

**COUNTY OF SHASTA**

**AUDIT REPORT**

**FOR THE YEAR  
ENDED JUNE 30, 2011**

**COUNTY OF SHASTA**

**COUNTY OFFICIALS**

**JUNE 30, 2011**

OFFICIALS

POSITION

David A. Kehoe

Supervisor, First District

Leonard Moty

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 Allen

County Clerk/Registrar of Voters

Stephen S. Carlton

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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June 30, 2011

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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, 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, 2011, 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), which represents 100 percent of the assets, net assets, and revenue of the County's discretely presented component unit. Those statements were audited by other auditors whose report, dated October 31, 2011 was unqualified, and in our opinion, insofar as it relates to the amounts included for the Commission 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 discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Shasta, as of June 30, 2011, 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 12, 2011 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the County of Shasta's basic financial statements. The combining and individual nonmajor fund financial 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Gallina LLP*

Roseville, California  
December 12, 2011

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**MANAGEMENT'S DISCUSSION & ANALYSIS (MD &A)**

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# COUNTY OF SHASTA

## Management's Discussion and Analysis June 30, 2011

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, 2011. 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 \$259,426,987 (*net assets*). Of this amount, \$62,249,757 (*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 \$74,978,252 restricted for specific purpose (*restricted net assets*), and \$122,198,978 invested in capital assets, net of related debt. The government's total net assets increased by \$11,217,257 in comparison with the prior year.
- The County's net assets invested in capital assets, net of related debt, increased by \$5,252,027.
- The County's governmental funds reported combined fund balances of \$128,437,803 an increase of \$14,798,437 in comparison with the prior year.
- The County's unrestricted fund balance for the governmental funds was \$59,294,972, or 23% of total governmental funds 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, 2011

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. The Shasta Children and Families First Commission is included in the County's overall reporting entity but is reported separately from the primary government. More complete information about the County's component units can be found in Note 1.

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

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

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

# COUNTY OF SHASTA

## Management's Discussion and Analysis June 30, 2011

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 Roads Administration 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* in the supplementary information.

*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* in the supplementary information.

*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, Road Administration 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, 2011

#### 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 \$259,426,987 at the close of the most recent fiscal year. Of these combined net assets 47% reflects the County's invested in capital assets, net of related debt. Another 29% of the County's net assets are subject to external restrictions on how they may be used. In addition, a portion of the remaining 24%, referred to as unrestricted, is dedicated for spending on specific programs or services.

The County's Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Current and Other Assets	\$ 206,244	\$ 198,075	\$ 20,092	\$ 20,514	\$ 226,336	\$ 218,589
Capital Assets	140,721	140,090	32,664	30,389	173,385	170,479
Total Assets	346,965	338,165	52,756	50,903	399,721	389,068
Current and Other Liabilities	22,625	30,800	404	94	23,029	30,894
Long-Term Liabilities	103,707	96,194	13,558	13,770	117,265	109,964
Total Liabilities	126,332	126,994	13,962	13,864	140,294	140,858
Invested in Capital Assets, net of related debt	92,541	90,282	29,658	26,665	122,199	116,947
Restricted	74,976	56,759	2	665	74,978	57,424
Unrestricted	53,116	64,130	9,134	9,709	62,250	73,839
Total Net Assets	\$ 220,633	\$ 211,171	\$ 38,794	\$ 37,039	\$ 259,427	\$ 248,210

A significant portion of the County's net assets \$62,249,757 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 \$122,198,978 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 \$74,978,252 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

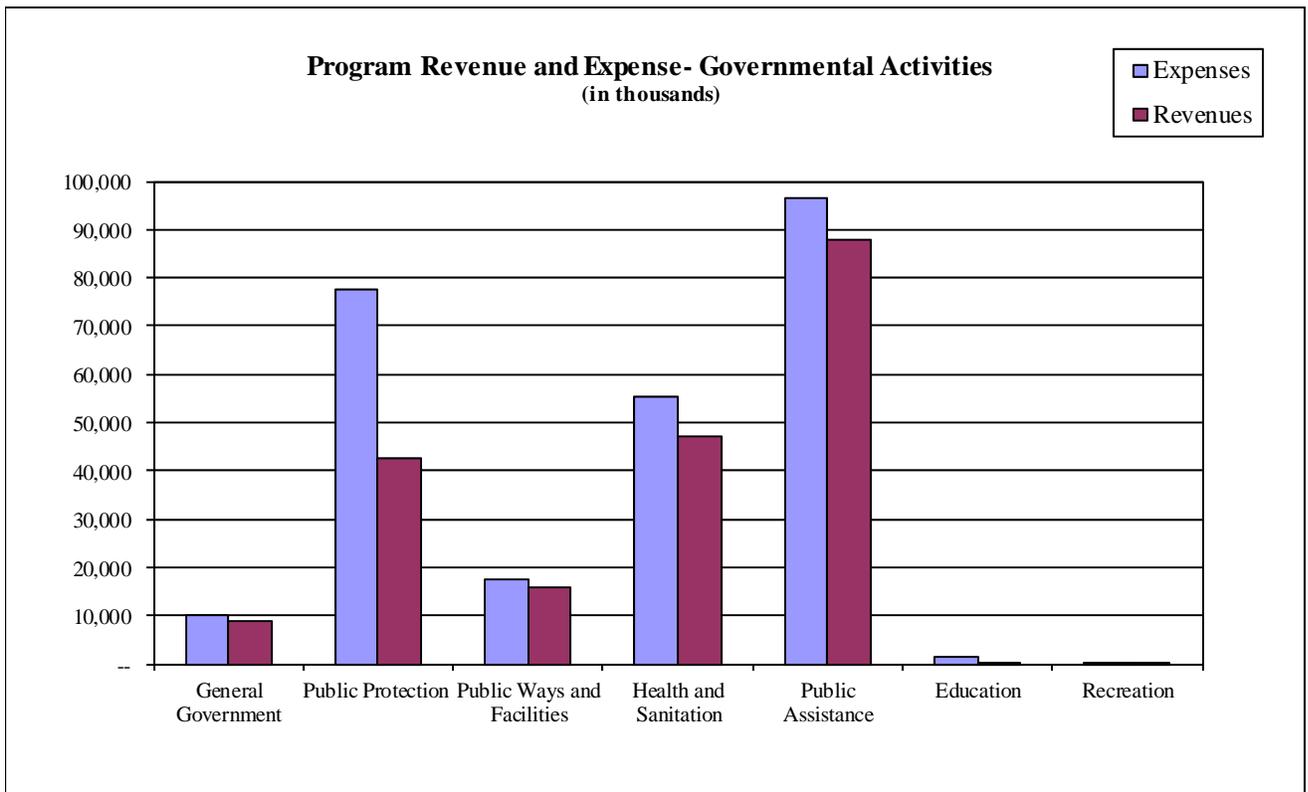
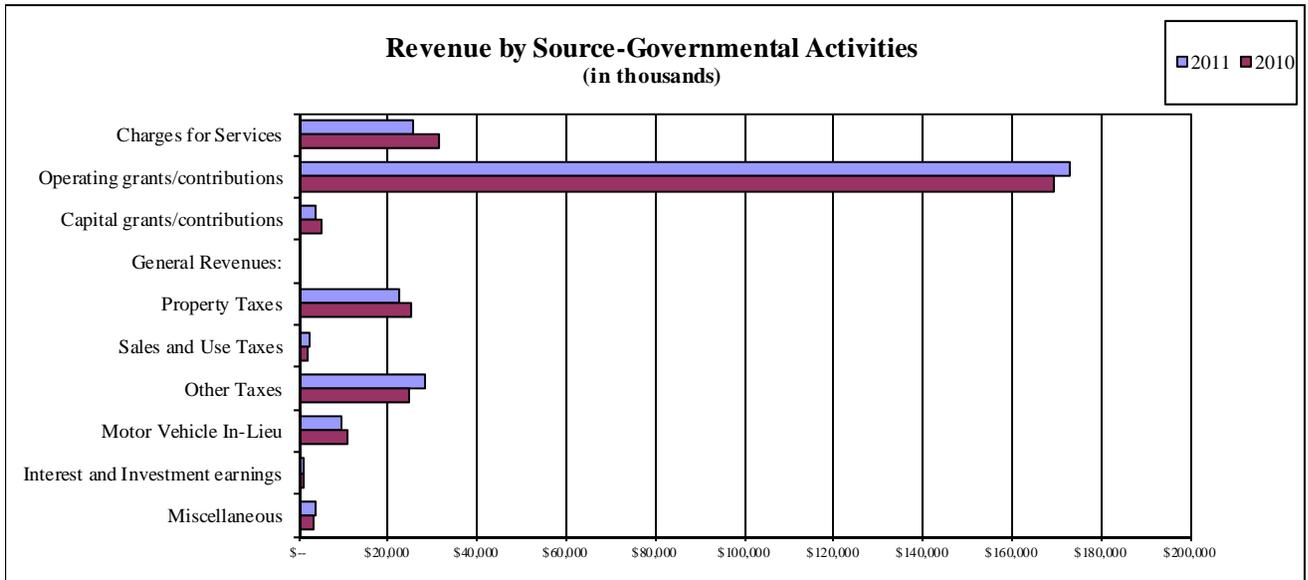
## Management's Discussion and Analysis June 30, 2011

The County's net assets increased by \$11,217,257 during the current fiscal year. The net increase in net assets represents the degree to which increases in ongoing revenues exceeded ongoing expenses.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2010</u>
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 25,859	\$ 31,575	\$ 4,221	\$ 4,263	\$ 30,080	\$ 35,838
Operating grants/contributions	173,048	169,331	20	--	173,068	169,331
Capital grants/contributions	3,573	5,061	657	215	4,230	5,276
<b>General Revenues:</b>						
Property Taxes	22,584	25,177	23	29	22,607	25,206
Sales and Use Taxes	2,515	2,226	--	--	2,515	2,226
Other Taxes	28,192	24,921	--	--	28,192	24,921
Motor Vehicle In-Lieu	9,396	10,969	--	--	9,396	10,969
Interest and Investment earnings	1,199	1,127	135	128	1,334	1,255
Miscellaneous	4,000	3,335	5	5	4,005	3,340
Special item - Transfer of Library	--	--	--	--	--	--
Change in landfill closure est	--	--	--	--	--	--
<b>Total Revenues</b>	<u>270,366</u>	<u>273,722</u>	<u>5,061</u>	<u>4,640</u>	<u>275,427</u>	<u>278,362</u>
<b>Expenses</b>						
General Government	10,000	9,524	--	--	10,000	9,524
Public Protection	77,552	81,463	--	--	77,552	81,463
Public Ways and Facilities	17,635	18,229	--	--	17,635	18,229
Health and Sanitation	55,158	53,768	--	--	55,158	53,768
Public Assistance	96,651	96,943	--	--	96,651	96,943
Education	1,418	1,411	--	--	1,418	1,411
Recreation	123	128	--	--	123	128
Interest on Debt	2,367	2,429	--	--	2,367	2,429
Fall River Mills Airport	--	--	83	86	83	86
Solid Waste Disposal	--	--	807	2,412	807	2,412
West Central Landfill	--	--	506	522	506	522
County Service Areas (water/sewer)	--	--	1,910	1,812	1,910	1,812
<b>Total Expenses</b>	<u>260,904</u>	<u>263,895</u>	<u>3,306</u>	<u>4,832</u>	<u>264,210</u>	<u>268,727</u>
<b>Change in Net Assets</b>	9,462	9,827	1,755	(192)	11,217	9,635
<b>Net Assets - Beginning</b>	<u>211,171</u>	<u>201,344</u>	<u>37,039</u>	<u>37,231</u>	<u>248,210</u>	<u>238,575</u>
<b>Net Assets - Ending</b>	<u>\$ 220,633</u>	<u>\$ 211,171</u>	<u>\$ 38,794</u>	<u>\$ 37,039</u>	<u>\$ 259,427</u>	<u>\$ 248,210</u>

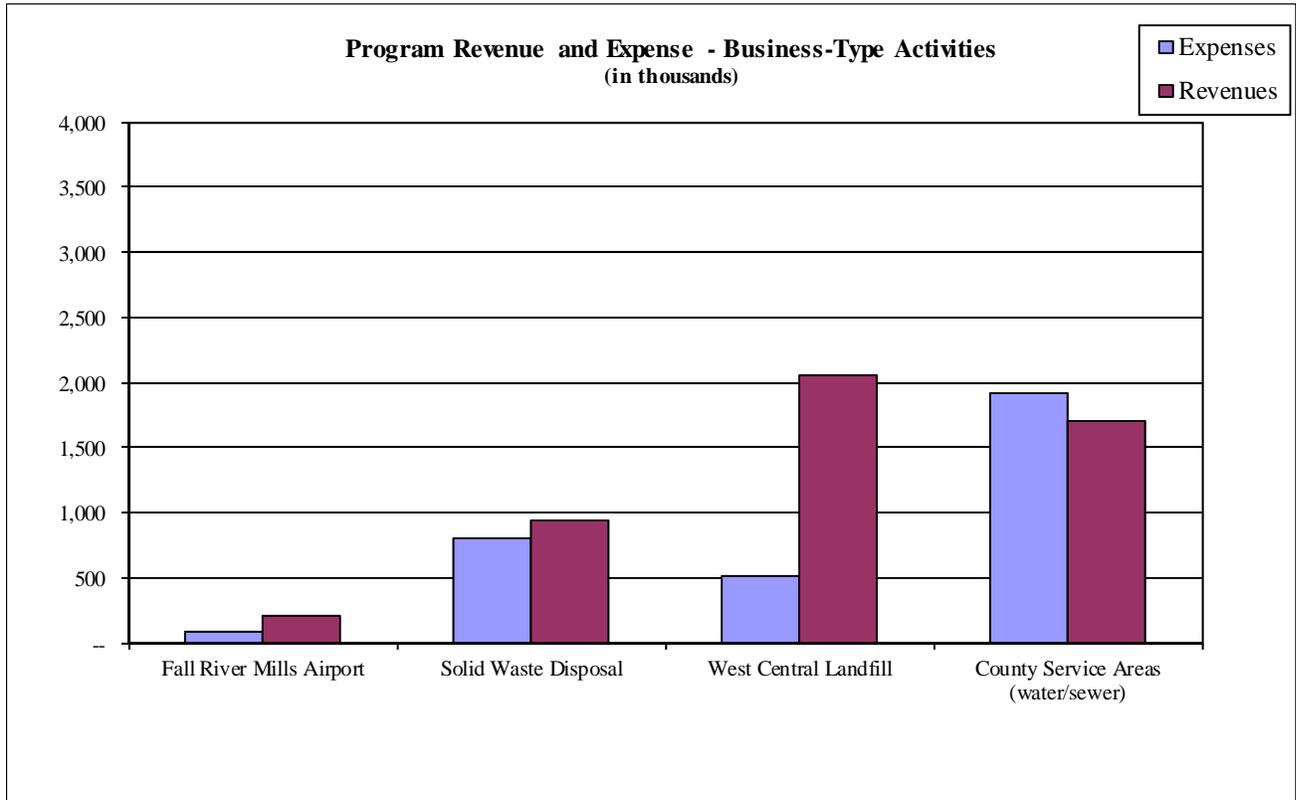
# COUNTY OF SHASTA

## Management's Discussion and Analysis June 30, 2011



# COUNTY OF SHASTA

## Management's Discussion and Analysis June 30, 2011



### 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, *unrestricted 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 2011	FY 2010	Net Change	
			Amount	Percent
Fund Balance - Beginning	\$ 113,639,366	\$ 111,223,577	\$ 2,415,789	2.17%
Revenues	270,444,886	268,692,400	1,752,486	0.65%
Expenditures	(255,556,337)	(265,899,396)	10,343,059	-3.89%
Other Financing Sources (Uses)	(90,112)	(377,215)	287,103	-76.11%
Fund Balance - Ending	<u>\$ 128,437,803</u>	<u>\$ 113,639,366</u>	<u>\$ 12,382,648</u>	10.90%

# COUNTY OF SHASTA

## Management's Discussion and Analysis June 30, 2011

At June, 30, 2011, the County's governmental funds reported combined fund balances of \$128,437,803. Of these combined fund balances, \$59,294,972 constitutes *unrestricted fund balance of the General, Special Revenue, Capital Projects, and Debt Service Funds*, which is available to meet the County's current and future need. The restricted fund balance, \$68,548,475, consists of amounts with constraints put on their use by externally imposed creditors, grantors, laws, regulations, or enabling legislation. The remainder of the fund balance, \$594,356 is nonspendable fund balance. These are amounts that are not spendable in form, or are legally or contractually required to be maintained intact such as inventories and prepaid amounts.

The General Fund is the chief operating fund of the County. At June 30, 2011, unrestricted fund balance was \$53,708,954, while total fund balance was \$63,686,196. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted and total fund balance to total fund expenditures. Unrestricted fund balance represents 36% of total General Fund expenditures, while the total fund balance represents 43% of total General Fund expenditures.

The County's management also assigns (earmarks) unrestricted fund balance to a particular function, project, or activity. Fund balance may also be assigned for purposes beyond the current year. However, assigned fund balance is available for appropriation at any time. Of the \$53,708,954 General Fund unrestricted fund balance, 69% is assigned.

Total governmental funds Fund Balance increased by \$14,798,437 in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund increased \$4,791,455, Roads Administration Fund increased \$4,393,848 and Public Safety Fund increased \$2,583,983. The non-major governmental funds increased by \$3,029,151.

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

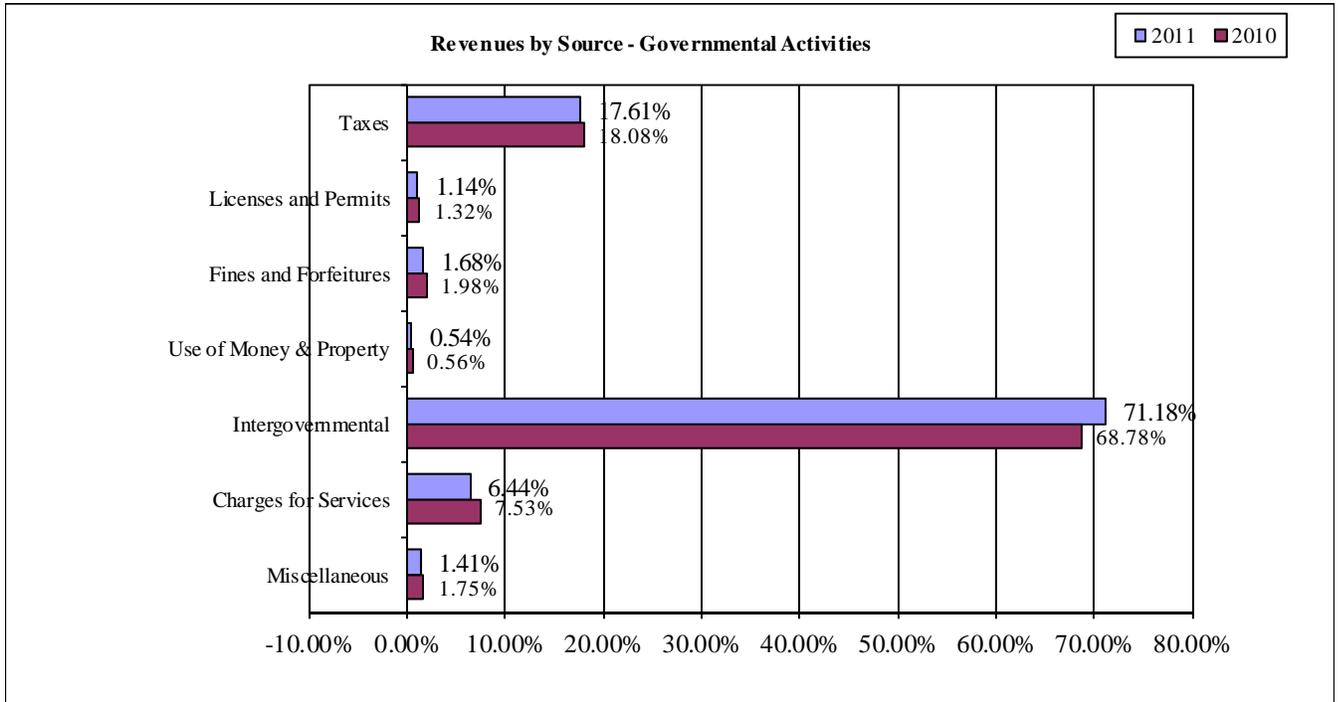
Revenues Classified by Source  
Governmental Funds

	FY 2011		FY 2010		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 47,617,793	17.61%	\$ 48,580,264	18.08%	\$ (962,471)	-1.98%
Licenses and Permits	3,075,646	1.14%	3,550,460	1.32%	(474,814)	-13.37%
Fines and Forfeitures	4,555,635	1.68%	5,324,124	1.98%	(768,489)	-14.43%
Use of Money & Property	1,458,299	0.54%	1,495,074	0.56%	(36,775)	-2.46%
Intergovernmental	192,500,322	71.18%	184,796,011	68.78%	7,704,311	4.17%
Charges for Services	17,427,853	6.44%	20,232,485	7.53%	(2,804,632)	-13.86%
Miscellaneous	3,809,338	1.41%	4,713,982	1.75%	(904,644)	-19.19%
Total Revenue by Source	<u>\$ 270,444,886</u>	<u>100.00%</u>	<u>\$ 268,692,400</u>	<u>100.00%</u>	<u>\$ 1,752,486</u>	

# COUNTY OF SHASTA

## Management's Discussion and Analysis June 30, 2011

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.

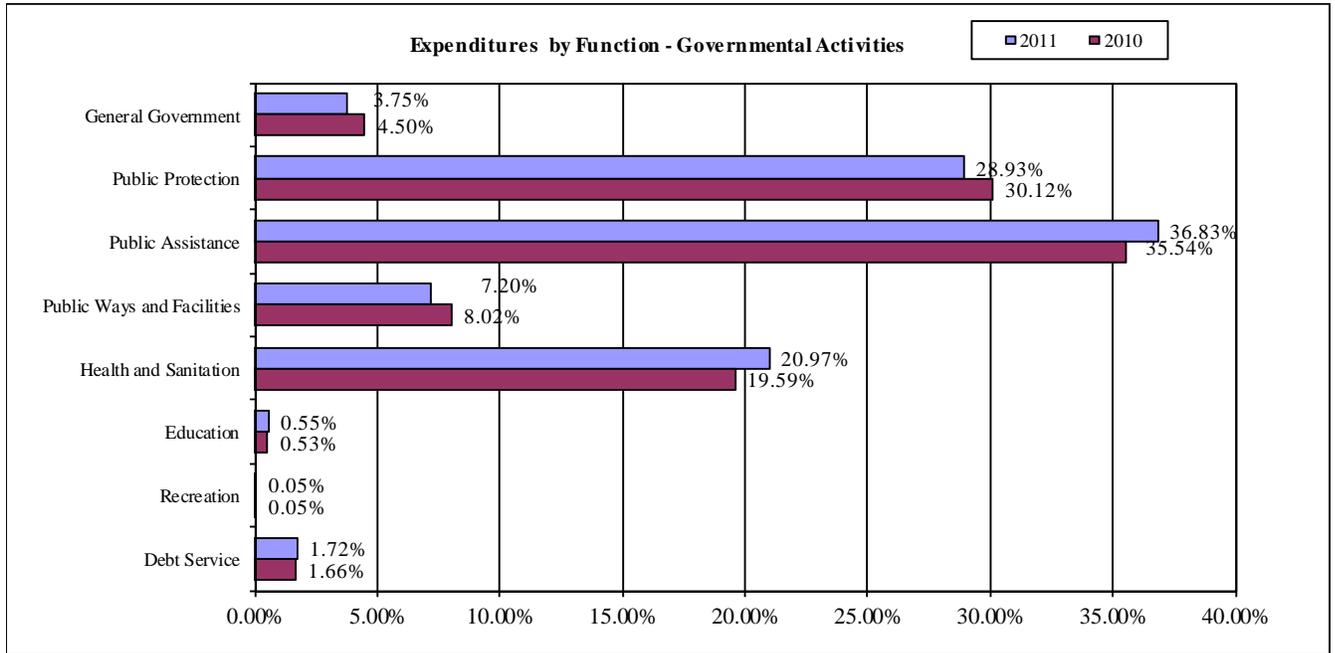
Expenditures Classified by Function  
Governmental Funds

	FY 2011		FY 2010		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$ 9,571,907	3.75%	\$ 11,967,366	4.50%	\$ (2,395,459)	-20.02%
Public Protection	73,929,917	28.93%	80,082,549	30.12%	(6,152,632)	-7.68%
Public Assistance	94,121,171	36.83%	94,505,832	35.54%	(384,661)	-0.41%
Public Ways and Facilities	18,406,798	7.20%	21,316,923	8.02%	(2,910,125)	-13.65%
Health and Sanitation	53,596,348	20.97%	52,096,902	19.59%	1,499,446	2.88%
Education	1,413,145	0.55%	1,404,193	0.53%	8,952	0.64%
Recreation	121,309	0.05%	121,725	0.05%	(416)	-0.34%
Debt Service	4,395,742	1.72%	4,403,906	1.66%	(8,164)	-0.19%
<b>Total by Function</b>	<b>\$ 255,556,337</b>	<b>100.00%</b>	<b>\$ 265,899,396</b>	<b>100.00%</b>	<b>\$ (10,343,059)</b>	

# COUNTY OF SHASTA

## Management's Discussion and Analysis June 30, 2011

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 2011	FY 2010	Increase (Decrease)	
			Amount	Percent
Proceeds from Sale of Capital Assets	\$ 44,543	\$ 93,664	\$ (49,121)	-52.44%
Debt issued	389,160	--	389,160	
Transfers In	30,069,893	42,746,594	(12,676,701)	-29.66%
Transfers Out	(30,593,708)	(43,217,473)	12,623,765	-29.21%
Net financing sources(uses)	<u>\$ (90,112)</u>	<u>\$ (377,215)</u>	<u>\$ 287,103</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, 2011

#### Net Change in Fund Net Assets Enterprise Funds

	FY 2011	FY 2010	Net Change	
			Amount	Percent
Total Net Assets - Beginning	\$ 37,039,081	\$ 37,231,525	\$ (192,444)	-0.52%
Operating Revenues	4,220,622	4,213,343	7,279	0.17%
Operating Expenses	(3,164,843)	(4,670,678)	1,505,835	-32.24%
Non-Operating Revenues (Expenses)	82,398	60,577	21,821	36.02%
Transfers In (Out) and capital contributions	616,835	204,314	412,521	201.91%
Total Net Assets - Ending	<u>\$ 38,794,093</u>	<u>\$ 37,039,081</u>	<u>\$ 1,755,012</u>	

Net assets restricted for invested in capital assets net of related debt at fiscal year end were \$29,657,997, and for debt service were \$2,022. Unrestricted net assets of the enterprise funds at fiscal year end were \$9,134,074.

The net assets of the enterprise funds increased \$1,755,012 from prior fiscal year.

*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 2011	FY 2010	Net Change	
			Amount	Percent
Total Net Assets - Beginning	\$ 21,647,545	\$ 19,644,420	\$ 2,003,125	10.20%
Operating Revenues	19,485,659	21,499,583	(2,013,924)	-9.37%
Operating Expenses	(19,364,603)	(20,677,789)	1,313,186	-6.35%
Non-Operating Revenues (Expenses)	665,087	708,271	(43,184)	-6.10%
Transfers In (Out) and capital contributions	524,630	473,060	51,570	10.90%
Total Net Assets - Ending	<u>\$ 22,958,318</u>	<u>\$ 21,647,545</u>	<u>\$ 1,310,773</u>	

Total net assets of the internal service funds at fiscal year end were \$22,958,318 and include \$2,818,546 invested in capital assets.

The net assets of the internal service funds increased \$1,310,773 over the prior fiscal year. Operating revenues decreased 9% and operating expenses decreased 6%.

### 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 budget amendments 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

## COUNTY OF SHASTA

### Management's Discussion and Analysis June 30, 2011

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 a \$3,969,622 increase in appropriations. The components of appropriations variance are briefly summarized as follows: \$3,435,495 increase in general government; \$54,637 increase in public protection; \$1,132,040 increase in public assistance; \$290,000 increase in public health and sanitation; \$942,550 decrease in recreation.

Even with these adjustments, actual expenditures were \$15,467,484 below final budget amounts. Resources available for appropriation were \$3,969,305 over final budget amounts.

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

Budgetary Comparison General Fund				
	Original	Final	Net Change	
	Budget	Budget	Amount	Percent
Total Revenues	\$ 173,393,507	\$ 176,066,752	\$ 2,673,245	1.52%
Total Expenditures	(159,472,428)	(163,442,050)	(3,969,622)	2.43%
Other Financing Sources (Uses)	(28,010,049)	(27,102,258)	907,791	-3.35%
Net Change in Fund Balances	<u>\$ (14,088,970)</u>	<u>\$ (14,477,556)</u>	<u>\$ (388,586)</u>	

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

Budgetary Comparison General Fund				
	Final	Actual	Net Change	
	Budget	Amounts	Amount	Percent
Total Revenues	\$ 176,066,752	\$ 180,036,057	\$ 3,969,305	2.20%
Total Expenditures	(163,442,050)	(147,974,566)	15,467,484	-10.45%
Other Financing Sources (Uses)	(27,102,258)	(27,270,036)	(167,778)	0.62%
Net Change in Fund Balances	<u>\$ (14,477,556)</u>	<u>\$ 4,791,455</u>	<u>\$ 19,269,011</u>	

## CAPITAL ASSETS

The County's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounted to \$173,385,026 (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 \$2,906,750 [2%].

# COUNTY OF SHASTA

## Management's Discussion and Analysis June 30, 2011

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	
	2011	2010	2011	2010	2011	2010
Land and improvements	\$ 2,548,463	\$ 2,528,063	\$ 1,813,587	\$ 1,804,777	\$ 4,362,050	\$ 4,332,840
Structures & Improvements	103,759,812	98,091,204	51,110,488	48,982,853	154,870,300	147,074,057
Leasehold Improvements	923,068	964,957	--	--	923,068	964,957
Equipment	44,774,968	43,881,861	263,100	263,100	45,038,068	44,144,961
Infrastructure	114,627,572	112,086,967	--	--	114,627,572	112,086,967
Construction In Progress	3,564,120	7,067,102	12,375,100	11,321,461	15,939,220	18,388,563
<b>Total</b>	<b>270,198,003</b>	<b>264,620,154</b>	<b>65,562,275</b>	<b>62,372,191</b>	<b>335,760,278</b>	<b>326,992,345</b>
Accumulated Depreciation	(129,477,526)	(124,530,577)	(32,897,726)	(31,983,492)	(162,375,252)	(156,514,069)
<b>Net Capital Assets</b>	<b>\$ 140,720,477</b>	<b>\$ 140,089,577</b>	<b>\$ 32,664,549</b>	<b>\$ 30,388,699</b>	<b>\$ 173,385,026</b>	<b>\$ 170,478,276</b>

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

	Additions	Retirements	Transfers & Adjustments	Depreciation	Net Change
		(Net of Accum. Depreciation)			
General Government	\$ 2,584,650	\$ (7,792)	\$ (4,709)	\$ (2,220,030)	\$ 352,119
Public Protection	476,501	(34,187)	--	(1,148,652)	(706,338)
Public Ways & Facilities	3,114,006	(1,776)	--	(1,939,587)	1,172,643
Health & Sanitation	119,514	--	--	(176,428)	(56,914)
Public Assistance	64,513	(2,834)	--	(119,339)	(57,660)
Education	--	--	--	(794)	(794)
Internal Service Funds	765,236	(22,990)	4,709	(819,111)	(72,156)
Enterprise Funds	3,190,084	--	--	(914,234)	2,275,850
<b>Totals</b>	<b>\$ 10,314,504</b>	<b>\$ (69,579)</b>	<b>\$ --</b>	<b>\$ (7,338,175)</b>	<b>\$ 2,906,750</b>

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

Projects completed in current fiscal year:

		Current Year Costs	Total Costs
Major bridge, road and construction projects:			
Governmental Funds:			
Burney Veterans Hall Restroom Remodel		\$ 197,754	\$ 207,775
Fall River Mills Veterans Hall Restroom Remodel		183,893	192,205
District Attorney 1855 Shasta St. Remodel		345,126	4,998,431
Fire Department Metal Buildings		--	270,198
Buzzard Roost @ Cedar Creek Bridge		887,522	1,258,437
East Fork Road @ Clear Creek		947,078	1,282,167
<b>Total Governmental Funds</b>		<b>2,561,373</b>	<b>8,209,213</b>
Enterprise Funds:			
West Central Landfill Unit 4B Liner		1,925,004	1,997,994
West Central Landfill Wells		--	90,388
<b>Total Enterprise Funds</b>		<b>1,925,004</b>	<b>2,088,382</b>
<b>Total projects completed in current fiscal year</b>		<b>\$ 4,486,377</b>	<b>\$ 10,297,595</b>

## COUNTY OF SHASTA

### Management's Discussion and Analysis June 30, 2011

	Current Year Costs	Cost to Date
Construction in progress at June 30, 2011:		
Major bridge and road projects:		
Governmental Funds:		
Swede Creek Road @ Swede Creek Bridge	\$ 65,410	\$ 244,667
Swede Creek Road @ Little Cow Creek	90,017	197,246
Old Oasis Road @ Chum Creek	40,442	124,257
Spring Creek Road @ Fall River Bridge	24,901	84,865
Cassel-Fall River Road @ Pit River	56,926	126,197
Smith Bottom Road @ ACID Canal	12,244	48,084
Inland Road @ Eastman Lake	21,225	21,225
Inwood Road @ S.F. Bear Creek	19,923	19,923
Lower Gas Point Rd. @ NF Cttwd Creek	2,105	2,105
Old 44 Dr. @ Oak Run Creek	5,384	5,384
Fern Road E. @ Glendening	5,492	5,492
Total Governmental Funds	344,069	879,445
Building upgrades:		
Governmental Funds:		
Jail CCTV Upgrade	19,688	45,680
Balls Ferry Boat Ramp	6,328	87,046
Anderson Library Roof	89,267	89,267
Fac Mgmt Energy Retrofit	926,934	926,934
Total Governmental Funds	1,042,217	1,148,927
Enterprise Funds:		
Elk Trail Water Upgrade	657,330	660,480
Crag View Water Upgrade	122,790	135,140
Gas Collection System	327,000	327,000
Total Enterprise Funds	1,107,120	1,122,620
Major construction:		
Governmental Funds:		
Juvenile Hall	785,457	1,491,251
Fire Department Metal Buildings	44,497	44,497
Total Governmental Funds	829,954	1,535,748
Enterprise Funds:		
Fall River Mills Airport Extension	109,897	11,252,480
Total construction in progress at June 30, 2011	\$ 3,433,257	\$ 15,939,220
Summary of construction in progress at June 30, 2011		
Total Governmental Funds	\$ 2,216,240	\$ 3,564,120
Total Enterprise Funds	1,217,017	12,375,100
Total construction in progress	\$ 3,433,257	\$ 15,939,220

Additional information regarding capital assets begin on page 53 with note 4.

### DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total debt obligation outstanding of \$50,149,256. Of this amount, \$45,865,000 comprises bonds that are secured by the County's lease rental payments and other dedicated sources of revenue, and \$1,028,838 of special assessment debt secured by property subject to the assessment. The remainder of the County's debt represents loans secured solely by specified revenue sources.

## COUNTY OF SHASTA

### Management's Discussion and Analysis June 30, 2011

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	
	2011	2010	2011	2010	2011	2010
Lease Revenue Bonds	\$ 45,865,000	\$ 47,610,000	\$ --	\$ 555,000	\$ 45,865,000	\$ 48,165,000
Special Assessment Bonds	--	--	998,600	1,108,200	998,600	1,108,200
Water/Sewer Bonds	--	--	30,238	35,260	30,238	35,260
Capital Lease Obligations	888,546	1,114,141	--	--	888,546	1,114,141
Financing Leases	--	--	1,663,604	1,778,858	1,663,604	1,778,858
Notes Payable	389,160	--	314,108	246,081	703,268	246,081
Debt Obligation	47,142,706	48,724,141	3,006,550	3,723,399	50,149,256	52,447,540
Unamortized Bond Premium	1,036,790	1,083,785	--	--	1,036,790	1,083,785
Total Debt	48,179,496	49,807,926	3,006,550	3,723,399	51,186,046	53,531,325
Less Current Portion	(2,119,612)	(2,017,590)	(211,086)	(763,503)	(2,330,698)	(2,781,093)
Net Long-Term Debt	<u>\$ 46,059,884</u>	<u>\$ 47,790,336</u>	<u>\$ 2,795,464</u>	<u>\$ 2,959,896</u>	<u>\$ 48,855,348</u>	<u>\$ 50,750,232</u>

Reductions of the County's total outstanding debt included principal payments of \$1,970,595 and amortization of bond premium of \$46,995 with \$2,366,862 in interest expense for governmental activities and principal payments of \$816,849 with \$125,762 (of which \$40,482 was capitalized) 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, page 59, note 7.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County's fiscal year 2011-12 budget takes into consideration the overall financial health of the County and related impacts of the California State Budget.

#### **Delayed Payments**

The State manages its cash shortfall by delaying payments to small businesses, community clinics, local governments and schools. The FY 2011-12 State budget realigned a number of programs from the state to local responsibility. This realignment was predicated upon the dedication of a percentage of sales tax and Mental Health Services Act revenues to counties. These funds are continuously appropriated, thus avoiding deferral of payments. Local administration of the CalWORKs program was not realigned in the budget and it remains unclear whether the state will defer payment to counties as a cash flow strategy. Further, sales tax revenue to support realigned programs is subject to economic conditions and will flow based upon receipts as opposed to actual program expenditures. As a result, cash flow may be impacted by revenues that are lower than expenditures in the programs that they support. Shasta County must continue to provide service regardless of receipt of State allocations. 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. This methodology has created a considerable dilemma for the County and has eroded our cash reserves.

## COUNTY OF SHASTA

### Management's Discussion and Analysis June 30, 2011

#### **California Economic Indicators and Tax Forecast**

The National Bureau of Economic Research declared that the "Great Recession" officially ended in June of 2009. This announcement has brought little relief to the state; unemployment still hovers close to 12 percent.

The State Controller reports revenues are lagging budget expectations by approximately \$4 billion. The Controller is predicting the State will have a revenue shortfall in the 2012-13 fiscal year of \$13 billion.

Although the U. S. Department of Commerce Bureau of Economic Analysis indicates some growth in Californians incomes and spending, it will be several years before California recovers from the economic downturn of the Great Recession. The following text compares several economic indicators for the State.

The California Department of Finance reports that on a year-to-year basis, nonfarm employment rose by 157,000 (1.1 percent) from June 2010 to June 2011, with the largest improvement in professional and business services. The manufacturing sector showed growth in weekly hours (3.3 percent), weekly earnings (5.6 percent), and hourly earnings (2.3 percent). Personal income is projected to increase 4.5 percent in 2011. Average wages for all nonfarm sectors is projected to increase by 2.2 percent.

Locally, the precipitous decline in discretionary revenue slowed in 2009-10. Revenues in 2008-09 declined over 19 percent, while in 2009-10 the decline from all sources was 2.42 percent. Revenues in 2010-11 increased by 7.85 percent, and are projected to increase by 1.58 percent in 2011-12. The decline in receipts from sales tax dedicated to public safety has leveled off. For the year ending June 30, 2011, revenue from Prop 172 exceeded budget by \$1 million; one-half of which was used to pay-down the advance from the General Reserve. Realignment sales tax and vehicle license fees (VLF) are dedicated to public health, mental health, and social services. VLF is projected to decline by 4 percent and sales tax is expected to be flat for 2011-12. The cumulative loss of Realignment sales tax and VLF from 2007-08 through 2011-12 is estimated to be more than \$20 million.

For 2010-11 there were 110,273 locally assessed properties in Shasta County with a taxable value of \$15,387,911,301 generating more than \$153 million in property tax revenue for use by Shasta County agencies that include: County government, the three cities, school districts, and other local taxing agencies. These figures represent a decrease of 5.56 percent in taxable value and property tax revenue from the previous year.

#### **Shasta County Budget Principles**

The Shasta County Board of Supervisors took immediate action to protect the County from the national and state economic downturn. This decisive action has allowed Shasta County to remain relatively stable amid a sea of crisis. Although reduced, the County's workforce has not experienced wide-spread layoffs. The County has been able to maintain a General Reserve of \$8 million for budgetary uncertainties, and a Contingency Reserve of \$5 million. Additionally, the County has funded two Trusts for retiree other-post-employment benefits. Payroll contributions are assessed to increase the balance in these trusts.

## COUNTY OF SHASTA

### Management's Discussion and Analysis June 30, 2011

The depth of the recession and its duration are unprecedented. We have been managing the budgetary shortfall through a series of cost-cutting steps and strict adherence to budget principles, including a controlled hiring freeze and reduced General Fund expenditures. Further cost cutting measures are taken through the fiscal year as necessary. Such measures have included suspension of employee wage increases or benefits throughout the organization. The County Administrative Officer's three-phase plan for managing the economic downturn included one-time borrowing from reserves, a reduction in General fund expense, and salary and benefit savings. The Board approved the use of \$2 million from General Reserves to offset the loss of sales tax dedicated to Public Safety.

For 2011-12, departments were directed to submit a status quo budget which could be achieved by spending reductions in 2010-11. For the year ending June 30, 2011, the General Fund realized a 13 percent reduction (\$4.8 million). In the aggregate, the County's expenditures will be under budget by 9.44 percent (\$34.3 million). The General Fund contribution to operating departments is \$34.6 million, with the largest share allocated to public safety (\$23.7 million, or 68.6 percent). Appropriations for select budget units, excluding special districts, totals \$355.3 million, a decline of \$9 million, or 2.5 percent.

#### **Budgetary Reserves**

Shasta County recognizes the importance of maintaining a prudent level of financial resources to protect against reducing service levels or incurring debt because of temporary revenue short falls, or unpredicted one-time expenditures. The target reserve balance is not less than 5 percent of unrestricted General Fund resources, or a minimum of \$10 million. The reserve can be spent down a maximum of \$2 million per fiscal year and shall be the resource of last resort for balancing the County budget. The General Reserve was reduced by \$2 million in 2009-10 to backfill the loss of Public Safety Augmentation (Prop 172) revenue. This advance from reserves is being repaid as Prop 172 revenue permits (\$500,000 repaid in 2010-11). The current balance in the General Reserve is \$8.5 million.

In addition to the General Reserve the 2011-12 Contingency Reserve is \$5 million. The Contingency Reserve is set aside to provide for unanticipated requirements that may occur during the fiscal year.

#### **Employee Benefits**

The cost of workers compensation insurance, PERS retirement, health insurance rate increases, and retiree health care continue to impact the County. 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.

The County's share of cost for PERS retirement will undoubtedly increase due to investment losses in CalPERS holdings caused by significant investment market volatility and asset value declines for all investors. While CalPERS has more than enough money to pay benefits for many years into the future, employer rates are at their highest in 25 years. Employers are faced with increasing retirement costs at a time when local revenues are at the lowest. While rate

## COUNTY OF SHASTA

### Management's Discussion and Analysis June 30, 2011

spikes are generally cushioned by CalPERS 30-year rate smoothing methodology, they are modifying rates to recapture recent investment losses over a shorter period of time. The PERS Actuarial Report for 2012-13 indicates a modest increase and will result in approximately \$500,000 in additional PERS employer contribution. This impact is softened by employees contributing 100 percent of the employee contribution.

On the local level, the County has successfully negotiated with 8 represented bargaining units and 2 unrepresented bargaining units for wage and/or benefit concessions. Active employees will pay the employee share of PERS retirement, and new hires will be working longer (to age 60) and their retirement will be based on the average of high three years (instead of highest year). Across-the-board, wages have been stagnant for several years, with elected officials and unrepresented managers forgoing scheduled cost-of-living adjustments and leave buy-outs.

The County of Shasta provides post-retirement 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 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. The County's Unfunded Actuarial Liability as of June 30, 2011, is \$140.9 million.

Although GASB does not require that counties pre-fund their OPEB liability, Shasta County is taking positive steps towards addressing OPEB. The County established two irrevocable OPEB Trusts with initial funding of \$6 million each; and implemented a one percent charge, as a percent of payroll, effective July 1, 2008. OPEB Trust assets as of June 30, 2011 are \$19.8 million.

We continue to advocate for legislative changes to PEMHCA to give counties greater flexibility in establishing a tiered benefit system; and to work towards OPEB cost avoidance through labor negotiations. Within available resources the County may incrementally increase the payroll charges for OPEB to pass a portion of this expense to state and federal programs when appropriate.

### **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.

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

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**COUNTY OF SHASTA**

Statements of Net Assets

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
<b>ASSETS</b>				
Cash and investments	\$ 143,855,779	\$ 17,878,888	\$ 161,734,667	\$ 3,710,405
Receivables, net	9,094,449	678,605	9,773,054	--
Due from other governments	29,600,568	874,240	30,474,808	268,582
Inventories	585,574	52,022	637,596	--
Other assets	122,523	2,748	125,271	--
Special assessments receivable	719,588	1,191,023	1,910,611	--
Internal balances	587,893	(587,893)	--	--
Due from fiduciary funds	6,777,070	--	6,777,070	--
Due from component unit	78,103	--	78,103	--
Notes receivable	9,500,742	--	9,500,742	--
Deferred issuance costs	1,039,671	--	1,039,671	--
Cash and investments - restricted	4,282,455	2,022	4,284,477	--
Capital Assets:				
Non-depreciable	6,112,583	14,188,687	20,301,270	--
Depreciable, net	134,607,894	18,475,862	153,083,756	3,771
<b>Total Assets</b>	<u>346,964,892</u>	<u>52,756,204</u>	<u>399,721,096</u>	<u>3,982,758</u>
<b>LIABILITIES</b>				
Accounts payable	3,634,115	274,853	3,908,968	284,925
Retention payable	124,996	88,184	213,180	--
Salaries and benefits payable	4,410,022	--	4,410,022	14,774
Interest payable	556,858	36,250	593,108	--
Due to fiduciary funds	6,058,150	--	6,058,150	--
Due to other governments	832,438	111	832,549	1,895,992
Due to primary government	--	--	--	78,103
Deposits from others	152,001	4,440	156,441	--
Unearned revenue	6,856,842	--	6,856,842	--
Long-Term Liabilities:				
Due within one year	8,592,743	211,086	8,803,829	--
Due beyond one year	64,798,833	13,347,187	78,146,020	11,552
Net OPEB obligation	30,315,000	--	30,315,000	--
<b>Total Liabilities</b>	<u>126,331,998</u>	<u>13,962,111</u>	<u>140,294,109</u>	<u>2,285,346</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	92,540,981	29,657,997	122,198,978	3,771
Restricted for:				
Special revenue	31,642,175	--	31,642,175	--
Public safety	8,609,553	--	8,609,553	--
Roads administration	15,184,466	--	15,184,466	--
Debt service	4,828,151	2,022	4,830,173	--
Capital projects	4,767,715	--	4,767,715	--
Other purposes	9,944,170	--	9,944,170	--
Unrestricted	53,115,683	9,134,074	62,249,757	1,693,641
<b>Total Net Assets</b>	<u>\$ 220,632,894</u>	<u>\$ 38,794,093</u>	<u>\$ 259,426,987</u>	<u>\$ 1,697,412</u>

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

**COUNTY OF SHASTA**

Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs Primary Government	Expenses	Indirect Expense Allocation	Program Revenues		
			Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>					
General government	\$ 9,193,605	\$ 806,113	\$ 5,609,760	\$ 2,968,085	403,859
Public protection	74,254,780	3,296,935	13,454,659	29,076,815	22,400
Public ways and facilities	17,138,414	496,717	1,204,783	11,970,195	2,874,009
Health and sanitation	54,210,042	948,055	3,162,807	43,786,693	75,000
Public assistance	95,159,656	1,489,619	2,400,354	85,246,185	170,672
Education	1,421,313	(2,792)	22,096	--	--
Recreation	118,389	5,272	4,716	--	27,169
Interest expense	2,366,862	--	--	--	--
<b>Total Governmental Activities</b>	<u>253,863,061</u>	<u>7,039,919</u>	<u>25,859,175</u>	<u>173,047,973</u>	<u>3,573,109</u>
<b>Business-Type Activities:</b>					
Fall River Mills Airport	77,663	5,335	72,893	20,000	107,798
Solid Waste Disposal	803,511	3,493	939,425	--	--
West Central Landfill	505,621	--	2,053,640	--	--
County Service Areas	1,866,870	42,610	1,154,664	--	548,908
<b>Total Business-Type Activities:</b>	<u>3,253,665</u>	<u>51,438</u>	<u>4,220,622</u>	<u>20,000</u>	<u>656,706</u>
<b>Total Primary Government</b>	<u>\$ 257,116,726</u>	<u>\$ 7,091,357</u>	<u>\$ 30,079,797</u>	<u>\$ 173,067,973</u>	<u>\$ 4,229,815</u>
<b>Component Units:</b>					
Children and Families First	\$ 3,671,305	\$ 13,568	--	\$ 1,638,400	\$ --
<b>Total Component Units</b>	<u>\$ 3,671,305</u>	<u>\$ 13,568</u>	<u>\$ --</u>	<u>\$ 1,638,400</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
- 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 Unit</u>
\$ (1,018,014)	\$ --	\$ (1,018,014)	\$ --
(34,997,841)	--	(34,997,841)	--
(1,586,144)	--	(1,586,144)	--
(8,133,597)	--	(8,133,597)	--
(8,832,064)	--	(8,832,064)	--
(1,396,425)	--	(1,396,425)	--
(91,776)	--	(91,776)	--
<u>(2,366,862)</u>	<u>--</u>	<u>(2,366,862)</u>	<u>--</u>
<u>(58,422,723)</u>	<u>--</u>	<u>(58,422,723)</u>	<u>--</u>
--	117,693	117,693	--
--	132,421	132,421	--
--	1,548,019	1,548,019	--
--	(205,908)	(205,908)	--
<u>--</u>	<u>1,592,225</u>	<u>1,592,225</u>	<u>--</u>
<u>(58,422,723)</u>	<u>1,592,225</u>	<u>(56,830,498)</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,046,473)</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,046,473)</u>
\$ 22,583,995	\$ 23,366	22,607,361	\$ --
2,514,664	--	2,514,664	--
28,191,931	--	28,191,931	--
9,396,093	--	9,396,093	--
1,198,624	134,680	1,333,304	27,541
3,999,661	4,741	4,004,402	105
<u>67,884,968</u>	<u>162,787</u>	<u>68,047,755</u>	<u>27,646</u>
9,462,245	1,755,012	11,217,257	(2,018,827)
<u>211,170,649</u>	<u>37,039,081</u>	<u>248,209,730</u>	<u>3,716,239</u>
<u>\$ 220,632,894</u>	<u>\$ 38,794,093</u>	<u>\$ 259,426,987</u>	<u>\$ 1,697,412</u>

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**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

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**COUNTY OF SHASTA**

Balance Sheet  
Governmental Funds  
June 30, 2011

	General Fund	Roads Administration Fund	Public Safety Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 56,953,197	\$ 14,103,978	\$ 6,026,731
Accounts receivable	5,431,774	54,520	3,077,072
Due from other governments	18,383,303	1,825,006	4,423,504
Inventories	--	492,074	--
Other assets	33,072	1,168	996
Due from other funds	1,567,342	248,863	310,382
Special assessments receivable	--	--	--
Notes receivable	--	--	--
Advances to other funds	291,525	52,193	--
Cash and investments - restricted	--	--	--
<b>Totals Assets</b>	<u><u>\$ 82,660,213</u></u>	<u><u>\$ 16,777,802</u></u>	<u><u>\$ 13,838,685</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,728,309	\$ 306,657	171,827
Retention payable	89,277	17,367	--
Salaries and benefits payable	2,091,961	288,850	1,075,631
Due to other funds	203,235	37,402	36,390
Due to other governments	195,853	13,803	451,264
Deposits from others	696	151,305	--
Deferred revenue	11,023,244	479,438	3,057,095
Unearned revenue	3,641,442	--	698,475
Advances from other funds	--	--	211,812
<b>Total Liabilities</b>	<u>18,974,017</u>	<u>1,294,822</u>	<u>5,702,494</u>
 <b>Fund Balances:</b>			
Nonspendable	33,072	493,242	996
Restricted	9,944,170	14,989,738	8,135,195
Committed	--	--	--
Assigned	36,744,051	--	--
Unassigned	16,964,903	--	--
<b>Total Fund Balances</b>	<u>63,686,196</u>	<u>15,482,980</u>	<u>8,136,191</u>
 <b>Total Liabilities and Fund Balances</b>	<u><u>\$ 82,660,213</u></u>	<u><u>\$ 16,777,802</u></u>	<u><u>\$ 13,838,685</u></u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 27,482,458	\$ 104,566,364
128,148	8,691,514
4,950,841	29,582,654
--	492,074
67,046	102,282
303,668	2,430,255
719,588	719,588
9,500,742	9,500,742
693,533	1,037,251
4,282,455	4,282,455
<u>\$ 48,128,479</u>	<u>\$ 161,405,179</u>

698,971	\$ 2,905,764
--	106,644
711,038	4,167,480
1,052,957	1,329,984
170,748	831,668
--	152,001
1,044,965	15,604,742
2,516,925	6,856,842
800,439	1,012,251
<u>6,996,043</u>	<u>32,967,376</u>

67,046	594,356
35,479,372	68,548,475
952,929	952,929
4,767,715	41,511,766
(134,626)	16,830,277
<u>41,132,436</u>	<u>128,437,803</u>
<u>\$ 48,128,479</u>	<u>\$ 161,405,179</u>

COUNTY OF SHASTA

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Assets  
June 30, 2011

<b>Total Fund Balances - Governmental Funds (page 23)</b>	\$ 128,437,803
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.	137,901,931
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Unavailable revenues	15,604,742
Other post employment benefits obligation	(28,639,512)
Long-Term Debt that has not been included in the governmental fund activity.	(48,179,496)
Interest on outstanding debt not due and payable in the current period is not accrued in the governmental funds.	(556,858)
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.	1,039,671
Compensated absences are not accrued in the Governmental Funds.	(7,933,705)
Internal Service Funds assets and liabilities are included in governmental activities in the Statement of Net Assets	<u>22,958,318</u>
<b>Net assets of Governmental Activities (page 21)</b>	<u><u>\$ 220,632,894</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, 2011

	General Fund	Roads Administration Fund	Public Safety Fund
<b>Revenues:</b>			
Taxes	\$ 42,362,888	\$ 3,046,329	\$ 138,432
Licenses and permits	2,766,943	44,896	55,281
Fines and forfeitures	2,450,594	--	2,078,661
Use of money and property	944,972	101,640	39,720
Intergovernmental	118,047,233	17,674,234	20,818,818
Charges for other services	10,481,301	724,504	3,997,886
Miscellaneous revenue	2,982,126	84,032	396,614
<b>Total Revenues</b>	<u>180,036,057</u>	<u>21,675,635</u>	<u>27,525,412</u>
<b>Expenditures:</b>			
Current:			
General government	8,786,432	--	--
Public protection	14,577,003	--	47,231,084
Public ways and facilities	--	17,287,263	--
Health and sanitation	29,473,856	--	--
Public assistance	93,602,821	--	--
Education	1,413,145	--	--
Recreation	121,309	--	--
Debt Service	--	--	--
<b>Total Expenditures</b>	<u>147,974,566</u>	<u>17,287,263</u>	<u>47,231,084</u>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<u>32,061,491</u>	<u>4,388,372</u>	<u>(19,705,672)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,177,398	--	23,185,694
Transfers out	(28,454,264)	(639)	(918,765)
Long-term debt issued	--	--	--
Sale of capital assets	6,830	6,115	22,726
<b>Total Other Financing Sources (Uses)</b>	<u>(27,270,036)</u>	<u>5,476</u>	<u>22,289,655</u>
<b>Net Change in Fund Balances</b>	4,791,455	4,393,848	2,583,983
<b>Fund Balances - Beginning</b>	<u>58,894,741</u>	<u>11,089,132</u>	<u>5,552,208</u>
<b>Fund Balances - Ending</b>	<u>\$ 63,686,196</u>	<u>\$ 15,482,980</u>	<u>\$ 8,136,191</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 2,070,144	\$ 47,617,793
208,526	3,075,646
26,380	4,555,635
371,967	1,458,299
35,960,037	192,500,322
2,224,162	17,427,853
346,566	3,809,338
<u>41,207,782</u>	<u>270,444,886</u>

785,475	9,571,907
12,121,830	73,929,917
1,119,535	18,406,798
24,122,492	53,596,348
518,350	94,121,171
--	1,413,145
--	121,309
4,395,742	4,395,742
<u>43,063,424</u>	<u>255,556,337</u>

<u>(1,855,642)</u>	<u>14,888,549</u>
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5,706,801	30,069,893
(1,220,040)	(30,593,708)
389,160	389,160
8,872	44,543
<u>4,884,793</u>	<u>(90,112)</u>

3,029,151	14,798,437
<u>38,103,285</u>	<u>113,639,366</u>

<u>\$ 41,132,436</u>	<u>\$ 128,437,803</u>
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**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, 2011

<b>Net Change in Fund Balances - Total Governmental Funds (page 25)</b>	\$	14,798,437
<p>Amounts reported for governmental activities in the Statement of Net Activities are different because:</p>		
Governmental funds report capital outlays as expenditures.		6,274,059
In the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		(5,604,830)
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.		(21,834)
Revenues that do not provide current financial resources are not reported as revenues in the funds.		(1,059,620)
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.		1,970,595
Proceeds from debt are a financing source in the Governmental Funds, but a liability in the Statement of Net Assets.		389,160
Interest on outstanding debt is reported as an expenditure when due in the Governmental Funds, but is accrued in the Statement of Activities.		70,335
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.		197,382
Other Post Employment Benefits are reported as an expense when contributions are made in the governmental funds, but are accrued in the Statement of Activities.		(8,806,000)
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.		1,310,773
<b>Change in Net Assets of Governmental Activities (page 22)</b>	<b>\$</b>	<b>9,462,245</b>

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

**COUNTY OF SHASTA**

Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	Business-Type Activities					Internal Service Funds
	Solid Waste Disposal	West Central Landfill	Fall River Mills Airport	Non-Major Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 2,947,434	\$ 12,929,084	\$ 47,050	\$ 1,955,320	\$ 17,878,888	\$ 39,289,415
Receivables, net	482,569	--	1,035	195,001	678,605	402,935
Due from other governments	27,428	691,261	24,699	130,852	874,240	17,914
Inventories	--	--	52,022	--	52,022	93,500
Due from other funds	--	--	--	19,563	19,563	42,394
Other assets	--	--	--	2,748	2,748	20,241
<b>Total current assets</b>	<b>3,457,431</b>	<b>13,620,345</b>	<b>124,806</b>	<b>2,303,484</b>	<b>19,506,066</b>	<b>39,866,399</b>
Noncurrent assets:						
Special assessments receivable	--	--	--	1,191,023	1,191,023	--
Advances to other funds	--	--	--	--	--	435,991
Cash and investments - restricted	--	--	--	2,022	2,022	--
Capital assets, non depreciable	1,215,221	--	11,362,480	1,610,986	14,188,687	55,375
Capital assets, depreciable - net	10,104,649	--	336,773	8,034,440	18,475,862	2,763,171
<b>Total noncurrent assets</b>	<b>11,319,870</b>	<b>--</b>	<b>11,699,253</b>	<b>10,838,471</b>	<b>33,857,594</b>	<b>3,254,537</b>
<b>Total Assets</b>	<b>14,777,301</b>	<b>13,620,345</b>	<b>11,824,059</b>	<b>13,141,955</b>	<b>53,363,660</b>	<b>43,120,936</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	94,843	--	7,954	172,056	274,853	728,351
Retention payable	86,965	--	1,219	-	88,184	18,352
Salaries and benefits payable	--	--	--	--	--	242,542
Interest payable	19,478	--	289	16,483	36,250	--
Due to other governments	--	--	111	--	111	770
Due to other funds	46,405	--	--	100,060	146,465	218,740
Deposits from others	--	--	400	4,040	4,440	--
Claims payable	--	--	--	--	--	2,141,592
Compensated absences payable	--	--	--	--	--	215,991
Bonds, notes payable	118,492	--	9,821	82,773	211,086	--
<b>Total current liabilities</b>	<b>366,183</b>	<b>--</b>	<b>19,794</b>	<b>375,412</b>	<b>761,389</b>	<b>3,566,338</b>
Noncurrent liabilities:						
Claims payable	--	--	--	--	--	14,720,408
Advances from other funds	--	--	--	460,991	460,991	--
Compensated absences payable	--	--	--	--	--	200,384
Bonds, notes payable	1,545,112	--	--	1,250,352	2,795,464	--
Landfill closure/postclosure care costs	--	10,551,723	--	--	10,551,723	--
Net OPEB obligation	--	--	--	--	--	1,675,488
<b>Total noncurrent liabilities</b>	<b>1,545,112</b>	<b>10,551,723</b>	<b>--</b>	<b>1,711,343</b>	<b>13,808,178</b>	<b>16,596,280</b>
<b>Total Liabilities</b>	<b>1,911,295</b>	<b>10,551,723</b>	<b>19,794</b>	<b>2,086,755</b>	<b>14,569,567</b>	<b>20,162,618</b>
<b>NET ASSETS</b>						
Invested in capital assets, net	9,656,266	--	11,689,432	8,312,299	29,657,997	2,818,546
Restricted for debt service	--	--	--	2,022	2,022	--
Unrestricted	3,209,740	3,068,622	114,833	2,740,879	9,134,074	20,139,772
<b>Total Net Assets</b>	<b>\$ 12,866,006</b>	<b>\$ 3,068,622</b>	<b>\$ 11,804,265</b>	<b>\$ 11,055,200</b>	<b>\$ 38,794,093</b>	<b>\$ 22,958,318</b>

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, 2011

	Business-Type Activities					Internal Service Funds
	Solid Waste Disposal	West Central Landfill	Fall River Mills Airport	Non-Major Enterprise Funds	Total Enterprise Funds	
<b>OPERATING REVENUES</b>						
Charges for services	\$ 939,425	\$ 2,053,640	\$ 72,893	\$ 1,154,664	\$ 4,220,622	\$ 19,485,659
<b>OPERATING EXPENSES</b>						
Salaries and benefits	--	--	--	--	--	7,610,118
Services and supplies	427,302	--	61,349	1,204,899	1,693,550	5,941,929
Central service costs	3,493	--	5,335	42,610	51,438	1,140,013
Insurance premiums	--	--	--	--	--	1,400,269
Claims expense	--	--	--	--	--	2,453,161
Depreciation	369,665	--	15,616	528,953	914,234	819,113
Landfill closure/postclosure care costs	--	505,621	--	--	505,621	--
<b>Total Operating Expenses</b>	<u>800,460</u>	<u>505,621</u>	<u>82,300</u>	<u>1,776,462</u>	<u>3,164,843</u>	<u>19,364,603</u>
<b>Operating Income (Loss)</b>	<u>138,965</u>	<u>1,548,019</u>	<u>(9,407)</u>	<u>(621,798)</u>	<u>1,055,779</u>	<u>121,056</u>
<b>NON-OPERATING REVENUES</b>						
<b>(EXPENSES)</b>						
Investment income (loss)	19,306	100,098	638	14,638	134,680	300,189
Property tax revenue	--	--	--	23,366	23,366	--
Grants	--	--	20,000	--	20,000	--
Special assessments	--	--	--	39,871	39,871	--
Miscellaneous revenue	12	--	--	4,729	4,741	345,660
Miscellaneous expense	(8)	--	--	(54,972)	(54,980)	--
Interest expense	(6,536)	--	(698)	(78,046)	(85,280)	--
Gain (loss) on sale of capital assets	--	--	--	--	--	19,238
<b>Total Non-Operating Revenues</b>						
<b>(Expenses)</b>	<u>12,774</u>	<u>100,098</u>	<u>19,940</u>	<u>(50,414)</u>	<u>82,398</u>	<u>665,087</u>
<b>Net Income (Loss) Before Capital</b>	151,739	1,648,117	10,533	(672,212)	1,138,177	786,143
<b>Contributions and Transfers</b>						
Capital contributions	--	--	--	--	--	815
Capital improvement fees	--	--	--	19,892	19,892	--
Capital grants	--	--	107,798	489,145	596,943	--
Transfers in	2,250,554	--	--	--	2,250,554	805,086
Transfers out	--	(2,250,554)	--	--	(2,250,554)	(281,271)
<b>Change in Net Assets</b>	2,402,293	(602,437)	118,331	(163,175)	1,755,012	1,310,773
<b>Net Assets - Beginning</b>	<u>10,463,713</u>	<u>3,671,059</u>	<u>11,685,934</u>	<u>11,218,375</u>	<u>37,039,081</u>	<u>21,647,545</u>
<b>Net Assets - Ending</b>	<u>\$ 12,866,006</u>	<u>\$ 3,068,622</u>	<u>\$ 11,804,265</u>	<u>\$ 11,055,200</u>	<u>\$ 38,794,093</u>	<u>\$ 22,958,318</u>

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

# COUNTY OF SHASTA

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2011

	Business-Type Activities					Internal Service Funds
	Solid Waste Disposal	West Central Landfill	Fall River Mills Airport	Non-Major Enterprise Funds	Total Enterprise Funds	
<b>Cash Flows from Operating Activities:</b>						
Receipts from customers	\$ 850,795	\$ 1,935,093	\$ 72,252	\$ 1,181,121	\$ 4,039,261	\$ 19,412,881
Payments to suppliers	(435,199)	--	(94,587)	(1,250,986)	(1,780,772)	(8,323,943)
Payments to employees	--	--	--	--	--	(7,041,277)
Operating subsidies and transfers	--	--	--	100,000	100,000	--
Claims paid	--	--	--	--	--	(2,453,783)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>415,596</u>	<u>1,935,093</u>	<u>(22,335)</u>	<u>30,135</u>	<u>2,358,489</u>	<u>1,593,878</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Other revenue (expense)	4	--	--	1,431	1,435	345,660
Property taxes	--	--	--	2,950	2,950	--
Non-capital grants received	--	--	20,000	--	20,000	--
Operating subsidies and transfers out	2,250,554	(2,204,947)	--	(20,338)	25,269	541,653
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>2,250,558</u>	<u>(2,204,947)</u>	<u>20,000</u>	<u>(15,957)</u>	<u>49,654</u>	<u>887,313</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(2,123,977)	--	(100,974)	(630,166)	(2,855,117)	(781,002)
Proceeds from sale of capital assets	--	--	--	--	--	42,228
Capital improvement fees	--	--	--	19,892	19,892	--
Principal payments on debt	(670,254)	--	(9,611)	(136,984)	(816,849)	--
Proceeds from capital debt	--	--	--	100,000	100,000	--
Special assessments	--	--	--	134,694	134,694	--
Capital grants received	--	--	94,119	360,565	454,684	--
Interest payments on debt	(21,760)	--	(981)	(81,340)	(104,081)	--
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(2,815,991)</u>	<u>--</u>	<u>(17,447)</u>	<u>(233,339)</u>	<u>(3,066,777)</u>	<u>(738,774)</u>
<b>Cash Flows From Investing Activities:</b>						
Income on investments	19,306	100,098	638	14,638	134,680	300,189
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(130,531)</u>	<u>(169,756)</u>	<u>(19,144)</u>	<u>(204,523)</u>	<u>(523,954)</u>	<u>2,042,606</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>3,077,965</u>	<u>13,098,840</u>	<u>66,194</u>	<u>2,161,865</u>	<u>18,404,864</u>	<u>37,246,809</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,947,434</u>	<u>\$ 12,929,084</u>	<u>\$ 47,050</u>	<u>\$ 1,957,342</u>	<u>\$ 17,880,910</u>	<u>\$ 39,289,415</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 138,965	\$ 1,548,019	\$ (9,407)	\$ (621,798)	\$ 1,055,779	\$ 121,056
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:						
Depreciation expense	369,665	--	15,616	528,953	914,234	819,113
Landfill closure/postclosure care expense	--	505,621	--	--	505,621	--
Changes in assets and liabilities:						
Receivables, net	(79,060)	--	(1,035)	24,791	(55,304)	(91,750)
Due from other funds	--	--	394	1,171	1,565	(41,961)
Due from other governments	(10,210)	(118,547)	111	--	(128,646)	10,314
Inventories	--	--	(22,110)	(35)	(22,145)	20,864
Other assets	--	--	--	(2,155)	(2,155)	43,719
Accounts payable	(4,404)	--	(5,904)	(447)	(10,755)	97,695
Salaries and benefits payable	--	--	--	--	--	36,676
Due to other funds	640	--	--	99,155	99,795	119,502
Due to other governments	--	--	--	500	500	(73,515)
Compensated absences payable	--	--	--	--	--	22,165
Net OPEB obligation	--	--	--	--	--	510,000
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 415,596</u>	<u>\$ 1,935,093</u>	<u>\$ (22,335)</u>	<u>\$ 30,135</u>	<u>\$ 2,358,489</u>	<u>\$ 1,593,878</u>

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

COUNTY OF SHASTA

Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

	Investment Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and investments	\$ 140,068,217	\$ 21,685,308
Accounts receivable, net	15,739	343,839
Taxes receivable, net	--	19,035,711
Due from other governments	454,039	5,765,103
Due from other funds	1,498,615	4,559,535
<b>Totals Assets</b>	<u><u>\$ 142,036,610</u></u>	<u><u>\$ 51,389,496</u></u>
<b>LIABILITIES</b>		
Due to other funds	\$ 1,157,345	\$ 5,619,725
Due to other governments	70,299	3,211,540
Taxes due to other funds	--	23,384,276
Agency funds liabilities	--	19,173,955
<b>Total Liabilities</b>	<u><u>1,227,644</u></u>	<u><u>\$ 51,389,496</u></u>
<b>NET ASSETS</b>		
Net assets held in trust for investment pool participants	<u><u>\$ 140,808,966</u></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, 2011

<b>ADDITIONS:</b>	
Contributions to investment pool	\$ 517,818,936
<b>DEDUCTONS:</b>	
Distributions from investment pool	<u>516,546,552</u>
<b>CHANGE IN NET ASSETS</b>	1,272,384
<b>NET ASSETS, BEGINNING</b>	<u>139,536,582</u>
<b>NET ASSETS, ENDING</b>	<u><u>\$ 140,808,966</u></u>

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

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# COUNTY OF SHASTA

Notes to the Financial Statements  
June 30, 2011

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 unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize its legal separation from the County.

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

### 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
- Foxwood Estates PRD
- Marianas Way
- Millville Way PRD
- Mount Lassen Woods PRD
- Mountain Gate Meadows PRD
- Mule Mountain Parkway
- North Chapparal Drive PRD
- Old Stagecoach Road
- Palo Cedro Oaks PRD
- Ponder Way PRD
- Ritts Mill Road PRD
- River Hills Estates
- Robledo Road PRD
- Rocky Ledge Estates PRD
- Rolland Country Estates PRD
- Santa Barbara Estates
- Santa Barbara 1868 Unit 2 PRD
- Santa Barbara 3\_4 PRD
- Shasta Lake Ranchos PRD
- Shasta Meadows PRD
- Shelly Lane PRD
- Ski Way PRD
- Silver Saddle Estates PRD
- Sleeping Bull Estates PRD

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

#### A. Component Units (continued)

- Fullerton Way PRD
- Garth Drive EFER PRD
- Holiday Acres PRD
- Honeybee Acres PRD
- Intermountain Road PRD
- Jennifer Drive EFER PRD
- Jordan Manor PRD
- L & R Estates PRD
- Laverne Lane PRD
- Lark Court
- Latona Road
- Logan Road
- Los Palos EFER PRD
- Manor Crest
- Manton Heights
- Manzanillo Orchard
- Sonora Trail PRD
- Squaw Carpet Fire Access PRD
- Sterling Ranch PRD
- Stillwater Ranch PRD
- Terri Lee Terrace PRD
- Timber Ridge PRD
- Tract 1323
- Valparaiso Way PRD
- Vedder Road PRD
- Victoria Highlands Estates PRD
- Village Green PRD
- Waterleaf Estates PRD
- Westview Road EFER PRD
- Wisteria Estates PRD
- Woggon Lane PRD
- White Oak Manor 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 the Financial Statements  
June 30, 2011

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 unit*** is reported in a separate column in the County's government-wide Statement of Net Assets and Statement of Activities:

The *Shasta 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.

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

## COUNTY OF SHASTA

Notes to the Financial Statements  
June 30, 2011

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

### A. **Component Units** (continued)

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

### B. **Related Organizations**

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

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

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

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

# COUNTY OF SHASTA

Notes to the Financial Statements  
June 30, 2011

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

**B. Related Organizations** (continued)

The *Regional Transportation Planning Agency* (RTPA) provides transportation planning services and administers the metropolitan transportation planning organization (MPO) function for local jurisdictions within the County. In 1981, the Agency, the City of Redding, the Redding Area Bus Authority, the City of Anderson, the County of Shasta, and Caltrans approved a Memorandum of Understanding outlining the obligations and responsibilities of the MPO.

**C. Basis of Presentation**

Government-wide Financial Statements

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

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

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

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

##### Fund Financial Statements

Separate fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. The focus of governmental and proprietary fund financial statements is on major funds and each major fund is presented in a separate column. Nonmajor 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 *Roads Administrative Fund* is used to account for the activities associated with road maintenance and bridge construction.

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 the Financial Statements  
June 30, 2011

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

### C. **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.

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

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

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

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues available if they are collected within one hundred eighty (180) days of the end of the current fiscal period. 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.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

### E. **Cash and Investments**

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are stated at fair value based on market prices. Earnings of the investment pool are apportioned 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 Courthouse, Administrative 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; and the Housing Authority Trust Fund Account, as a component unit of Agency Funds. Some cash and investments of the Shasta Joint Powers Financing Authority, a component unit of the General Fund, are accounted for in Debt Service Funds.

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

#### E. **Cash and Investments** (continued)

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

#### F. **Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other 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 15<sup>th</sup> 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.

#### G. **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 non-spendable.

COUNTY OF SHASTA

Notes to the Financial Statements  
June 30, 2011

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

H. **Capital Assets**

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

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

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

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

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

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

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

	Secured	Unsecured
Lien/Valuation date	January 1	January 1
Levy date	September 12	July 15
Due 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.

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

### J. Lease Obligations

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

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

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

### L. Employee Compensated Absences

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

### M. Fund Equity

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balances for governmental funds consist of the following categories:

Nonspendable Fund Balance – includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact (such as inventories or prepaid amounts).

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

#### M. **Fund Equity** (continued)

Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by external parties (such as creditors, grant providers, or contributors) or by law.

Committed Fund Balance – includes amounts that can be used only for the specific purpose determined by the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action. The formal action must occur prior to the end of the reporting period. The amount which will be subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance – is comprised of amounts intended to be used by the government entity for specific purposes that are neither restricted nor committed. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board delegates the authority. Assigned fund balance can be used to eliminate a projected budgetary deficit in the subsequent year's budget.

Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

#### N. **Use of Estimates**

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

### 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 to comply with 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

COUNTY OF SHASTA

Notes to the Financial Statements  
June 30, 2011

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

A. **Cash Management** (continued)

“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 38 percent of the total treasury investment pool (including County Operational funds). Special districts and various trust funds approximate 3 percent of the investment pool and the extent of involuntary participation cannot be determined at this time. County operational funds comprise the remaining 59 percent of the investment pool.

At June 30, 2011, total County cash and investments were as follows:

*Cash:*

Cash on hand and imprest cash	\$ 49,613
Deposits	<u>8,740,241</u>
Total cash and deposits	<u>8,789,854</u>

*Investments:*

In Treasurer’s pool	330,583,139
External to the Treasurer’s pool	<u>4,539,140</u>
Total investments	<u>335,122,279</u>

*In-transit items:*

Outstanding checks	(12,078,065)
EFTs	<u>(350,994)</u>
	<u>(12,429,059)</u>

Total cash and investments	<u>\$ 331,483,074</u>
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# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

A. **Cash Management** (continued)

Total cash and investments at June 30, 2011 were presented on the County's financial statements as follows:

Primary government	\$ 161,734,667
Primary government - restricted cash	4,284,477
Component units	3,710,405
Investment trust funds	140,068,217
Agency funds	<u>21,685,308</u>
 Total cash and investments	 <u><u>\$ 331,483,074</u></u>

**Investments**

At June 30, 2011, the County had the following investments:

	Interest Rates	Maturities	Par	Fair Value	WAM (Years)
<b>Investments in Investment Pool</b>					
Local Agency Investment Fund	0.48%	07/01/11	\$ 50,000,000	\$ 50,078,823	0.00
LIR Treasury Securities Fund	0.10%	07/01/11	15,000,000	15,000,000	0.00
U.S. Treasury Bills and Notes	0.79%	10/31/11	5,000,000	5,015,250	0.34
Commercial Paper	0.36% - 0.54%	08/09/11 - 08/22/11	10,000,000	9,996,950	0.26
Federal Farm Credit	0.55% - 1.62%	07/13/11 - 05/02/14	75,000,000	75,267,100	2.12
Federal Home Loan Bank	0.80% - 1.50%	07/26/12 - 06/20/14	55,000,000	55,059,100	2.11
Federal National Mortgage	0.50% - 1.50%	11/23/11 - 04/18/14	55,000,000	55,178,700	2.14
Federal Home Loan Mortgage Corporation	0.80% - 1.59%	12/15/11 - 06/27/14	64,860,000	64,976,371	2.40
Government National Mortgage Association	8.00% - 9.50%	05/17 /17 - 08/15/17	9,876	10,845	3.74
			<u>\$ 329,869,876</u>	<u>\$ 330,583,139</u>	
<b>Investments outside Investment Pool</b>					
Shasta Lake Local Agency Investment Fund	0.48%	06/30/11	\$ 249,997	\$ 249,997	0.00
Investments with fiscal agent	0.01% - 0.48%	06/30/11	4,289,143	4,289,143	0.00
			<u>\$ 4,539,140</u>	<u>\$ 4,539,140</u>	
 <b>Total Investments</b>			 <u><u>\$ 334,409,016</u></u>	 <u><u>\$ 335,122,279</u></u>	

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

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

A. **Cash Management** (continued)

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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, 2011.

	<u>Moody's</u>	<u>S&amp;P</u>	<u>% of Portfolio</u>
<b>Investments in Investment Pool</b>			
Local Agency Investment Fund	Unrated	Unrated	15.14%
LIR Treasury Securities Fund	Aaa	AAA	4.54%
U.S. Treasury Bills and Notes	Aaa	AAA	1.52%
Commercial Paper	P-1	A-1	3.02%
Federal Farm Credits	Aaa	AAA	22.77%
Federal Home Loan Bank	Aaa	AAA	16.66%
Federal National Mortgage	Aaa	AAA	16.70%
Federal Home Loan Mortgage Corporation	Aaa	AAA	19.65%
Government National Mortgage Association	Aaa	AAA	0.00%
			<u>100.00%</u>

At June 30, 2011 the County had the following investments in any one issuer that represent 5 percent or more of the total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded because they are not a concentration of credit risk.

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

A. **Cash Management** (continued)

Concentration of Credit Risk (continued)

	<u>% of Portfolio</u>	<u>Amount</u>
Federal Farm Credit	22.77%	\$ 75,267,100
Federal Home Loan Bank	16.66%	55,059,100
Federal National Mortgage	16.70%	55,178,700
Federal Home Loan Mortgage Corp.	19.65%	64,976,371

Custodial Credit Risk

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

Local Agency Investment Fund

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

At June 30, 2011, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$50,000,000 (fair value of \$50,078,823) and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$66,384,617,119; 100% of which was invested in other non-derivative financial products.

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

A. **Cash Management** (continued)

County Investment Pool Condensed Financial Statements

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2011:

**Statement of Net Assets**

**Assets:**

Investments	\$ 330,583,139
Other deposits	6,405,983
Cash	23,304
Total assets	<u>337,012,426</u>

**In-transit items:**

Outstanding checks and warrants payable	(12,078,065)
EFTs	(350,994)
Total in-transit items	<u>(12,429,059)</u>

**Net Assets:**

Equity of internal pool participants	184,425,768
Equity of external pool participants	140,157,599
Total net assets	<u>\$ 324,583,367</u>

**Statement of Changes in Net Assets**

Investment earnings	\$ 3,257,701
Investment expenses	(661,470)
Net contribution to pool participants	<u>3,037,372</u>
Increase in Net Assets	5,633,603
Net assets at July 1, 2010	<u>318,949,764</u>
Net assets at June 30, 2011	<u>\$ 324,583,367</u>

## COUNTY OF SHASTA

### Notes to the Financial Statements June 30, 2011

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

#### B. Allocations of Investment Income Among Funds

Investment income from pooled investments is allocated first to those funds, which are required by law or administrative action to receive investment income, and then to the Proprietary Funds. Investment income 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, and Shasta Joint Powers Financing Authority. 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	10%	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	80%	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
County Pooled Investment Funds	2 years	None	5%
Inactive Public Deposits**	None	None	7.5%
Local Agency Investment Fund (LAIF)	N/A	None	None

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

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

# COUNTY OF SHASTA

## Notes to the Financial Statements June 30, 2011

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

C. **Authorized Investments** (continued)

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".

## COUNTY OF SHASTA

### Notes to the Financial Statements June 30, 2011

Note 3: **Notes Receivables**

Notes receivables at year-end in the amount of \$9,500,742, as reported in the governmental non-major funds, include \$3,460,894 in loans to individuals for housing rehabilitation, and \$5,175,291 for the purchase of a home. The maximum original amount of these notes is \$96,000 per owner occupied home or \$96,000 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.

The remaining \$864,557 consist of real property rehabilitation deferred loans to the follow 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	<u>296,868</u>
	<u><u>\$ 864,557</u></u>

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

Note 4: **Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land and improvements	\$ 2,528,063	\$ 20,400	\$ --	\$ --	\$ 2,548,463
Construction in progress	7,067,102	4,777,612	--	(8,280,594)	3,564,120
Total Capital Assets Not Being Depreciated	<u>9,595,165</u>	<u>4,798,012</u>	<u>--</u>	<u>(8,280,594)</u>	<u>6,112,583</u>
Capital assets being depreciated:					
Structures and improvements	98,091,204	--	--	5,668,608	103,759,812
Long-term leasehold improvements	964,957	--	(41,889)	--	923,068
Equipment	43,881,861	2,326,408	(1,504,682)	71,381	44,774,968
Infrastructure	112,086,967	--	--	2,540,605	114,627,572
Total Capital Assets Being Depreciated	<u>255,024,989</u>	<u>2,326,408</u>	<u>(1,546,571)</u>	<u>8,280,594</u>	<u>264,085,420</u>
Less accumulated depreciation for:					
Structures and Improvements	(32,297,943)	(1,958,360)	--	--	(34,256,303)
Long-term leasehold improvements	(445,616)	(10,746)	34,096	--	(422,266)
Equipment	(29,294,156)	(3,241,230)	1,442,896	--	(31,092,490)
Infrastructure	(62,492,862)	(1,213,605)	--	--	(63,706,467)
Total Accumulated Depreciation	<u>(124,530,577)</u>	<u>(6,423,941)</u>	<u>1,476,992</u>	<u>--</u>	<u>(129,477,526)</u>
Total Capital Assets Being Depreciated, Net	<u>130,494,412</u>	<u>(4,097,533)</u>	<u>(69,579)</u>	<u>8,280,594</u>	<u>134,607,894</u>
Governmental Activities Capital Assets, Net	<u>\$ 140,089,577</u>	<u>\$ 700,479</u>	<u>\$ (69,579)</u>	<u>\$ --</u>	<u>\$ 140,720,477</u>

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

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

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land and improvements	\$ 1,804,777	\$ 8,810	\$ --	\$ --	\$ 1,813,587
Construction in progress	11,321,461	3,142,021	--	(2,088,382)	12,375,100
Total Capital Assets Not Being Depreciated	<u>13,126,238</u>	<u>3,150,831</u>	<u>--</u>	<u>(2,088,382)</u>	<u>14,188,687</u>
Capital assets being depreciated:					
Structures and improvements	48,982,853	39,253	--	2,088,382	51,110,488
Equipment	263,100	--	--	--	263,100
Total Capital Assets Being Depreciated	<u>49,245,953</u>	<u>39,253</u>	<u>--</u>	<u>2,088,382</u>	<u>51,373,588</u>
Less accumulated depreciation for:					
Structures and Improvements	(31,729,628)	(911,575)	--	--	(32,641,203)
Equipment	(253,864)	(2,659)	--	--	(256,523)
Total Accumulated Depreciation	<u>(31,983,492)</u>	<u>(914,234)</u>	<u>--</u>	<u>--</u>	<u>(32,897,726)</u>
Total Capital Assets Being Depreciated, Net	<u>17,262,461</u>	<u>(874,981)</u>	<u>--</u>	<u>2,088,382</u>	<u>18,475,862</u>
Business-Type Activities Capital Assets, Net	<u>\$ 30,388,699</u>	<u>\$ 2,275,850</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 32,664,549</u>

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

**Governmental Activities**

General government	\$ 2,220,030
Public protection	1,148,652
Public ways	1,939,587
Health and sanitation	176,428
Public assistance	119,339
Education	794
Capital assets held by the County's internal service funds are charged to the various functions based on the usage of the assets	<u>819,111</u>
Total Depreciation Expenses Governmental Activities	<u>\$ 6,423,941</u>

**Business-Type Activities**

Airport	\$ 15,616
Solid Waste	369,665
County Service Areas	<u>528,953</u>
Total Depreciation Expenses Business-Type Activities	<u>\$ 914,234</u>

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 5: **Interfund Transactions**

**Interfund Receivables/Payables**

*Due to/from Other Funds:*

Interfund receivable and payable balances at June 30, 2011, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Roads Admin. Fund	\$ 492
	Public Safety Fund	7,549
	Nonmajor Governmental Funds	1,024,595
	Internal Service Funds	148,788
	Solid Waste Disposal Fund	46,405
	Nonmajor Enterprise Funds	100,060
	Investment Trust Fund	68
	Agency Funds	<u>239,385</u>
		<u>1,567,342</u>
Roads Fund	Agency Funds	<u>248,863</u>
Public Safety Fund	General Fund	71,092
	Nonmajor Governmental Funds	18,146
	Internal Service Funds	53,383
	Agency Funds	143,404
	Component Units	<u>24,357</u>
		<u>310,382</u>
Nonmajor Governmental Funds	General Fund	126,806
	Public Safety Fund	1,515
	Nonmajor Governmental Funds	6,617
	Internal Service Funds	9,176
	Component Units	53,746
	Investment Trust Fund	845
	Agency Funds	<u>104,963</u>
		<u>303,668</u>

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

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

**Interfund Receivables/Payables** (continued)

*Due to/from Other Funds (continued):*

Receivable Fund	Payable Fund	Amount
Internal Service Funds	General Fund	\$ 4,143
	Public Safety Fund	27,326
	Nonmajor Governmental Funds	3,532
	Internal Service Funds	7,393
		42,394
Nonmajor Enterprise Funds	Agency Funds	19,563
Agency Funds	General Fund	1,194
	Roads Admin. Fund	21,026
	Nonmajor Governmental Funds	67
	Investment Trust Fund	1,093
	Agency Funds	4,536,155
		4,559,535
Investment Trust Funds	Roads Admin. Fund	15,884
	Investment Trust Fund	1,155,339
	Agency Funds	327,392
		1,498,615
		\$ 8,550,362

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

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:

Receivable Fund	Payable Fund	Amount
General Fund	Public Safety Fund	\$ 211,812
	Nonmajor Governmental Funds	79,713
		291,525
Roads Fund	Nonmajor Governmental Funds	52,193
		52,193
Nonmajor Governmental Funds	Nonmajor Governmental Funds	668,533
	Nonmajor Enterprise Funds	25,000
		693,533
Internal Service Funds	Nonmajor Enterprise Funds	435,991
		\$ 1,473,242

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

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

**Interfund Receivables/Payables** (continued)

***Transfers:***

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) 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, 2011, consisted of the following:

Paying Fund	Receiving Fund	Amount	Purpose
General Fund	Public Safety Fund	\$ 22,775,065	Funding of operational expenditures
	Nonmajor Governmental Funds	4,874,113	Funding of operational expenditures
	Internal Service Funds	<u>805,086</u>	Purchase of vehicles and funding operational expenses
		<u>28,454,264</u>	
Roads	Nonmajor Governmental Funds	<u>639</u>	Funding of operational expenditures
Public Safety Fund	General Fund	367,987	Funding of capital improvement projects and share of Social Services program
	Nonmajor Governmental Funds	<u>550,778</u>	Funding of operational expenditures
		<u>918,765</u>	
Nonmajor Governmental Funds	General Fund	809,411	Funding of capital improvement projects
	Public Safety Fund	<u>410,629</u>	Funding of operational expenditures
		<u>1,220,040</u>	
West Central Landfill Fund	Solid Waste Disposal Fund	<u>2,250,554</u>	Funding of capital improvement projects
Internal Service Funds	Nonmajor Governmental Funds	<u>281,271</u>	Funding of operational expenditures
		<u>\$ 33,125,533</u>	

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 6: **Short-Term Debt**

The County entered into a short-term promissory note with Umpqua Bank to provide interim financing for the design of the Elk Trail Water Improvement project.

**A. Changes in Short-Term Obligation**

The short-term debt activity for the year consisted of the following:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Umpqua Bank promissory note	\$ --	\$ 325,000	\$ 325,000	\$ --

Note 7: **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:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable:					
Lease revenue bonds	\$ 47,610,000	\$ --	\$ 1,745,000	\$ 45,865,000	\$ 1,835,000
Unamortized bond premium	1,083,785	--	46,995	1,036,790	46,995
Total Bonds payable	48,693,785	--	1,791,995	46,901,790	1,881,995
Notes payable	--	389,160	--	389,160	--
Claims liability	16,862,000	2,453,161	2,453,161	16,862,000	2,141,592
Capital leases obligations	1,114,141	--	225,595	888,546	237,617
Compensated absences	8,525,299	8,825,237	9,000,456	8,350,080	4,331,539
Governmental Activities Long-Term Liabilities	<u>\$ 75,195,225</u>	<u>\$ 11,667,558</u>	<u>\$ 13,471,207</u>	<u>\$ 73,391,576</u>	<u>\$ 8,592,743</u>

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 7: **Long-Term Liabilities** (continued)

**A. Changes in Long-Term Obligations** (continued)

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Amounts Due Within One Year
<b>Business-Type Activities</b>					
Bonds payable	\$ 1,698,460	\$ --	\$ 669,622	\$ 1,028,838	\$ 59,273
Financing leases	1,778,858	--	115,254	1,663,604	118,492
Notes payable	246,081	100,000	31,973	314,108	33,321
Liability for landfill closure/ postclosure care costs	10,046,102	505,621	--	10,551,723	--
	<u>10,046,102</u>	<u>505,621</u>	<u>--</u>	<u>10,551,723</u>	<u>--</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 13,769,501</u>	<u>\$ 605,621</u>	<u>\$ 816,849</u>	<u>\$ 13,558,273</u>	<u>\$ 211,086</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, 2011
<b><u>Governmental activities</u></b>						
<b>Bonds Payable:</b>						
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	\$ 5,880,000
2003 Lease Revenue Bonds – Administration Center	2003	2033	4.00-5.25%	\$750,000 - \$2,735,000	42,575,000	37,590,000
2003 Refunding Lease Revenue Bonds Justice Center	2004	2014	2.00-4.125%	\$420,000 - \$645,000	5,705,000	<u>2,395,000</u>
Total Governmental Bonds Payable						<u>45,865,000</u>
<b>Notes Payable</b>						
State of California, Energy Resources Conservation and Development Commission	2011	2024	3.00%	\$54,190	389,160	<u>389,160</u>
						<u>\$ 46,254,160</u>

During the current year the County entered into a \$527,380 promissory note with State of California, Energy Resources Conservation and Development Commission. As of June 30, 2011 the County had received advances on the note totaling \$389,160.

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 7: **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, 2011</u>
<b><u>Business-Type Activities</u></b>						
<b>Bonds Payable:</b>						
Solid Waste – Landfill Revenue Bonds 1997 Series A	1998	2010	3.85-5.00%	\$430,000 - \$625,000	\$ 6,790,000	\$ --
CSA No. 3 (Castella) Limited Obligation Improvement Bond	2009	2047	4.125%	\$2,000 - \$9,200	184,700	180,600
CSA No. 6 (Jones Valley) 1980 Revenue Bonds	1980	2020	5.00%	\$7,000 - \$30,000	537,000	228,000
CSA No. 6 (Jones Valley) Limited Obligation Bonds	1998	2038	4.75%	\$6,357 - \$38,000	802,789	590,000
CSA No. 8 (Palo Cedro) Sewer Bonds	1990	2001	6.00-9.20%	\$20,000	857,466	20,000
CSA No. 17 (Cottonwood) Sewer Bonds – Series B	1986	2025	5.00%	\$5,000 - \$164,000	651,400	--
CSA No. 17 (Cottonwood) Sewer Bonds – Series C	1986	2026	7.75%	\$500 - \$8,000	114,408	--
CSA No. 23 (Crag View) Water Bonds – Series A	1974	2013	5.00%	\$1,000 - \$4,000	103,000	8,000
CSA No. 23 (Crag View) Water Bonds – Series B	1975	2013	5.00%	\$185 - \$1,172	20,000	2,238
						<u>1,028,838</u>
<b>Financing Lease:</b>						
Solid Waste – California Infrastructure and Economic Bank	2007	2022	2.81%	\$109,039-\$160,723	\$ 2,000,000	\$ <u>1,663,604</u>
<b>Notes Payable:</b>						
CSA No. 2 (Sugar Loaf) Note Payable	1978	2016	5.00%	\$1,718 - \$5,053	91,500	20,261
CSA No. 6 (Jones Valley) Note Payable	2011	2042	0.00%	\$3,333	100,000	100,000
CSA No. 11 (French Gulch) Note Payable	1995	2019	3.41%	\$5,389 - \$24,063	420,000	184,026
Fall River Mills Airport Note Payable	1998	2011	5.05%	\$3,753 - \$9,821	90,000	9,821
						<u>314,108</u>
						<u>\$ 3,006,550</u>

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 7: **Long-Term Liabilities** (continued)

**B. Summary of Long-Term Obligations** (continued)

During the current year the CSA No. 6 (Jones Valley) entered into a funding agreement with the State of California Department of Public Health in which the State will provide grant funding of \$3,000,000 and a construction loan of \$3,928,000 for the upgrade of the water system. As of June 30, 2011 the County had not received any advances on this loan.

During the current year the CSA No. 23 entered into a funding agreement with the State of California Department of Public Health in which the State will provide grant funding of \$1,098,184 and a construction loan of \$274,546 for the upgrade of the water system. As of June 30, 2011 the County had not received any advances on this loan.

As of June 30, 2011, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Lease Revenue Bonds	
	Principal	Interest
2012	\$ 1,835,000	\$ 2,287,309
2013	1,925,000	2,202,508
2014	2,015,000	2,112,269
2015	2,125,000	2,016,515
2016	1,555,000	1,926,426
2017 - 2021	9,060,000	8,336,078
2022 - 2026	10,735,000	5,698,850
2027 - 2031	11,275,000	3,081,000
2032 - 2033	5,340,000	403,750
	<u>\$ 45,865,000</u>	<u>\$ 28,064,705</u>

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 7: **Long-Term Liabilities** (continued)

**B. Summary of Long-Term Obligations** (continued)

Year Ending June 30	Governmental Activities	
	Notes Payable	
	Principal	Interest
2012	\$ --	\$ --
2013	54,190	31,285
2014	54,190	14,842
2015	54,190	13,653
2016	54,190	12,461
2017 - 2021	172,400	27,010
	<u>\$ 389,160</u>	<u>\$ 99,251</u>

Year Ending June 30	Business-Type Activities	
	Bonds Payable	
	Principal	Interest
2012	\$ 59,273	\$ 48,031
2013	40,366	46,114
2014	37,300	44,116
2015	38,400	42,299
2016	40,500	39,454
2017 - 2021	203,300	165,352
2022 - 2026	112,500	127,416
2027 - 2031	141,500	97,870
2032 - 2036	172,200	61,156
3037 - 2041	126,200	22,090
2042 - 2046	39,200	7,912
2047 - 2048	18,099	753
	<u>\$ 1,028,838</u>	<u>\$ 702,563</u>

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 7: **Long-Term Liabilities** (continued)

**B. Summary of Long-Term Obligations** (continued)

Year Ending June 30	Business-Type Activities	
	Notes Payable	
	Principal	Interest
2012	\$ 33,321	\$ 7,619
2013	27,561	6,251
2014	28,466	5,346
2015	29,405	4,407
2016	26,523	3,431
2017 - 2021	98,832	5,697
2022 - 2026	16,667	--
2027 - 2031	16,667	--
2032 - 2036	16,667	--
2037 - 2041	16,667	--
2042 - 2046	3,332	--
	<u>\$ 314,108</u>	<u>\$ 32,751</u>

Year Ending June 30	Business-Type Activities	
	Financing Lease	
	Principal	Interest
2012	\$ 118,492	\$ 45,082
2013	121,822	41,706
2014	125,245	38,235
2015	128,764	34,666
2016	132,382	30,997
2017 - 2021	719,847	96,236
2022 - 2023	317,052	8,971
	<u>\$ 1,663,604</u>	<u>\$ 295,893</u>

COUNTY OF SHASTA

Notes to the Financial Statements  
June 30, 2011

Note 7: **Long-Term Liabilities** (continued)

B. **Summary of Long-Term Obligations** (continued)

Interest payments and lease revenue bonds are serviced by revenues generated from lease payments made by the general fund on lease facilities. Capital lease obligations are paid from the general fund. Claims and judgments will be paid from the County's risk management internal service funds. A majority of the claims are paid through internal service fund charges to the general fund and enterprise funds. Compensated absences liabilities will be paid by several of the County's funds, including the general fund, special revenue funds, and 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	\$5,230,372
Sick leave	1,937,877
Compensated time-off	440,634
Administrative leave	410,570
Holiday credit	330,627
Total	<u>\$8,350,080</u>

Note 8: **Capital Leases**

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

The cost of equipment under capital leases are as follows:

	<u>Governmental Activities</u>
Aircon Energy Retrofit	\$ 2,631,984
Less: accumulated depreciation	<u>(638,571)</u>
	<u>\$ 1,993,413</u>

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 8: **Capital Leases** (continued)

As of June 30, 2011, future minimum lease payments under capital leases were as follows:

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2011
	<u>                    </u>	<u>                    </u>
Aircon Energy Retrofit	5.26%	\$ 888,546
		<u>                    </u>
	Year Ending June 30	Governmental Activities
	<u>                    </u>	<u>                    </u>
	2012	\$ 281,271
	2013	281,271
	2014	281,271
	2015	140,635
		<u>                    </u>
Total Future Minimum Lease Payments		984,448
Less: Interest		<u>(95,902)</u>
Present Value of Remaining Lease Payments		<u>\$ 888,546</u>

Note 9: **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 \$23,674,890 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 Department of Resources Recycling and Recovery, as prepared by the county public works department. At June 30, 2011 the estimated

## COUNTY OF SHASTA

Notes to the Financial Statements  
June 30, 2011

Note 9: **Landfill Closure and Postclosure Costs** (continued)

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

percentage usage (filled) of the landfill site was 44.57 percent and the County has recognized an estimated liability of \$10,551,723 for the County landfill site for closure and postclosure maintenance costs. It is estimated that an additional \$13,123,167 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 \$10,551,723 and as of June 30, 2011 the County has set aside \$9,552,631, resulting in an unfunded liability of \$999,092. The County has developed a plan to address this situation, avoiding any substantial increases in the tipping fees.

## COUNTY OF SHASTA

### Notes to the Financial Statements June 30, 2011

#### Note 10: **Component Unit Condensed Financial Information**

##### Shasta Children and Families First Commission

Current and other assets	\$ 3,978,987
Capital assets, net	3,771
Total Assets	<u>3,982,758</u>
Current and other liabilities	2,273,794
Long-term liabilities	11,552
Total Liabilities	<u>2,285,346</u>
Invested in capital assets	3,771
Restricted	1,693,641
Total Net Assets	<u>\$ 1,697,412</u>
<b>Revenues</b>	
Aid from other governments	\$ 1,638,400
Use of money and property	27,541
Miscellaneous	105
Total Revenues	<u>1,666,046</u>
<b>Expenses</b>	
Operating expenses	1,816,774
Other expenses	1,868,099
Total Expenses	<u>3,684,873</u>
Change in net assets	(2,018,827)
Net assets, beginning	<u>3,716,239</u>
Net assets, ending	<u>\$ 1,697,412</u>

## COUNTY OF SHASTA

### Notes to the Financial Statements June 30, 2011

#### Note 11: **Fund Balances**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balances for governmental funds consist of the following categories:

Nonspendable Fund Balance – includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact (such as inventories or prepaid amounts).

Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by external parties (such as creditors, grant providers, or contributors) or by law.

Committed Fund Balance – includes amounts that can be used only for the specific purpose determined by the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action. The formal action must occur prior to the end of the reporting period. The amount which will be subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance – is comprised of amounts intended to be used by the government entity for specific purposes that are neither restricted nor committed. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board delegates the authority. Assigned fund balance can be used to eliminate a projected budgetary deficit in the subsequent year's budget.

Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purposes.

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 11: **Fund Balances** (continued)

The following is a summary of fund balances at June 30, 2011:

	General Fund	Roads Administration Fund	Public Safety Fund	Other Governmental Funds
Nonspendable:				
Inventory	\$ --	\$ 492,074	\$ --	\$ --
Prepaid expenses	33,072	1,168	996	67,046
Total Nonspendable	<u>33,072</u>	<u>493,242</u>	<u>996</u>	<u>67,046</u>
Restricted for:				
General government	9,024,729	--	--	--
Public protection	262,790	--	8,135,195	4,984,741
Public ways and facilities	--	14,989,738	--	2,494,013
Health and sanitation	645,035	--	--	13,489,355
Public assistance	10,616	--	--	9,683,112
Recreation	1,000	--	--	--
Debt Service	--	--	--	4,828,151
Total Restricted	<u>9,944,170</u>	<u>14,989,738</u>	<u>8,135,195</u>	<u>35,479,372</u>
Committed to:				
Public protection	--	--	--	933,333
Health and sanitation	--	--	--	19,596
Total Committed	<u>--</u>	<u>--</u>	<u>--</u>	<u>952,929</u>
Assigned to:				
General government	13,765,832	--	--	4,767,715
Public protection	10,824,503	--	--	--
Public ways and facilities	3,557	--	--	--
Health and sanitation	2,466,151	--	--	--
Public assistance	4,202,296	--	--	--
Education	317,687	--	--	--
Recreation	5,164,025	--	--	--
Total Assigned	<u>36,744,051</u>	<u>--</u>	<u>--</u>	<u>4,767,715</u>
Unassigned	<u>16,964,903</u>	<u>--</u>	<u>--</u>	<u>(134,626)</u>
Total Fund Balance	<u>\$ 63,686,196</u>	<u>\$ 15,482,980</u>	<u>\$ 8,136,191</u>	<u>\$ 41,132,436</u>

## COUNTY OF SHASTA

### Notes to the Financial Statements June 30, 2011

Note 11: **Fund Balances** (continued)

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

On March 1, 2011, the County Board approved a fund balance policy. The policy established a minimum reserve of twenty percent of the average final budgeted General Fund appropriations for the preceding three fiscal years, with an upper goal of fifty percent. A designation for debt service that is equal to one year of debt service payments will be maintained. Effective the fiscal year ending June 30, 2011, this category will be in the Assigned Fund Balance. Fund balance in excess of the upper goal may be considered for the following one-time or short-term purposes: restore funds advanced from the General Reserve in prior fiscal years; increase the General Reserve to its minimally approved level; capital and technology improvements; reduction of unfunded liabilities, including retirement and retiree health obligations; debt retirement; productivity enhancements; cost avoidance projects; litigation; local match for grants involving multiple departments; and other purposes which are fiscally prudent for the County as identified and recommended by the County Administrative Officer and approved by the Board of Supervisors.

On December 4, 2007, the County established a reserve policy for cash flow purposes, revenue shortfalls, or unpredicted one-time expenditures. The General Reserve has a target balance of five percent of unrestricted General Fund resources. In years where the General Reserve is less than the target balance, the County Administrative Officer may recommend increases to the reserve from unanticipated one-time resources. Once the target balance is achieved, the General Reserve shall be maintained at a minimum balance of ten million dollars and can be spent down a maximum of two million dollars per fiscal year. Reductions or increases to the General Reserve, except in cases of a legally declared emergency, may only be made at the time of adopting the budget and requires a four-fifths vote by the Board of Supervisors. The General Reserve shall be the last resort in balancing the County budget. The General Reserve may be used as a resource for “dry-period” financing for special districts under the Board of Supervisors, as well as select districts and/or agencies in the County at any time upon written request. Requests for loans for “dry-period financing” for special districts under the Board of Supervisors, as well as select districts and agencies in the County, shall be reviewed by the County Administrative Officer and approval requires a four-fifths vote of the Board of Supervisors.

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 11: **Fund Balances** (continued)

The following is a summary of encumbrances included in fund balances at June 30, 2011:

	<u>Restricted</u>	<u>Assigned</u>
General Fund:		
General government	\$ --	\$ 34,085
Public protection	--	8,529
Public ways and facilities	--	7,368
Public assistance	--	13,926
Education	--	21,517
Recreation	--	12,800
	<hr/>	<hr/>
Total General Fund	--	98,225
	<hr/>	<hr/>
Roads Fund:		
Public ways and facilities	370,311	--
	<hr/>	<hr/>
Public Safety Fund:		
Public protection	2,039	--
	<hr/>	<hr/>
Non-Major Governmental Funds:		
General government	--	12,120
Public protection	361,816	--
Health and sanitation	322,536	--
	<hr/>	<hr/>
Total Non-Major Governmental Funds	684,352	12,120
	<hr/>	<hr/>
Total Encumbrances Governmental Funds	<u>\$ 1,056,702</u>	<u>\$ 110,345</u>

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 12: **Risk Management**

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

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

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

The actuarially determined outstanding claims liability including incurred but not reported claims and expense liability adjustment as of June 30, 2011, were as follows:

General liability	\$ 1,614,000
Workers' compensation	<u>15,248,000</u>
Total	<u>\$ 16,862,000</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.

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, 2011 and 2010:

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

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

	2011	2010
Balance, Beginning of Year claims liability	\$16,862,000	\$17,045,000
Current year claims and changes in estimates	2,453,161	3,230,960
Claim payments	(2,453,161)	(3,413,960)
Balance, End of Year	\$16,862,000	\$16,862,000

Note 13: **Employee Retirement Systems**

**A. Plan Description**

The County of Shasta's defined benefit pension plan, County Employees Retirement Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County Employees Retirement Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The County of Shasta selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues 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.

**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.

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

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

**B. Funding Policy** (continued)

The required employer contribution rate for year ended June 30, 2011, was 11.560 percent for miscellaneous employees and 27.230 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 the year ended June 30, 2011 the County of Shasta's annual pension cost was \$13,270,876 (consisting of employer contributions of \$11,191,936 and employer paid member contributions of \$2,078,940) and the County of Shasta actually contributed \$13,270,876. The required contribution for the year ended June 30, 2011 was determined as part of the June 30, 2008 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	Annual Pension			Percentage of APC Contributed	Net Pension Obligation
	Ending	Miscellaneous	Safety		
6/30/2009	\$ 11,958,165	\$ 5,005,098	\$ 16,963,263	100%	\$ --
6/30/2010	11,773,454	4,686,946	16,460,400	100%	--
6/30/2011	9,467,740	3,803,136	13,270,876	100%	--

**D. Funded Status and Funding Progress**

The funding status of each plan as of June 30, 2009, the most recent actuarial valuation date is as follows:

Valuation Date	Miscellaneous					
	Entry Age Actuarial Value of Assets	Entry Age Normal Accrued Liability	Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/09	\$ 373,958,951	\$ 411,067,347	\$ 37,081,396	91.0%	\$ 75,253,300	49.3%

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

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

**D. Funded Status and Funding Progress** (continued)

**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>
6/30/09	\$ 131,580,129	\$ 159,688,093	\$ 28,107,964	82.4%	\$ 15,811,579	177.8%

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, 2009 valuation, the entry age normal 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 3.55 percent to 14.45 percent for miscellaneous members (from 3.55 percent to 13.15 percent for safety members), and (c) 3.25 percent cost-of-living adjustment. Both (a) and (b) include an inflation component 3.0 percent. The actuarial value of County Employees Retirement Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period depending on the size of investment gains and/or losses. County Employees Retirement Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 22 years for the miscellaneous plan and 22 years for the safety plan.

Note 14: **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. The requirements of GASB Statement No. 45 were adopted during the year ended June 30, 2008. The cost of post-employment healthcare in the year is now recognized when the employee services are received.

## COUNTY OF SHASTA

Notes to the Financial Statements  
June 30, 2011

Note 14: **Other Post-Employment Benefits** (continued)

### A. Plan Description

The County of Shasta Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the County. The plan provides healthcare benefits to eligible retirees and their dependents. The Plan does not issue a financial report.

The County provides retiree healthcare benefits to employees retiring directly from the County. Medical coverage is provided through CalPERS healthcare program (PEMHCA) except for County Trades and Crafts/Teamster provided through the union sponsored plan. The County pays a portion of retiree healthcare premiums, subject to caps which are based on the PEMHCA “unequal method”. The contribution caps also vary by bargaining unit and length of service according to bargaining agreements. PEMHCA law requires that the retirees receive the same healthcare benefits that are offered to the active employees. 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. No vision or life insurance benefits are provided. As of June 30, 2009, plan membership consisted of 1,626 active participants and 968 retirees and beneficiaries.

The County has prefunded a portion of its OPEB benefits in CalPERS OPEB trust (CERBT) and PARS trust.

The CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement 45. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information for the County, not individualized, but in aggregate with the other CERBT participating agencies. PARS also issues publicly available financial statements. These reports may be obtained by writing or calling the plans at the following addresses:

CERBT	State of California PERS – 400 Q St - Sacramento, CA 95811
PARS	Public Agency Retirement Services – 5141 California Avenue, Suite 150, Irvine, CA 92617-3069

### B. Funding Policy

Benefit provisions are established and may be amended through agreements and memorandums of understanding between the County, its management employees, and unions representing County employees.

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 14: **Other Post-Employment Benefits** (continued)

**B. Funding Policy** (continued)

The required contribution is based on pay-as-you-go financing requirements, with an initial \$12 million (\$10,034,000 for Miscellaneous and \$1,966,000 for Safety) for the year ended June 30, 2008 (contributed in December 2008) to prefund benefits and an additional 1% of payroll annually (beginning July 2008) to the CalPERS OPEB trust (CERBT) and PARS OPEB trust. The contributions are divided evenly between the CERBT and PARS trusts. For the year ended June 30, 2011, the County contributed \$5,357,404 (\$4,523,160 for Miscellaneous and \$834,244 for Safety), including \$4,559,335 (\$3,843,977 for Miscellaneous and \$715,358 for Safety) in benefit payments and \$798,069 (\$679,183 for Miscellaneous and \$118,886 for Safety) deposited to CERBT and PARS. The County's ARC was \$14,593,000 (\$11,599,000 for Miscellaneous and \$2,994,000 for Safety) for the year ended June 30, 2011.

**C. Annual OPEB Cost and Net OPEB Obligation**

The County's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table, based on the actuarial valuation as of June 30, 2009, 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 is thousands):

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual required contribution	\$ 11,599	\$ 2,994	\$ 14,593
Interest on net OPEB obligation	777	221	998
Adjustment to annual required contribution	(714)	(204)	(918)
Annual OPEB cost (expense)	11,662	3,011	14,673
Contributions (benefit payments)	4,523	834	5,357
Increase in net OPEB obligation	7,139	2,177	9,316
Net OPEB obligation – beginning of year	16,341	4,658	20,999
Net OPEB obligation – end of year	<u>\$ 23,480</u>	<u>\$ 6,835</u>	<u>\$ 30,315</u>

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 14: **Other Post-Employment Benefits** (continued)

**C. Annual OPEB Cost and Net OPEB Obligation** (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for years ended June 30, 2009 through 2011 are as follows (dollar amounts in thousands):

**Miscellaneous**

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$12,484	30.1%	\$ 8,634
June 30, 2010	11,277	31.7%	16,341
June 30, 2011	11,662	38.7%	23,480

**Safety**

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$3,243	24.3%	\$ 2,432
June 30, 2010	2,912	23.6%	4,658
June 30, 2011	3,011	27.6%	6,835

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2009, the plan's most recent actuarial valuation date, was as follows (dollar amounts in thousands):

**Miscellaneous**

<u>Valuation Date</u>	<u>Entry Age Actuarial Value of Assets</u>	<u>Entry Age Actuarial 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>
6/30/09	\$ 10,547	\$ 121,942	\$ 111,395	8.65%	\$ 64,862	171.74%

**COUNTY OF SHASTA**

Notes to the Financial Statements  
June 30, 2011

Note 14: **Other Post-Employment Benefits** (continued)

**D. Funded Status and Funding Progress** (continued)

**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>
6/30/09	\$ 2,797	\$ 32,337	\$ 29,540	8.65%	\$ 14,351	205.84%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the 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 required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**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 are consistent with the long-term perspective of the calculations.

For the June 30, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included (a) the discount rate is a select and ultimate assumption: 7.25% for 2007/08, 6% for 2008/09, 4.75% for 2009/10 through 2036/37, 5.50% for 2037/38 through 2042/43 and 7.25% for 2043/44 and years thereafter. The discount rates are 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) and 7.25% for the portion of the ARC funded. The 7.25% is representing the average return on the combined CERBT trust (7.75% return) and PARS trust (6.75% return for the HighMark Moderate portfolio to be selected by the County); (b) 3.25% annual aggregate payroll increase rate and (c) projected

## COUNTY OF SHASTA

### Notes to the Financial Statements June 30, 2011

Note 14: **Other Post-Employment Benefits** (continued)

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

healthcare cost increases of 8.4% (HMO) and 9.0% (PPO) for 2011 decreasing to 4.5% after 6 years (the post-Medicare medical cost trend starts 0.3% higher for 2011). Both (a) and (b) include an inflation component of 3.0%.

Implied subsidy for the County Trades and Crafts/Teamster union healthcare plans has been included in the calculations based on estimated PERS Choice Premium. Active employees and retirees are charged the same premium under the 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.

Note 15: **Commitments and Contingencies**

A. **Construction Commitments**

At June 30, 2011, the County has commitments of approximately \$4.6 million for construction contracts, awarded but not completed. The major contracts outstanding is for the 2011 Resurfacing Project, Swede Creek Road Widening Project and West Central Landfill Gas Collection System.

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, 2011 in accordance with the requirements of the Federal Single Audit Act of 1997 and the related United States Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

## COUNTY OF SHASTA

### Notes to the Financial Statements June 30, 2011

Note 16: **Deficit Fund Equity**

The Shasta RDA special revenue fund had a deficit fund balance of \$107,061 at year end. The County plans to eliminate the deficit equity in subsequent years through a reduction in expenditures and/or subsidies from other funds.

Note 17: **Subsequent Event**

On November 1, 2011, the County entered into a financing agreement with Bank of America for \$5,325,000 to prepay the 1998 Series A Lease Revenue Bonds – Courthouse Improvements. Payments on the bonds are due semi-annually on December 1 and June 1 of each year through 2023. The interest rate on the amount financed is 2.65 percent.

**REQUIRED SUPPLEMENTARY INFORMATION**

## COUNTY OF SHASTA

Required Supplementary Information  
For the Year Ended June 30, 2011

### 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

Valuation Date	Entry Age Actuarial Value of Assets	Entry Age Normal Accrued Liability	Unfunded Actuarial Accrued Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/07	\$ 333,364,314	\$ 351,398,502	\$ 18,034,188	94.9%	\$ 72,448,776	24.9%
6/30/08	357,324,582	376,436,584	19,112,002	94.9%	74,562,239	25.6%
6/30/09	373,985,951	411,067,347	37,081,396	91.0%	75,235,300	49.3%

#### Safety Plan

Valuation Date	Entry Age Actuarial Value of Assets	Entry Age Normal Accrued Liability	Unfunded Actuarial Accrued Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/07	\$ 118,395,958	\$ 139,203,168	\$ 20,807,210	85.1%	\$ 13,584,220	153.2%
6/30/08	126,266,344	147,503,269	21,236,925	85.7%	15,017,956	141.4%
6/30/09	131,580,129	159,688,093	28,107,964	82.4%	15,811,579	177.8%

**COUNTY OF SHASTA**

Required Supplementary Information  
For the Year Ended June 30, 2011

**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 (dollar amounts in thousands):

**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>
6/30/07	\$ --	\$ 110,031	\$ 110,031	0.00%	\$ 59,479	184.99%
6/30/09	\$ 10,547	\$ 121,942	\$ 111,395	8.65%	\$ 64,862	171.74%

**Safety**

<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>
6/30/07	\$ --	\$ 30,608	\$ 30,608	0.00%	\$ 12,416	246.52%
6/30/09	\$ 2,797	\$ 32,337	\$ 29,540	8.65%	\$ 14,351	205.84%

**COUNTY OF SHASTA**

General Fund  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<b>Revenues:</b>				
Taxes	\$ 38,813,000	\$ 40,556,953	\$ 42,362,888	\$ 1,805,935
Licenses and permits	2,703,497	2,703,497	2,766,943	63,446
Fines and forfeitures	2,251,266	2,191,694	2,450,594	258,900
Use of money and property	1,360,060	1,360,060	944,972	(415,088)
Intergovernmental	115,705,573	117,298,681	118,047,233	748,552
Charges for other services	9,696,035	9,333,854	10,481,301	1,147,447
Miscellaneous revenue	2,864,076	2,622,013	2,982,126	360,113
<b>Total Revenues</b>	<u>173,393,507</u>	<u>176,066,752</u>	<u>180,036,057</u>	<u>3,969,305</u>
<b>Expenditures:</b>				
Current:				
General government	14,013,806	17,449,301	8,786,432	8,662,869
Public protection	16,976,795	17,031,432	14,577,003	2,454,429
Health and sanitation	29,135,004	29,425,004	29,473,856	(48,852)
Public assistance	96,758,014	97,890,054	93,602,821	4,287,233
Education	1,519,154	1,519,154	1,413,145	106,009
Recreation	1,069,655	127,105	121,309	5,796
<b>Total Expenditures</b>	<u>159,472,428</u>	<u>163,442,050</u>	<u>147,974,566</u>	<u>15,467,484</u>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<u>13,921,079</u>	<u>12,624,702</u>	<u>32,061,491</u>	<u>19,436,789</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	8,600,053	11,176,321	1,177,398	(9,998,923)
Transfers out	(36,610,102)	(38,278,579)	(28,454,264)	9,824,315
Sale of capital assets	--	--	6,830	6,830
<b>Net Financing Sources (Uses)</b>	<u>(28,010,049)</u>	<u>(27,102,258)</u>	<u>(27,270,036)</u>	<u>(167,778)</u>
<b>Net Change in Fund Balances</b>	<u>(14,088,970)</u>	<u>(14,477,556)</u>	<u>4,791,455</u>	<u>19,269,011</u>
<b>Fund Balance - Beginning</b>	<u>58,894,741</u>	<u>58,894,741</u>	<u>58,894,741</u>	<u>--</u>
<b>Fund Balance - Ending</b>	<u>\$ 44,805,771</u>	<u>\$ 44,417,185</u>	<u>\$ 63,686,196</u>	<u>\$ 19,269,011</u>

**COUNTY OF SHASTA**

Roads Administration Fund  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<b>Revenues:</b>				
Taxes	\$ 2,575,096	\$ 2,575,096	\$ 3,046,329	\$ 471,233
Licenses and permits	15,000	15,000	44,896	29,896
Use of money and property	75,000	75,000	101,640	26,640
Intergovernmental	17,142,919	17,142,919	17,674,234	531,315
Charges for other services	960,550	960,550	724,504	(236,046)
Miscellaneous revenue	25,000	25,000	84,032	59,032
<b>Total Revenues</b>	<u>20,793,565</u>	<u>20,793,565</u>	<u>21,675,635</u>	<u>882,070</u>
<b>Expenditures:</b>				
Current:				
Public ways and facilities	22,981,193	23,115,693	17,287,263	5,828,430
<b>Total Expenditures</b>	<u>22,981,193</u>	<u>23,115,693</u>	<u>17,287,263</u>	<u>5,828,430</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(2,187,628)</u>	<u>(2,322,128)</u>	<u>4,388,372</u>	<u>6,710,500</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	14,500	--	(14,500)
Transfers out	(639)	(639)	(639)	--
Sale of capital assets	--	--	6,115	6,115
<b>Net Financing Sources (Uses)</b>	<u>(639)</u>	<u>13,861</u>	<u>5,476</u>	<u>(8,385)</u>
<b>Net Change in Fund Balance</b>	<u>(2,188,267)</u>	<u>(2,308,267)</u>	<u>4,393,848</u>	<u>6,702,115</u>
<b>Fund Balance - Beginning</b>	<u>11,089,132</u>	<u>11,089,132</u>	<u>11,089,132</u>	<u>--</u>
<b>Fund Balance - Ending</b>	<u>\$ 8,900,865</u>	<u>\$ 8,780,865</u>	<u>\$ 15,482,980</u>	<u>\$ 6,702,115</u>

**COUNTY OF SHASTA**

Public Safety Fund  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<b>Revenues:</b>				
Taxes	\$ 149,466	\$ 149,466	\$ 138,432	\$ (11,034)
Licenses and permits	32,920	32,920	55,281	22,361
Fines and forfeitures	748,700	789,121	2,078,661	1,289,540
Use of money and property	--	--	39,720	39,720
Intergovernmental	20,310,201	20,950,055	20,818,818	(131,237)
Charges for other services	3,885,863	3,962,414	3,997,886	35,472
Miscellaneous revenue	264,042	306,200	396,614	90,414
<b>Total Revenues</b>	<u>25,391,192</u>	<u>26,190,176</u>	<u>27,525,412</u>	<u>1,335,236</u>
<b>Expenditures:</b>				
Current:				
Public Protection	49,710,497	50,464,871	47,231,084	3,233,787
<b>Total Expenditures</b>	<u>49,710,497</u>	<u>50,464,871</u>	<u>47,231,084</u>	<u>3,233,787</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(24,319,305)</u>	<u>(24,274,695)</u>	<u>(19,705,672)</u>	<u>4,569,023</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	23,148,350	23,576,837	23,185,694	(391,143)
Transfers out	(683,953)	(1,336,336)	(918,765)	417,571
Sale of capital assets	3,500	3,500	22,726	19,226
<b>Net Financing Sources (Uses)</b>	<u>22,467,897</u>	<u>22,244,001</u>	<u>22,289,655</u>	<u>45,654</u>
<b>Net Change in Fund Balance</b>	(1,851,408)	(2,030,694)	2,583,983	4,614,677
<b>Fund Balance - Beginning</b>	<u>5,552,208</u>	<u>5,552,208</u>	<u>5,552,208</u>	<u>--</u>
<b>Fund Balance - Ending</b>	<u>\$ 3,700,800</u>	<u>\$ 3,521,514</u>	<u>\$ 8,136,191</u>	<u>\$ 4,614,677</u>

## COUNTY OF SHASTA

### Notes to Required Supplementary Information For the Year Ended June 30, 2011

#### **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.

#### Excess of Expenditures Over Appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in the General Fund's health and sanitation function by \$48,852.

**SUPPLEMENTARY INFORMATION**

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

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**COUNTY OF SHASTA**

Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and investments	\$ 22,130,468	\$ 4,806,294	\$ 545,696	\$ 27,482,458
Accounts receivable	128,148	--	--	128,148
Due from other governments	4,950,841	--	--	4,950,841
Other assets	67,046	--	--	67,046
Due from other funds	303,668	--	--	303,668
Special assessments receivable	719,588	--	--	719,588
Notes receivable	9,500,742	--	--	9,500,742
Advances to other funds	693,533	--	--	693,533
Cash and investments - restricted	--	--	4,282,455	4,282,455
<b>Total Assets</b>	<u><u>\$ 38,494,034</u></u>	<u><u>\$ 4,806,294</u></u>	<u><u>\$ 4,828,151</u></u>	<u><u>\$ 48,128,479</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 661,304	\$ 37,667	\$ --	\$ 698,971
Salaries and benefits payable	711,038	--	--	711,038
Due to other funds	1,052,957	--	--	1,052,957
Due to other governments	169,836	912	--	170,748
Deferred revenue	1,044,965	--	--	1,044,965
Unearned revenue	2,516,925	--	--	2,516,925
Advances from other funds	800,439	--	--	800,439
<b>Total Liabilities</b>	<u>6,957,464</u>	<u>38,579</u>	<u>--</u>	<u>6,996,043</u>
 <b>Fund Balances:</b>				
Nonspendable	67,046	--	--	67,046
Restricted	30,651,221	--	4,828,151	35,479,372
Committed	952,929	--	--	952,929
Assigned	--	4,767,715	--	4,767,715
Unassigned	(134,626)	--	--	(134,626)
Total Fund Balance	<u>31,536,570</u>	<u>4,767,715</u>	<u>4,828,151</u>	<u>41,132,436</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 38,494,034</u></u>	<u><u>\$ 4,806,294</u></u>	<u><u>\$ 4,828,151</u></u>	<u><u>\$ 48,128,479</u></u>

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Non-Major Governmental Funds  
For the Year Ended June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
<b>Revenues:</b>				
Taxes	\$ 2,070,144	\$ --	\$ --	\$ 2,070,144
Licenses and permits	208,526	--	--	208,526
Fines & forfeitures	26,380	--	--	26,380
Use of money and property	333,213	35,942	2,812	371,967
Intergovernmental	35,960,037	--	--	35,960,037
Charges for other services	2,224,162	--	--	2,224,162
Miscellaneous revenue	346,566	--	--	346,566
<b>Total Revenues</b>	<u>41,169,028</u>	<u>35,942</u>	<u>2,812</u>	<u>41,207,782</u>
<b>Expenditures:</b>				
Current				
General government	--	785,475	--	785,475
Public protection	12,121,830	--	--	12,121,830
Public ways and facilities	1,119,535	--	--	1,119,535
Health and sanitation	24,122,492	--	--	24,122,492
Public assistance	518,350	--	--	518,350
Debt service				
Principal	--	--	1,970,595	1,970,595
Interest	--	--	2,417,103	2,417,103
Fiscal agent fees	--	--	8,044	8,044
<b>Total Expenditures</b>	<u>37,882,207</u>	<u>785,475</u>	<u>4,395,742</u>	<u>43,063,424</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>3,286,821</u>	<u>(749,533)</u>	<u>(4,392,930)</u>	<u>(1,855,642)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,385,646	--	3,321,155	5,706,801
Transfers out	(482,581)	(348,299)	(389,160)	(1,220,040)
Long-term debt issued	--	--	389,160	389,160
Sale of capital assets	8,872	--	--	8,872
<b>Total Other Financing Sources (Uses)</b>	<u>1,911,937</u>	<u>(348,299)</u>	<u>3,321,155</u>	<u>4,884,793</u>
<b>Net Change in Fund Balances</b>	5,198,758	(1,097,832)	(1,071,775)	3,029,151
<b>Fund Balances - Beginning</b>	<u>26,337,812</u>	<u>5,865,547</u>	<u>5,899,926</u>	<u>38,103,285</u>
<b>Fund Balances - Ending</b>	<u>\$ 31,536,570</u>	<u>\$ 4,767,715</u>	<u>\$ 4,828,151</u>	<u>\$ 41,132,436</u>

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**SPECIAL REVENUE FUNDS**

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**COUNTY OF SHASTA**

Combining Balance Sheet  
Special Revenue Funds  
June 30, 2011

	Mental Health Services	Housing Home IPP	Endangered Species	Substance Abuse Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and investments	\$ 8,022,598	\$ 100,976	\$ 232,056	\$ 95,926
Accounts receivable	6,000	--	--	439
Due from other governments	--	--	--	--
Other assets	14,500	--	--	--
Due from other funds	8,585	--	--	--
Special assessments receivable	--	--	--	--
Notes receivable	--	5,175,291	--	--
Advances to other funds	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<u><u>\$ 8,051,683</u></u>	<u><u>\$ 5,276,267</u></u>	<u><u>\$ 232,056</u></u>	<u><u>\$ 96,365</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 438,674	\$ --	\$ --	\$ --
Salaries and benefits payable	120,711	--	--	--
Due to other funds	217,514	--	--	--
Due to other governments	--	--	7,203	--
Deferred revenue	--	--	--	439
Unearned revenue	--	--	--	--
Advances from other funds	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<u>776,899</u>	<u>--</u>	<u>7,203</u>	<u>439</u>
 <b>Fund Balances:</b>				
Nonspendable	14,500	--	--	--
Restricted	7,260,284	5,276,267	224,853	95,926
Committed	--	--	--	--
Unassigned	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	<u>7,274,784</u>	<u>5,276,267</u>	<u>224,853</u>	<u>95,926</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 8,051,683</u></u>	<u><u>\$ 5,276,267</u></u>	<u><u>\$ 232,056</u></u>	<u><u>\$ 96,365</u></u>

continued

**COUNTY OF SHASTA**

Combining Balance Sheet (continued)  
 Special Revenue Funds  
 June 30, 2011

	Roads SVAP Fund	Child Support Services	County Transit Fund	Public Health
<b>ASSETS</b>				
Cash and investments	\$ 382,157	\$ 2,534,752	\$ 15,450	\$ 1,061,664
Accounts receivable	--	--	--	65,610
Due from other governments	--	--	--	3,853,768
Other assets	--	4,680	--	21,308
Due from other funds	--	2,716	8,514	190,542
Special assessments receivable	--	--	--	--
Notes receivable	--	--	--	--
Advances to other funds	668,533	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<u>\$ 1,050,690</u>	<u>\$ 2,542,148</u>	<u>\$ 23,964</u>	<u>\$ 5,192,892</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ --	\$ 7,331	\$ --	\$ 77,470
Salaries and benefits payable	--	188,449	--	365,078
Due to other funds	--	60	--	174,905
Due to other governments	--	10	15,907	66,982
Deferred revenue	--	--	--	282,948
Unearned revenue	--	125,830	--	--
Advances from other funds	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	--	321,680	15,907	967,383
 <b>Fund Balances:</b>				
Nonspendable	--	4,680	--	21,308
Restricted	1,050,690	1,282,455	8,057	4,184,605
Committed	--	933,333	--	19,596
Unassigned	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balance	1,050,690	2,220,468	8,057	4,225,509
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,050,690</u>	<u>\$ 2,542,148</u>	<u>\$ 23,964</u>	<u>\$ 5,192,892</u>

continued

**COUNTY OF SHASTA**

Combining Balance Sheet (continued)  
 Special Revenue Funds  
 June 30, 2011

	<u>Shasta Housing Fund</u>	<u>County Water Agency</u>	<u>Air Quality Management</u>	<u>Fire Protection CSA #1</u>
<b>ASSETS</b>				
Cash and investments	\$ --	\$ 74,044	\$ 4,283,117	\$ 3,114,255
Accounts receivable	--	--	42,020	489
Due from other governments	602,290	12,491	111,122	286,127
Other assets	573	--	25,746	239
Due from other funds	--	4,012	2,704	60,515
Special assessments receivable	--	--	--	--
Notes receivable	4,325,451	--	--	--
Advances to other funds	--	25,000	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<u><u>\$ 4,928,314</u></u>	<u><u>\$ 115,547</u></u>	<u><u>\$ 4,464,709</u></u>	<u><u>\$ 3,461,625</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ --	\$ 2,425	\$ 35,430	\$ 75,468
Salaries and benefits payable	2,854	--	21,894	5,872
Due to other funds	627,001	--	--	49
Due to other governments	--	4,998	--	74,736
Deferred revenue	--	--	42,000	--
Unearned revenue	--	--	2,391,095	--
Advances from other funds	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<u>629,855</u>	<u>7,423</u>	<u>2,490,419</u>	<u>156,125</u>
 <b>Fund Balances:</b>				
Nonspendable	573	--	25,746	239
Restricted	4,325,451	108,124	1,948,544	3,305,261
Committed	--	--	--	--
Unassigned	(27,565)	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	<u>4,298,459</u>	<u>108,124</u>	<u>1,974,290</u>	<u>3,305,500</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 4,928,314</u></u>	<u><u>\$ 115,547</u></u>	<u><u>\$ 4,464,709</u></u>	<u><u>\$ 3,461,625</u></u>

continued

**COUNTY OF SHASTA**

Combining Balance Sheet (continued)  
 Special Revenue Funds  
 June 30, 2011

	Inmate Welfare Fund	In-Home Support Services	Shasta RDA	Lighting Districts
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and investments	\$ 166,469	\$ 28,486	\$ --	\$ 258,764
Accounts receivable	13,590	--	--	--
Due from other governments	4,040	71,031	--	1,409
Other assets	--	--	--	--
Due from other funds	--	845	--	490
Special assessments receivable	--	--	--	--
Notes receivable	--	--	--	--
Advances to other funds	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<u><u>\$ 184,099</u></u>	<u><u>\$ 100,362</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 260,663</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 11,929	\$ 6,708	\$ --	\$ 423
Salaries and benefits payable	--	6,180	--	--
Due to other funds	--	6,081	27,347	--
Due to other governments	--	--	--	--
Deferred revenue	--	--	--	--
Unearned revenue	--	--	--	--
Advances from other funds	--	--	79,714	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<u>11,929</u>	<u>18,969</u>	<u>107,061</u>	<u>423</u>
 <b>Fund Balances:</b>				
Nonspendable	--	--	--	--
Restricted	172,170	81,393	--	260,240
Committed	--	--	--	--
Unassigned	--	--	(107,061)	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	<u>172,170</u>	<u>81,393</u>	<u>(107,061)</u>	<u>260,240</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 184,099</u></u>	<u><u>\$ 100,362</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 260,663</u></u>

continued

**COUNTY OF SHASTA**

Combining Balance Sheet (continued)  
 Special Revenue Funds  
 June 30, 2011

	County Service Areas	Permanent Road Divisions	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 533,450	\$ 1,226,304	\$ 22,130,468
Accounts receivable	--	--	128,148
Due from other governments	8,480	83	4,950,841
Other assets	--	--	67,046
Due from other funds	3,088	21,657	303,668
Special assessments receivable	--	719,588	719,588
Notes receivable	--	--	9,500,742
Advances to other funds	--	--	693,533
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<u><u>\$ 545,018</u></u>	<u><u>\$ 1,967,632</u></u>	<u><u>\$ 38,494,034</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 5,446	\$ --	\$ 661,304
Salaries and benefits payable	--	--	711,038
Due to other funds	--	--	1,052,957
Due to other governments	--	--	169,836
Deferred revenue	--	719,578	1,044,965
Unearned revenue	--	--	2,516,925
Advances from other funds	--	720,725	800,439
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<u>5,446</u>	<u>1,440,303</u>	<u>6,957,464</u>
 <b>Fund Balances:</b>			
Nonspendable	--	--	67,046
Restricted	539,572	527,329	30,651,221
Committed	--	--	952,929
Unassigned	--	--	(134,626)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	<u>539,572</u>	<u>527,329</u>	<u>31,536,570</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 545,018</u></u>	<u><u>\$ 1,967,632</u></u>	<u><u>\$ 38,494,034</u></u>

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Special Revenue Funds  
For the Year Ended June 30, 2011

	Mental Health Services	Housing Home IPP	Endangered Species	Substance Abuse Fund
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses and permits	--	--	--	--
Fines & forfeitures	--	--	--	--
Use of money and property	63,016	9,517	1,747	727
Intergovernmental	12,295,793	--	--	--
Charges for other services	--	--	--	5
Miscellaneous revenue	6,119	--	--	--
<b>Total Revenues</b>	<u>12,364,928</u>	<u>9,517</u>	<u>1,747</u>	<u>732</u>
<b>Expenditures:</b>				
Current				
Public protection	--	--	16,482	--
Public ways and facilities	--	--	--	--
Health and sanitation	7,215,403	--	--	6,481
Public assistance	--	1,172	--	--
<b>Total Expenditures</b>	<u>7,215,403</u>	<u>1,172</u>	<u>16,482</u>	<u>6,481</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>5,149,525</u>	<u>8,345</u>	<u>(14,735)</u>	<u>(5,749)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Sale of capital assets	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net Change in Fund Balances</b>	5,149,525	8,345	(14,735)	(5,749)
<b>Fund Balances - Beginning</b>	<u>2,125,259</u>	<u>5,267,922</u>	<u>239,588</u>	<u>101,675</u>
<b>Fund Balances - Ending</b>	<u>\$ 7,274,784</u>	<u>\$ 5,276,267</u>	<u>\$ 224,853</u>	<u>\$ 95,926</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances (continued)  
Special Revenue Funds  
For the Year Ended June 30, 2011

	Road SVAP Fund	Child Support Services	County Transit Fund	Public Health
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ 155,543	\$ --
Licenses and permits	--	--	--	5,044
Fines & forfeitures	--	--	--	4,445
Use of money and property	--	22,689	148	12,668
Intergovernmental	--	7,315,233	366,936	11,712,014
Charges for other services	7,200	--	--	1,173,875
Miscellaneous revenue	--	57	--	243,236
<b>Total Revenues</b>	<u>7,200</u>	<u>7,337,979</u>	<u>522,627</u>	<u>13,151,282</u>
<b>Expenditures:</b>				
Current				
Public protection	--	7,461,362	--	--
Public ways and facilities	--	--	522,607	--
Health and sanitation	--	--	--	14,174,018
Public assistance	--	--	--	--
<b>Total Expenditures</b>	<u>--</u>	<u>7,461,362</u>	<u>522,607</u>	<u>14,174,018</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>7,200</u>	<u>(123,383)</u>	<u>20</u>	<u>(1,022,736)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	73,061	--	609,589
Transfers out	--	--	--	(62,330)
Sale of capital assets	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>73,061</u>	<u>--</u>	<u>547,259</u>
<b>Net Change in Fund Balances</b>	7,200	(50,322)	20	(475,477)
<b>Fund Balances - Beginning</b>	<u>1,043,490</u>	<u>2,270,790</u>	<u>8,037</u>	<u>4,700,986</u>
<b>Fund Balances - Ending</b>	<u>\$ 1,050,690</u>	<u>\$ 2,220,468</u>	<u>\$ 8,057</u>	<u>\$ 4,225,509</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances (continued)  
Special Revenue Funds  
For the Year Ended June 30, 2011

	Shasta Housing Fund	County Water Agency	Air Quality Management	Fire Protection CSA #1
<b>Revenues:</b>				
Taxes	\$ --	\$ 141,174	\$ --	\$ 1,660,658
Licenses and permits	--	--	195,210	8,272
Fines & forfeitures	--	--	21,935	--
Use of money and property	24,505	461	37,149	24,746
Intergovernmental	1,298,218	2,915	2,285,862	343,886
Charges for other services	--	15,879	37,625	533,281
Miscellaneous revenue	21	12,024	1,706	5,070
<b>Total Revenues</b>	<u>1,322,744</u>	<u>172,453</u>	<u>2,579,487</u>	<u>2,575,913</u>
<b>Expenditures:</b>				
Current				
Public protection	--	--	--	4,450,808
Public ways and facilities	--	116,725	--	--
Health and sanitation	--	--	2,726,590	--
Public assistance	214,702	--	--	--
<b>Total Expenditures</b>	<u>214,702</u>	<u>116,725</u>	<u>2,726,590</u>	<u>4,450,808</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,108,042</u>	<u>55,728</u>	<u>(147,103)</u>	<u>(1,874,895)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	--	--	1,702,357
Transfers out	(399,851)	(20,400)	--	--
Sale of capital assets	--	--	--	8,872
<b>Total Other Financing Sources (Uses)</b>	<u>(399,851)</u>	<u>(20,400)</u>	<u>--</u>	<u>1,711,229</u>
<b>Net Change in Fund Balances</b>	708,191	35,328	(147,103)	(163,666)
<b>Fund Balances - Beginning</b>	<u>3,590,268</u>	<u>72,796</u>	<u>2,121,393</u>	<u>3,469,166</u>
<b>Fund Balances - Ending</b>	<u>\$ 4,298,459</u>	<u>\$ 108,124</u>	<u>\$ 1,974,290</u>	<u>\$ 3,305,500</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances (continued)  
Special Revenue Funds  
For the Year Ended June 30, 2011

	Inmate Welfare Fund	In-Home Support Services	Shasta RDA	Lighting Districts
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ --	\$ 16,527
Licenses and permits	--	--	--	--
Fines & forfeitures	--	--	--	--
Use of money and property	121,788	(278)	(206)	1,924
Intergovernmental	--	337,035	--	309
Charges for other services	--	15	--	--
Miscellaneous revenue	76,172	--	--	--
<b>Total Revenues</b>	<u>197,960</u>	<u>336,772</u>	<u>(206)</u>	<u>18,760</u>
<b>Expenditures:</b>				
Current				
Public protection	193,178	--	--	--
Public ways and facilities	--	--	--	7,874
Health and sanitation	--	--	--	--
Public assistance	--	302,476	--	--
<b>Total Expenditures</b>	<u>193,178</u>	<u>302,476</u>	<u>--</u>	<u>7,874</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>4,782</u>	<u>34,296</u>	<u>(206)</u>	<u>10,886</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Sale of capital assets	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net Change in Fund Balances</b>	4,782	34,296	(206)	10,886
<b>Fund Balances - Beginning</b>	<u>167,388</u>	<u>47,097</u>	<u>(106,855)</u>	<u>249,354</u>
<b>Fund Balances - Ending</b>	<u>\$ 172,170</u>	<u>\$ 81,393</u>	<u>\$ (107,061)</u>	<u>\$ 260,240</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances (continued)  
Special Revenue Funds  
For the Year Ended June 30, 2011

	County Service Areas	Permanent Road Divisions	Total
<b>Revenues:</b>			
Taxes	\$ 95,369	\$ 873	\$ 2,070,144
Licenses and permits	--	--	208,526
Fines & forfeitures	--	--	26,380
Use of money and property	3,915	8,697	333,213
Intergovernmental	1,820	16	35,960,037
Charges for other services	21,781	434,501	2,224,162
Miscellaneous revenue	--	2,161	346,566
<b>Total Revenues</b>	<u>122,885</u>	<u>446,248</u>	<u>41,169,028</u>
<b>Expenditures:</b>			
Current			
Public protection	--	--	12,121,830
Public ways and facilities	100,796	371,533	1,119,535
Health and sanitation	--	--	24,122,492
Public assistance	--	--	518,350
<b>Total Expenditures</b>	<u>100,796</u>	<u>371,533</u>	<u>37,882,207</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>22,089</u>	<u>74,715</u>	<u>3,286,821</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	--	639	2,385,646
Transfers out	--	--	(482,581)
Sale of capital assets	--	--	8,872
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>639</u>	<u>1,911,937</u>
<b>Net Change in Fund Balances</b>	22,089	75,354	5,198,758
<b>Fund Balances - Beginning</b>	<u>517,483</u>	<u>451,975</u>	<u>26,337,812</u>
<b>Fund Balances - Ending</b>	<u>\$ 539,572</u>	<u>\$ 527,329</u>	<u>\$ 31,536,570</u>

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**CAPITAL PROJECTS FUNDS**

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**COUNTY OF SHASTA**

Combining Balance Sheet  
 Non-Major Capital Projects Funds  
 June 30, 2011

	Accumulated Capital Outlay	Animal Shelter	Juvenile Hall	Total
<b>ASSETS</b>				
Cash and investments	\$ 3,729,069	\$ 3	\$ 1,077,222	\$ 4,806,294
<b>Total Assets</b>	<u>\$ 3,729,069</u>	<u>\$ 3</u>	<u>\$ 1,077,222</u>	<u>\$ 4,806,294</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ --	\$ --	\$ 37,667	\$ 37,667
Due to other governments	--	--	912	912
<b>Total Liabilities</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 38,579</u>	<u>\$ 38,579</u>
 <b>Fund Balances:</b>				
Assigned	3,729,069	3	1,038,643	4,767,715
Total Fund Balance	<u>3,729,069</u>	<u>3</u>	<u>1,038,643</u>	<u>4,767,715</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,729,069</u>	<u>\$ 3</u>	<u>\$ 1,077,222</u>	<u>\$ 4,806,294</u>

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Non-Major Capital Projects Funds  
For the Year Ended June 30, 2011

	Accumulated Capital Outlay	Animal Shelter	Juvenile Hall	Total
<b>Revenues:</b>				
Use of money and property	\$ 27,421	\$ --	\$ 8,521	\$ 35,942
<b>Total Revenues</b>	<u>27,421</u>	<u>--</u>	<u>8,521</u>	<u>35,942</u>
<b>Expenditures:</b>				
Current				
General government	--	--	785,475	785,475
<b>Total Expenditures</b>	<u>--</u>	<u>--</u>	<u>785,475</u>	<u>785,475</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>27,421</u>	<u>--</u>	<u>(776,954)</u>	<u>(749,533)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(348,299)	--	--	(348,299)
<b>Total Other Financing Sources (Uses)</b>	<u>(348,299)</u>	<u>--</u>	<u>--</u>	<u>(348,299)</u>
<b>Net Change in Fund Balances</b>	(320,878)	--	(776,954)	(1,097,832)
<b>Fund Balances - Beginning</b>	<u>4,049,947</u>	<u>3</u>	<u>1,815,597</u>	<u>5,865,547</u>
<b>Fund Balances - Ending</b>	<u><u>\$ 3,729,069</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 1,038,643</u></u>	<u><u>\$ 4,767,715</u></u>

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**DEBT SERVICE FUNDS**

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**COUNTY OF SHASTA**

Combining Balance Sheet  
Non-Major Debt Service Funds  
June 30, 2011

	<u>Courthouse Improvement</u>	<u>Justice Center Renovation</u>	<u>Admin Center</u>	<u>Energy Retrofit</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ 864	\$ 1,141	\$ 543,691	\$ --	\$ 545,696
Cash and investments - restricted	837,824	570,511	2,874,120	--	4,282,455
<b>Total Assets</b>	<u>\$ 838,688</u>	<u>\$ 571,652</u>	<u>\$ 3,417,811</u>	<u>\$ --</u>	<u>\$ 4,828,151</u>
<b>FUND BALANCES</b>					
Restricted	<u>\$ 838,688</u>	<u>\$ 571,652</u>	<u>\$ 3,417,811</u>	<u>\$ --</u>	<u>\$ 4,828,151</u>
<b>Total Fund Balances</b>	<u>\$ 838,688</u>	<u>\$ 571,652</u>	<u>\$ 3,417,811</u>	<u>\$ --</u>	<u>\$ 4,828,151</u>

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Non-Major Debt Service Funds  
For the Year Ended June 30, 2011

	<u>Courthouse Improvement</u>	<u>Justice Center Renovation</u>	<u>Admin Center</u>	<u>Energy Retrofit</u>	<u>Total</u>
<b>Revenues:</b>					
Use of money and property	\$ 25	\$ 119	\$ 2,668	\$ --	\$ 2,812
<b>Total Revenues</b>	<u>25</u>	<u>119</u>	<u>2,668</u>	<u>--</u>	<u>2,812</u>
<b>Expenditures:</b>					
Debt service					
Principal	300,000	525,000	920,000	225,595	1,970,595
Interest	306,180	103,384	1,951,863	55,676	2,417,103
Fiscal agent fees	3,570	1,855	2,619	--	8,044
<b>Total Expenditures</b>	<u>609,750</u>	<u>630,239</u>	<u>2,874,482</u>	<u>281,271</u>	<u>4,395,742</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(609,725)</u>	<u>(630,120)</u>	<u>(2,871,814)</u>	<u>(281,271)</u>	<u>(4,392,930)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	609,742	630,142	1,800,000	281,271	3,321,155
Transfers out	--	--	--	(389,160)	(389,160)
Long-term debt issued	--	--	--	389,160	389,160
<b>Total Other Financing Sources (Uses)</b>	<u>609,742</u>	<u>630,142</u>	<u>1,800,000</u>	<u>281,271</u>	<u>3,321,155</u>
<b>Net Change in Fund Balances</b>	17	22	(1,071,814)	--	(1,071,775)
<b>Fund Balances - Beginning</b>	<u>838,671</u>	<u>571,630</u>	<u>4,489,625</u>	<u>--</u>	<u>5,899,926</u>
<b>Fund Balances - Ending</b>	<u>\$ 838,688</u>	<u>\$ 571,652</u>	<u>\$ 3,417,811</u>	<u>\$ --</u>	<u>\$ 4,828,151</u>

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**NONMAJOR ENTERPRISE FUNDS**

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**COUNTY OF SHASTA**

Combining Statement of Net Assets  
Non-Major Enterprise Funds  
June 30, 2011

	CSA #2 Sugarloaf Water	CSA #3 Castella Water	CSA #6 Jones Valley Water	CSA # 8 Palo Cedro
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 56,132	\$ 51,203	\$ 106,474	\$ 1,337,842
Receivables, net	5,715	9,401	37,308	27,980
Due from other governments	--	--	--	--
Due from other funds	63	396	8,817	1,063
Other assets	--	--	--	--
<b>Total current assets</b>	<u>61,910</u>	<u>61,000</u>	<u>152,599</u>	<u>1,366,885</u>
Noncurrent assets:				
Special assessments receivable	20,261	173,530	802,968	--
Cash and investments - restricted	--	2,022	--	--
Capital assets, non-depreciable	1,342	19,860	714,878	340,835
Capital assets, depreciable -net	51,635	931,464	948,247	1,417,068
<b>Total noncurrent assets</b>	<u>73,238</u>	<u>1,126,876</u>	<u>2,466,093</u>	<u>1,757,903</u>
<b>Total Assets</b>	<u>135,148</u>	<u>1,187,876</u>	<u>2,618,692</u>	<u>3,124,788</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	606	1,353	151,256	2,598
Interest payable	507	2,483	12,192	--
Due to other funds	--	60	--	--
Deposits from others	--	--	500	--
Bonds, notes payable	4,365	2,200	32,000	20,000
<b>Total current liabilities</b>	<u>5,478</u>	<u>6,096</u>	<u>195,948</u>	<u>22,598</u>
Noncurrent liabilities:				
Advances from other funds	--	--	--	--
Bonds, notes payable	15,896	178,400	886,000	--
<b>Total noncurrent liabilities</b>	<u>15,896</u>	<u>178,400</u>	<u>886,000</u>	<u>--</u>
<b>Total Liabilities</b>	<u>21,374</u>	<u>184,496</u>	<u>1,081,948</u>	<u>22,598</u>
<b>NET ASSETS</b>				
Invested in capital assets, net	32,715	770,723	745,125	1,737,903
Restricted for debt service	--	2,022	--	--
Unrestricted	81,059	230,635	791,619	1,364,287
<b>Total Net Assets</b>	<u>\$ 113,774</u>	<u>\$ 1,003,380</u>	<u>\$ 1,536,744</u>	<u>\$ 3,102,190</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Net Assets (continued)  
 Non-Major Enterprise Funds  
 June 30, 2011

	CSA #11 French Gulch	CSA #13 Alpine Meadows	CSA # 17 Cotton- wood
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 88,160	\$ 1,483	\$ 213,028
Receivables, net	3,601	6,230	86,762
Due from other governments	--	--	--
Due from other funds	1,893	--	6,148
Other assets	35	--	1,950
Total current assets	<u>93,689</u>	<u>7,713</u>	<u>307,888</u>
Noncurrent assets:			
Special assessments receivable	184,026	--	--
Cash and investments - restricted	--	--	--
Capital assets, non-depreciable	45,928	--	352,773
Capital assets, depreciable -net	954,411	162,619	3,208,747
Total noncurrent assets	<u>1,184,365</u>	<u>162,619</u>	<u>3,561,520</u>
<b>Total Assets</b>	<u>1,278,054</u>	<u>170,332</u>	<u>3,869,408</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,455	1,579	11,087
Interest payable	1,045	--	--
Due to other funds	--	--	--
Deposits from others	--	--	3,540
Bonds, notes payable	19,135	--	--
Total current liabilities	<u>21,635</u>	<u>1,579</u>	<u>14,627</u>
Noncurrent liabilities:			
Advances from other funds	--	25,000	435,991
Bonds, notes payable	164,891	--	--
Total noncurrent liabilities	<u>164,891</u>	<u>25,000</u>	<u>435,991</u>
<b>Total Liabilities</b>	<u>186,526</u>	<u>26,579</u>	<u>450,618</u>
<b>NET ASSETS</b>			
Invested in capital assets, net	816,313	162,619	3,561,519
Restricted for debt service	--	--	--
Unrestricted	275,215	(18,866)	(142,729)
<b>Total Net Assets</b>	<u>\$ 1,091,528</u>	<u>\$ 143,753</u>	<u>\$ 3,418,790</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Net Assets (continued)  
 Non-Major Enterprise Funds  
 June 30, 2011

	CSA #23 Crag View Water	CSA #25 Keswick Water	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 9,136	\$ 91,862	\$ 1,955,320
Receivables, net	7,169	10,835	195,001
Due from other governments	129,037	1,815	130,852
Due from other funds	147	1,036	19,563
Other assets	30	733	2,748
<b>Total current assets</b>	<u>145,519</u>	<u>106,281</u>	<u>2,303,484</u>
Noncurrent assets:			
Special assessments receivable	10,238	--	1,191,023
Cash and investments - restricted	--	--	2,022
Capital assets, non-depreciable	135,140	230	1,610,986
Capital assets, depreciable -net	81,368	278,881	8,034,440
<b>Total noncurrent assets</b>	<u>226,746</u>	<u>279,111</u>	<u>10,838,471</u>
<b>Total Assets</b>	<u>372,265</u>	<u>385,392</u>	<u>13,141,955</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,657	465	172,056
Interest payable	256	--	16,483
Due to other funds	100,000	--	100,060
Deposits from others	--	--	4,040
Bonds, notes payable	5,073	--	82,773
<b>Total current liabilities</b>	<u>106,986</u>	<u>465</u>	<u>375,412</u>
Noncurrent liabilities:			
Advances from other funds	--	--	460,991
Bonds, notes payable	5,165	--	1,250,352
<b>Total noncurrent liabilities</b>	<u>5,165</u>	<u>--</u>	<u>1,711,343</u>
<b>Total Liabilities</b>	<u>112,151</u>	<u>465</u>	<u>2,086,755</u>
<b>NET ASSETS</b>			
Invested in capital assets, net	206,271	279,111	8,312,299
Restricted for debt service	--	--	2,022
Unrestricted	53,843	105,816	2,740,879
<b>Total Net Assets</b>	<u>\$ 260,114</u>	<u>\$ 384,927</u>	<u>\$ 11,055,200</u>

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
 Non-Major Enterprise Funds  
 For the Year Ended June 30, 2011

	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>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 38,488	\$ 49,579	\$ 157,103	\$ 178,953
<b>Total Operating Revenues</b>	<u>38,488</u>	<u>49,579</u>	<u>157,103</u>	<u>178,953</u>
<b>OPERATING EXPENSES:</b>				
Services and supplies	32,293	46,335	140,158	195,347
Central Service Costs	2,316	2,826	6,588	4,987
Depreciation	5,140	41,199	86,204	86,460
<b>Total Operating Expenses</b>	<u>39,749</u>	<u>90,360</u>	<u>232,950</u>	<u>286,794</u>
<b>Operating Income (Loss)</b>	<u>(1,261)</u>	<u>(40,781)</u>	<u>(75,847)</u>	<u>(107,841)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	441	419	774	10,302
Property tax revenue	--	--	--	--
Special assessments	--	8,190	31,625	--
Miscellaneous revenue	--	--	3,108	--
Miscellaneous expense	--	--	(830)	--
Interest expense	(1,117)	(7,464)	(41,460)	--
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(676)</u>	<u>1,145</u>	<u>(6,783)</u>	<u>10,302</u>
<b>Net Income (Loss) before Capital Contributions and Transfers</b>	<u>(1,937)</u>	<u>(39,636)</u>	<u>(82,630)</u>	<u>(97,539)</u>
Capital contributions				
Capital improvement fees	--	--	7,642	--
Capital grants	--	--	360,565	--
<b>Change in Net Assets</b>	<u>(1,937)</u>	<u>(39,636)</u>	<u>285,577</u>	<u>(97,539)</u>
<b>Net Assets - Beginning</b>	<u>115,711</u>	<u>1,043,016</u>	<u>1,251,167</u>	<u>3,199,729</u>
<b>Net Assets - Ending</b>	<u>\$ 113,774</u>	<u>\$ 1,003,380</u>	<u>\$ 1,536,744</u>	<u>\$ 3,102,190</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)

Non-Major Enterprise Funds

For the Year Ended June 30, 2011

	<u>CSA #11 French Gulch</u>	<u>CSA #13 Alpine Meadows</u>	<u>CSA # 17 Cotton- wood</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 65,270	\$ 30,660	\$ 540,440
<b>Total Operating Revenues</b>	<u>65,270</u>	<u>30,660</u>	<u>540,440</u>
<b>OPERATING EXPENSES:</b>			
Services and supplies	43,502	26,635	593,239
Central Service Costs	5,274	2,824	9,466
Depreciation	43,056	7,070	240,599
<b>Total Operating Expenses</b>	<u>91,832</u>	<u>36,529</u>	<u>843,304</u>
<b>Operating Income (Loss)</b>	<u>(26,562)</u>	<u>(5,869)</u>	<u>(302,864)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	624	17	1,762
Property tax revenue	--	--	--
Special assessments	--	--	56
Miscellaneous revenue	12	24	72
Miscellaneous expense	--	--	(51,674)
Interest expense	(7,006)	--	(20,461)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(6,370)</u>	<u>41</u>	<u>(70,245)</u>
<b>Net Income (Loss) before Capital Contributions and Transfers</b>	<u>(32,932)</u>	<u>(5,828)</u>	<u>(373,109)</u>
Capital contributions			
Capital improvement fees	--	--	12,250
Capital grants	--	--	--
<b>Change in Net Assets</b>	<u>(32,932)</u>	<u>(5,828)</u>	<u>(360,859)</u>
<b>Net Assets - Beginning</b>	<u>1,124,460</u>	<u>149,581</u>	<u>3,779,649</u>
<b>Net Assets - Ending</b>	<u>\$ 1,091,528</u>	<u>\$ 143,753</u>	<u>\$ 3,418,790</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)

Non-Major Enterprise Funds

For the Year Ended June 30, 2011

	CSA #23 Crag View Water	CSA #25 Keswick Water	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 39,342	\$ 54,829	\$ 1,154,664
<b>Total Operating Revenues</b>	39,342	54,829	1,154,664
<b>OPERATING EXPENSES:</b>			
Services and supplies	55,078	72,312	1,204,899
Central Service Costs	4,901	3,428	42,610
Depreciation	4,338	14,887	528,953
<b>Total Operating Expenses</b>	64,317	90,627	1,776,462
<b>Operating Income (Loss)</b>	(24,975)	(35,798)	(621,798)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	(458)	757	14,638
Property tax revenue	2,950	20,416	23,366
Special assessments	--	--	39,871
Miscellaneous revenue	93	1,420	4,729
Miscellaneous expense	--	(2,468)	(54,972)
Interest expense	(538)	--	(78,046)
<b>Total Non-Operating Revenues (Expenses)</b>	2,047	20,125	(50,414)
<b>Net Income (Loss) before Capital Contributions and Transfers</b>	(22,928)	(15,673)	(672,212)
Capital contributions			
Capital improvement fees	--	--	19,892
Capital grants	128,580	--	489,145
<b>Change in Net Assets</b>	105,652	(15,673)	(163,175)
<b>Net Assets - Beginning</b>	154,462	400,600	11,218,375
<b>Net Assets - Ending</b>	\$ 260,114	\$ 384,927	\$ 11,055,200

**COUNTY OF SHASTA**

Combining Statement of Cash Flows  
Non-Major Enterprise Funds  
For the Year Ended June 30, 2011

	CSA #2 Sugarloaf Water	CSA #3 Castella Water	CSA #6 Jones Valley Water	CSA # 8 Palo Cedro
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 38,855	\$ 48,429	\$ 149,258	\$ 176,870
Payments to suppliers	(34,297)	(48,373)	(148,049)	(198,687)
Operating subsidies and transfers	--	--	--	--
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>4,558</u>	<u>56</u>	<u>1,209</u>	<u>(21,817)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Property taxes	--	--	--	--
Other revenue (expense)	--	--	2,278	--
Nonoperating subsidies and transfers	--	(2,500)	--	--
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>--</u>	<u>(2,500)</u>	<u>2,278</u>	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	--	--	(508,992)	--
Capital improvement fees	--	--	7,642	--
Principal payments on capital debt	(4,157)	(2,100)	(30,000)	--
Proceeds from capital debt	--	--	100,000	--
Special assessments	4,157	10,418	62,058	--
Capital grants received	--	--	360,565	--
Interest payments on capital debt	(1,220)	(7,493)	(42,185)	--
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(1,220)</u>	<u>825</u>	<u>(50,912)</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>				
Income on investments	441	419	774	10,302
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>441</u>	<u>419</u>	<u>774</u>	<u>10,302</u>
<b>Net Increase (Decrease) in Cash</b>	3,779	(1,200)	(46,651)	(11,515)
<b>Cash and cash equivalents, beginning of year</b>	<u>52,353</u>	<u>54,425</u>	<u>153,125</u>	<u>1,349,357</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 56,132</u>	<u>\$ 53,225</u>	<u>\$ 106,474</u>	<u>\$ 1,337,842</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	(1,261)	(40,781)	(75,847)	(107,841)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:				
Depreciation expense	5,140	41,199	86,204	86,460
Changes in assets and liabilities:				
Receivables, net	242	(1,150)	(8,984)	(2,083)
Due from other funds	125	--	639	--
Due from other governments	--	--	--	--
Inventories	--	--	--	--
Other assets	--	--	--	--
Accounts payable	512	788	(664)	1,647
Due from other funds	(200)	--	(639)	--
Deposits from others	--	--	500	--
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 4,558</u>	<u>\$ 56</u>	<u>\$ 1,209</u>	<u>(21,817)</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Cash Flows (continued)  
 Non-Major Enterprise Funds  
 For the Year Ended June 30, 2011

	CSA #11 French Gulch	CSA #13 Alpine Meadows	CSA # 17 Cotton- wood
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 64,256	\$ 29,151	\$ 581,152
Payments to suppliers	(47,951)	(27,951)	(598,741)
Operating subsidies and transfers	--	--	--
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>16,305</u>	<u>1,200</u>	<u>(17,589)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Property taxes	--	--	--
Other revenue (expense)	12	24	72
Nonoperating subsidies and transfers	--	--	(17,838)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>12</u>	<u>24</u>	<u>(17,766)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	--	--	--
Capital improvement fees	--	--	12,250
Principal payments on capital debt	(18,205)	--	(77,500)
Proceeds from capital debt	--	--	--
Special assessments	18,204	--	14,422
Capital grants received	--	--	--
Interest payments on capital debt	(7,113)	--	(22,565)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(7,114)</u>	<u>--</u>	<u>(73,393)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	624	17	1,762
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>624</u>	<u>17</u>	<u>1,762</u>
<b>Net Increase (Decrease) in Cash</b>	9,827	1,241	(106,986)
<b>Cash and cash equivalents, beginning of year</b>	<u>78,333</u>	<u>242</u>	<u>320,014</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 88,160</u>	<u>\$ 1,483</u>	<u>\$ 213,028</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (26,562)	\$ (5,869)	\$ (302,864)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	43,056	7,070	240,599
Changes in assets and liabilities:			
Receivables, net	(505)	(1,509)	40,263
Due from other funds	(509)	--	449
Due from other governments	--	--	--
Inventories	(35)	--	--
Other assets	--	--	(1,950)
Accounts payable	860	1,508	5,914
Due from other funds	--	--	--
Deposits from others	--	--	--
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 16,305</u>	<u>\$ 1,200</u>	<u>\$ (17,589)</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Cash Flows (continued)  
 Non-Major Enterprise Funds  
 For the Year Ended June 30, 2011

	CSA #23 Crag View Water	CSA #25 Keswick Water	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 39,108	\$ 54,042	\$ 1,181,121
Payments to suppliers	(70,615)	(76,322)	(1,250,986)
Operating subsidies and transfers	100,000	--	100,000
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>68,493</u>	<u>(22,280)</u>	<u>30,135</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Property taxes	2,950	--	2,950
Other revenue (expense)	93	(1,048)	1,431
Nonoperating subsidies and transfers	--	--	(20,338)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>3,043</u>	<u>(1,048)</u>	<u>(15,957)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(121,174)	--	(630,166)
Capital improvement fees	--	--	19,892
Principal payments on capital debt	(5,022)	--	(136,984)
Proceeds from capital debt	--	--	100,000
Special assessments	5,023	20,412	134,694
Capital grants received	--	--	360,565
Interest payments on capital debt	(764)	--	(81,340)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(121,937)</u>	<u>20,412</u>	<u>(233,339)</u>
<b>Cash Flows from Investing Activities:</b>			
Income on investments	(458)	757	14,638
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(458)</u>	<u>757</u>	<u>14,638</u>
<b>Net Increase (Decrease) in Cash</b>	(50,859)	(2,159)	(204,523)
<b>Cash and cash equivalents, beginning of year</b>	<u>59,995</u>	<u>94,021</u>	<u>2,161,865</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 9,136</u>	<u>\$ 91,862</u>	<u>\$ 1,957,342</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (24,975)	\$ (35,798)	\$ (621,798)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	4,338	14,887	528,953
Changes in assets and liabilities:			
Receivables, net	(302)	(1,181)	24,791
Due from other funds	74	393	1,171
Due from other governments	--	--	--
Inventories	--	--	(35)
Other assets	(30)	(175)	(2,155)
Accounts payable	(10,606)	(406)	(447)
Due from other funds	99,994	--	99,155
Deposits from others	--	--	500
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 68,493</u>	<u>\$ (22,280)</u>	<u>\$ 30,135</u>

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**INTERNAL SERVICE FUNDS**

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**COUNTY OF SHASTA**

Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2011

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 4,597,057	\$ 31,597,015	\$ 1,815,411
Receivables, net	150	402,240	--
Due from other governments	139	594	17,181
Inventories	34,948	--	--
Due from other funds	42,218	--	--
Other assets	39	9,881	10,321
<b>Total current assets</b>	<u>4,674,551</u>	<u>32,009,730</u>	<u>1,842,913</u>
Noncurrent Assets:			
Advances to other funds	--	435,991	--
Capital assets, non-depreciable	55,375	--	--
Capital assets, depreciable -net	1,991,631	2,574	676,641
<b>Total noncurrent assets</b>	<u>2,047,006</u>	<u>438,565</u>	<u>676,641</u>
<b>Total Assets</b>	<u>6,721,557</u>	<u>32,448,295</u>	<u>2,519,554</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	106,608	420,924	15,349
Retention payable	--	--	--
Salaries and benefits payable	16,058	26,333	121,342
Due to other governments	--	--	--
Due to other funds	125,251	77	2,050
Claims payable	--	2,141,592	--
Compensated absences payable	6,744	30,541	115,517
<b>Total current liabilities</b>	<u>254,661</u>	<u>2,619,467</u>	<u>254,258</u>
Noncurrent liabilities:			
Claims payable	--	14,720,408	--
Compensated absences payable	6,257	28,334	107,170
Net OPEB obligation	109,601	179,015	840,942
<b>Total noncurrent liabilities</b>	<u>115,858</u>	<u>14,927,757</u>	<u>948,112</u>
<b>Total Liabilities</b>	<u>370,519</u>	<u>17,547,224</u>	<u>1,202,370</u>
<b>NET ASSETS</b>			
Invested in capital assets, net	2,047,006	2,574	676,641
Unrestricted	4,304,032	14,898,497	640,543
<b>Total Net Assets</b>	<u>\$ 6,351,038</u>	<u>\$ 14,901,071</u>	<u>\$ 1,317,184</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Net Assets (continued)  
Internal Service Funds  
June 30, 2011

	<u>Facilities Management</u>	<u>County Utilities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,067,666	\$ 212,266	\$ 39,289,415
Receivables, net	545	--	402,935
Due from other governments	--	--	17,914
Inventories	58,552	--	93,500
Due from other funds	176	--	42,394
Other assets	--	--	20,241
Total current assets	<u>1,126,939</u>	<u>212,266</u>	<u>39,866,399</u>
Noncurrent Assets:			
Advances to other funds	--	--	435,991
Capital assets, non-depreciable	--	--	55,375
Capital assets, depreciable -net	92,325	--	2,763,171
Total noncurrent assets	<u>92,325</u>	<u>--</u>	<u>3,254,537</u>
<b>Total Assets</b>	<u>1,219,264</u>	<u>212,266</u>	<u>43,120,936</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	178,280	7,190	728,351
Retention payable	18,352	--	18,352
Salaries and benefits payable	78,809	--	242,542
Due to other governments	609	161	770
Due to other funds	91,362	--	218,740
Claims payable	--	--	2,141,592
Compensated absences payable	63,189	--	215,991
Total current liabilities	<u>430,601</u>	<u>7,351</u>	<u>3,566,338</u>
Noncurrent liabilities:			
Claims payable	--	--	14,720,408
Compensated absences payable	58,623	--	200,384
Net OPEB obligation	545,930	--	1,675,488
Total noncurrent liabilities	<u>604,553</u>	<u>--</u>	<u>16,596,280</u>
<b>Total Liabilities</b>	<u>1,035,154</u>	<u>7,351</u>	<u>20,162,618</u>
<b>NET ASSETS</b>			
Invested in capital assets, net	92,325	--	2,818,546
Unrestricted	91,785	204,915	20,139,772
<b>Total Net Assets</b>	<u>\$ 184,110</u>	<u>\$ 204,915</u>	<u>\$ 22,958,318</u>

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2011

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
<b>Operating Revenues:</b>			
Charges for services	<u>\$ 2,417,190</u>	<u>\$ 6,737,211</u>	<u>\$ 4,997,563</u>
<b>Operating Expenses:</b>			
Salaries and benefits	471,428	866,596	3,752,823
Services and supplies	1,246,459	1,251,844	1,151,381
Central service costs	124,599	185,626	615,345
Insurance premiums	--	1,400,269	--
Claims expense	--	2,453,161	--
Depreciation	<u>605,983</u>	<u>1,148</u>	<u>188,189</u>
<b>Total Operating Expenses</b>	<u>2,448,469</u>	<u>6,158,644</u>	<u>5,707,738</u>
<b>Operating Income (Loss)</b>	<u>(31,279)</u>	<u>578,567</u>	<u>(710,175)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment income (loss)	33,224	249,110	12,994
Miscellaneous revenue (expense)	300	339,848	--
Gain (loss) on disposition of capital assets	<u>19,967</u>	<u>--</u>	<u>(729)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>53,491</u>	<u>588,958</u>	<u>12,265</u>
<b>Net income (loss) before capital contributions and transfers</b>	22,212	1,167,525	(697,910)
Capital contributions	--	--	815
Transfers in	--	--	778,716
Transfers out	<u>--</u>	<u>--</u>	<u>--</u>
<b>Change in Net Assets</b>	22,212	1,167,525	81,621
<b>Net Assets - Beginning</b>	<u>6,328,826</u>	<u>13,733,546</u>	<u>1,235,563</u>
<b>Net Assets - Ending</b>	<u>\$ 6,351,038</u>	<u>\$ 14,901,071</u>	<u>\$ 1,317,184</u>

continued

**COUNTY OF SHASTA**

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)  
 Internal Service Funds  
 For the Year Ended June 30, 2011

	<u>Facilities Management</u>	<u>County Utilities</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 3,867,193	\$ 1,466,502	\$ 19,485,659
<b>Operating Expenses:</b>			
Salaries and benefits	2,519,271	--	7,610,118
Services and supplies	1,247,626	1,044,619	5,941,929
Central service costs	214,443	--	1,140,013
Insurance premiums	--	--	1,400,269
Claims expense	--	--	2,453,161
Depreciation	23,793	--	819,113
<b>Total Operating Expenses</b>	<u>4,005,133</u>	<u>1,044,619</u>	<u>19,364,603</u>
<b>Operating Income (Loss)</b>	<u>(137,940)</u>	<u>421,883</u>	<u>121,056</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment income (loss)	4,377	484	300,189
Miscellaneous revenue (expense)	5,512	--	345,660
Gain (loss) on disposition of capital assets	--	--	19,238
<b>Total Non-Operating Revenues (Expenses)</b>	<u>9,889</u>	<u>484</u>	<u>665,087</u>
<b>Net income (loss) before capital contributions and transfers</b>	<u>(128,051)</u>	<u>422,367</u>	<u>786,143</u>
Capital contributions	--	--	815
Transfers in	26,370	--	805,086
Transfers out	--	(281,271)	(281,271)
<b>Change in Net Assets</b>	<u>(101,681)</u>	<u>141,096</u>	<u>1,310,773</u>
<b>Net Assets - Beginning</b>	<u>285,791</u>	<u>63,819</u>	<u>21,647,545</u>
<b>Net Assets - Ending</b>	<u>\$ 184,110</u>	<u>\$ 204,915</u>	<u>\$ 22,958,318</u>

**COUNTY OF SHASTA**

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2011

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 2,417,704	\$ 6,659,406	\$ 4,983,914
Payments to suppliers	(1,304,736)	(2,895,630)	(1,730,737)
Payments to employees	(430,752)	(792,851)	(3,477,783)
Claims paid	--	(2,453,783)	--
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>682,216</u>	<u>517,142</u>	<u>(224,606)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Other revenue (expense)	300	339,848	--
Operating subsidies and transfers out	--	17,838	778,716
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>300</u>	<u>357,686</u>	<u>778,716</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(569,115)	--	(211,887)
Proceeds from sale of capital assets	42,228	--	--
<b>Cash Flows from Capital and Related and Related Financing Activities</b>	<u>(526,887)</u>	<u>--</u>	<u>(211,887)</u>
<b>Cash Flows from Investing Activities:</b>			
Income on investments	33,224	249,110	12,994
<b>Net Increase (Decrease) in Cash</b>	188,853	1,123,938	355,217
<b>Cash at Beginning of Year</b>	<u>4,408,204</u>	<u>30,473,077</u>	<u>1,460,194</u>
<b>Cash at End of Year</b>	<u>\$ 4,597,057</u>	<u>\$ 31,597,015</u>	<u>\$ 1,815,411</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (31,279)	\$ 578,567	\$ (710,175)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	605,983	1,148	188,189
Changes in assets and liabilities:			
Receivables, net	10,604	(101,907)	--
Due from other funds	(42,218)	--	--
Due from other governments	(139)	24,102	(13,649)
Inventories	24,254	--	--
Other assets	--	3,429	40,290
Accounts payable	42,068	(61,314)	(5,758)
Salaries and benefits payable	3,676	5,644	15,635
Due to other funds	32,267	(6)	1,457
Due to other governments	--	(622)	--
Compensated absences payable	3,000	11,101	9,405
Net OPEB obligation	34,000	57,000	250,000
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 682,216</u>	<u>\$ 517,142</u>	<u>\$ (224,606)</u>

continued

## COUNTY OF SHASTA

### Combining Statement of Cash Flows (continued)

#### Internal Service Funds

For the Year Ended June 30, 2011

	Facilities Management	Shasta County Utilities	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 3,884,923	\$ 1,466,934	\$ 19,412,881
Payments to suppliers	(1,276,945)	(1,115,895)	(8,323,943)
Payments to employees	(2,339,891)	--	(7,041,277)
Claims paid	--	--	(2,453,783)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>268,087</b>	<b>351,039</b>	<b>1,593,878</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Other revenue (expense)	5,512	--	345,660
Operating subsidies and transfers out	26,370	(281,271)	541,653
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>31,882</b>	<b>(281,271)</b>	<b>887,313</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	--	--	(781,002)
Proceeds from sale of capital assets	--	--	42,228
<b>Cash Flows from Capital and Related and Related Financing Activities</b>	<b>--</b>	<b>--</b>	<b>(738,774)</b>
<b>Cash Flows from Investing Activities:</b>			
Income on investments	4,377	484	300,189
<b>Net Increase (Decrease) in Cash</b>	<b>304,346</b>	<b>70,252</b>	<b>2,042,606</b>
<b>Cash at Beginning of Year</b>	<b>763,320</b>	<b>142,014</b>	<b>37,246,809</b>
<b>Cash at End of Year</b>	<b>\$ 1,067,666</b>	<b>\$ 212,266</b>	<b>\$ 39,289,415</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (137,940)	\$ 421,883	\$ 121,056
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:			
Depreciation expense	23,793	--	819,113
Changes in assets and liabilities:			
Receivables, net	(447)	--	(91,750)
Due from other funds	(175)	432	(41,961)
Due from other governments	--	--	10,314
Inventories	(3,390)	--	20,864
Other assets	--	--	43,719
Accounts payable	121,405	1,294	97,695
Salaries and benefits payable	11,721	--	36,676
Due to other funds	85,784	--	119,502
Due to other governments	(323)	(72,570)	(73,515)
Compensated absences payable	(1,341)	--	22,165
Net OPEB obligation	169,000	--	510,000
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 268,087</b>	<b>\$ 351,039</b>	<b>\$ 1,593,878</b>