrestricted	226,290	149,932	13,263,257
Total Net Assets	<u>\$ 246,621</u>	<u>\$ 149,932</u>	<u>\$ 16,446,278</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, 2008

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
Operating Revenues:			
Charges for services	\$ 3,008,562	\$ 11,213,047	\$ 5,578,058
Operating Expenses:			
Salaries and benefits	421,331	1,297,149	3,828,975
Services and supplies	1,661,659	1,256,741	1,490,751
Refund of excess insurance reserves	--	12,000,000	--
Insurance premiums	--	1,656,551	--
Claims expense	--	2,701,434	--
Central Service Costs	42,093	217,780	940,242
Depreciation	659,669	977	162,225
Total Operating Expenses	<u>2,784,752</u>	<u>19,130,632</u>	<u>6,422,193</u>
Operating Income (Loss)	<u>223,810</u>	<u>(7,917,585)</u>	<u>(844,135)</u>
Non-Operating Revenues (Expenses):			
Interest income	146,466	1,392,790	57,589
Miscellaneous revenue (expense)	20,906	444,023	2,263
Gain (loss) on disposition of capital assets	(1,245)	--	(5,644)
Total Non-Operating Revenues (Expenses)	<u>166,127</u>	<u>1,836,813</u>	<u>54,208</u>
Net income (loss) before capital contributions and transfers	389,937	(6,080,772)	(789,927)
Capital contributions	--	--	5,086
Transfers in	112,895	--	758,510
Transfers out	--	--	--
Change in Net Assets	<u>502,832</u>	<u>(6,080,772)</u>	<u>(26,331)</u>
Net Assets - Beginning as Previously Stated	5,759,562	14,421,904	1,703,677
Prior period adjustments	<u>(13,250)</u>	<u>(26,816)</u>	<u>(191,081)</u>
Net Assets - Restated	<u>5,746,312</u>	<u>14,395,088</u>	<u>1,512,596</u>
Net Assets - Ending	<u>\$ 6,249,144</u>	<u>\$ 8,314,316</u>	<u>\$ 1,486,265</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, 2008

	<u>Facilities Management</u>	<u>County Utilities</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 3,948,458	\$ 1,731,848	\$ 25,479,973
Operating Expenses:			
Salaries and benefits	2,352,751	--	7,900,206
Services and supplies	1,367,119	1,446,247	7,222,517
Refund of excess insurance reserves	--	--	12,000,000
Insurance premiums	--	--	1,656,551
Claims expense	--	--	2,701,434
Central Service Costs	97,091	--	1,297,206
Depreciation	3,061	--	825,932
Total Operating Expenses	<u>3,820,022</u>	<u>1,446,247</u>	<u>33,603,846</u>
Operating Income (Loss)	<u>128,436</u>	<u>285,601</u>	<u>(8,123,873)</u>
Non-Operating Revenues (Expenses):			
Interest income	6,852	248	1,603,945
Miscellaneous revenue (expense)	845	--	468,037
Gain (loss) on disposition of capital assets	70	--	(6,819)
Total Non-Operating Revenues (Expenses)	<u>7,767</u>	<u>248</u>	<u>2,065,163</u>
Net income (loss) before capital contributions and transfers	136,203	285,849	(6,058,710)
Capital contributions	--	--	5,086
Transfers in	--	--	871,405
Transfers out	<u>(3,918)</u>	<u>(281,271)</u>	<u>(285,189)</u>
Change in Net Assets	<u>132,285</u>	<u>4,578</u>	<u>(5,467,408)</u>
Net Assets - Beginning as Previously Stated	235,929	145,354	22,266,426
Prior period adjustments	<u>(121,593)</u>	<u>--</u>	<u>(352,740)</u>
Net Assets - Restated	<u>114,336</u>	<u>145,354</u>	<u>21,913,686</u>
Net Assets - Ending	<u>\$ 246,621</u>	<u>\$ 149,932</u>	<u>\$ 16,446,278</u>

COUNTY OF SHASTA

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2008

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,185,328	\$ 10,702,771	\$ 5,356,830
Payments to suppliers	(1,680,378)	(2,835,403)	(2,371,949)
Payments to employees	(420,736)	(785,546)	(3,805,058)
Operating subsidies and transfers	--	--	55
Claims paid	--	(2,935,434)	--
Net Cash Provided (Used) by Operating Activities	<u>1,084,214</u>	<u>4,146,388</u>	<u>(820,122)</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	3,830	495,742	2,263
Operating subsidies and transfers out	112,895	9,209	758,510
Net Cash Provided (Used) by Noncapital Financing Activities	<u>116,725</u>	<u>504,951</u>	<u>760,773</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(871,407)	(5,791)	(229,232)
Proceeds from sale of capital assets	55,434	--	--
and Related Financing Activities	<u>(815,973)</u>	<u>(5,791)</u>	<u>(229,232)</u>
Cash Flows from Investing Activities:			
Interest on investments	167,163	1,497,680	65,536
Net Increase (Decrease) in Cash	552,129	6,143,228	(223,045)
Cash at Beginning of Year	<u>3,373,341</u>	<u>30,159,079</u>	<u>1,627,875</u>
Cash at End of Year	<u><u>\$ 3,925,470</u></u>	<u><u>\$ 36,302,307</u></u>	<u><u>\$ 1,404,830</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 223,810	\$ (7,917,585)	\$ (844,135)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	659,669	977	162,225
Changes in assets and liabilities:			
Receivables, net	(3,685)	566	(706)
Due from other county funds	--	(10,131)	(4,026)
Due from other governments	(224)	--	(4,642)
Inventories	(29,697)	--	--
Other assets	(452)	129,415	6,982
Accounts payable	53,071	(174,840)	57,535
Salaries and benefits payable	2,876	1,192	16,960
Other liabilities	--	12,000,000	--
Due to other governments	--	339,707	55
Due to other county funds	180,675	(2,609)	(218,798)
Deposits from others	--	48	--
Claims payable	--	(234,000)	--
Compensated absences payable	(1,829)	13,648	8,428
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,084,214</u></u>	<u><u>\$ 4,146,388</u></u>	<u><u>\$ (820,122)</u></u>

continued

COUNTY OF SHASTA

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Fiscal Year Ended June 30, 2008

	Facilities Management	Shasta County Utilities	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,948,458	\$ 1,731,848	\$ 24,925,235
Payments to suppliers	(1,460,378)	(1,445,216)	(9,793,324)
Payments to employees	(2,339,371)	--	(7,350,711)
Operating subsidies and transfers	--	--	55
Claims paid	--	--	(2,935,434)
Net Cash Provided (Used) by Operating Activities	<u>148,709</u>	<u>286,632</u>	<u>4,845,821</u>
Cash Flows from Non-Capital Financing Activities:			
Other revenue (expense)	845	--	502,680
Operating subsidies and transfers out	(3,918)	(281,271)	595,425
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(3,073)</u>	<u>(281,271)</u>	<u>1,098,105</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(2,363)	--	(1,108,793)
Proceeds from sale of capital assets	70	--	55,504
and Related Financing Activities	<u>(2,293)</u>	<u>--</u>	<u>(1,053,289)</u>
Cash Flows from Investing Activities:			
Interest on investments	5,650	(524)	1,735,505
Net Increase (Decrease) in Cash	148,993	4,837	6,626,142
Cash at Beginning of Year	<u>400,590</u>	<u>146,651</u>	<u>35,707,536</u>
Cash at End of Year	<u><u>\$ 549,583</u></u>	<u><u>\$ 151,488</u></u>	<u><u>\$ 42,333,678</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 128,436	\$ 285,601	(8,123,873)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	3,061	--	825,932
Changes in assets and liabilities:			
Receivables, net	--	--	(3,825)
Due from other funds	(4,008)	--	(18,165)
Due from other governments	--	--	(4,866)
Inventories	(27,209)	--	(56,906)
Other assets	(2,194)	--	133,751
Accounts payable	33,682	(50)	(30,602)
Salaries and benefits payable	19,377	--	40,405
Other liabilities	--	--	12,000,000
Due to other governments	635	1,081	341,478
Due to other county funds	732	--	(40,000)
Deposits from others	--	--	48
Claims payable	--	--	(234,000)
Compensated absences payable	(3,803)	--	16,444
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 148,709</u></u>	<u><u>\$ 286,632</u></u>	<u><u>\$ 4,845,821</u></u>