

**COUNTY OF LASSEN**

**AUDIT REPORT**

**JUNE 30, 2006**

# COUNTY OF LASSEN

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## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors and Grand Jury  
County of Lassen  
Susanville, California

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lassen, California, (the County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 basic 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 opinion.

The capital asset balances of the County have not been audited, and we were not engaged to audit the capital asset balances as part of our audit of the County's basic financial statements. Capital asset balances are included in the County's basic financial statements in the Statement of Net Assets and represent 50 percent of the assets of the County.

In our opinion, based on our audit, and except for the effects of such adjustments, if any, as might have been determined to be necessary had the capital assets been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lassen, California, as of June 30, 2006, and the respective changes in financial position 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 Lassen

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated October 6, 2006, on our consideration of the County of Lassen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD & A) and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

BARTIG, BASLER & RAY, LLP  
A Gallina LLP Company



October 6, 2006  
Roseville, CA

## COUNTY OF LASSEN

### Management's Discussion and Analysis Required Supplementary Information

#### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the 2005-2006 fiscal year by \$56,848,202 (*net assets*). Of this amount, \$22,958,919 (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, \$8,997,542 is restricted for specific purpose (*restricted net assets*), and \$24,891,741 is invested in capital assets, net of related debt. The government's total net assets increased by \$5,621,830.
- The County governmental funds reported combined fund balances of \$32,127,601 an increase of \$4,629,791 in comparison with the prior year.
- The County's unreserved fund balance for the general fund was \$6,483,539, or 95% of total general fund expenditures.
- The County's investment in capital assets increased by \$794,161.
- The County's total long-term liabilities decreased by \$711,429 in comparison with the prior year. The decrease resulted primarily from scheduled principal retirement of certificates of participation. There were no new capital leases.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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. Required Supplementary Information is included 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 LASSEN

### Management's Discussion and Analysis Required Supplementary Information

#### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation. The business-type activities of the County include the County Service Area (Honey Lake TV), County Business Parks, and County Water Systems.

**Fund Financial Statements** are groupings of related accounts that are 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*.

The County maintains five individual governmental funds that are considered major 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 Road Fund, the Health and Human Services Fund, the Welfare Fund, and the Public Safety Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

## COUNTY OF LASSEN

### Management's Discussion and Analysis Required Supplementary Information

#### **OVERVIEW OF THE FINANCIAL STATEMENTS** (continued)

*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 County Service Area #1 (Honey Lake TV), county business parks, and county water systems operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet maintenance and information systems 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 enterprise fund operations are not considered to be major funds of the County. The County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds except for agency funds.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information** is presented concerning the County's major funds budgetary schedules. The County adopts an annual appropriated budget for its funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$56,848,202 at the close of the most recent fiscal year.

# COUNTY OF LASSEN

## Management's Discussion and Analysis Required Supplementary Information

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Net Assets  
June 30, 2006

	Governmental Activities		Business-Type Activities		Totals		Variance (%)
	2006	2005	2006	2005	2006	2005	
	Current and Other Assets	\$ 37,029,098	\$ 33,697,147	\$ 223,567	\$ 252,946	\$ 37,252,665	
Capital Assets	26,578,294	25,784,133	777,854	808,266	27,356,148	26,592,399	2.9%
Total Assets	<u>63,607,392</u>	<u>59,481,280</u>	<u>1,001,421</u>	<u>1,061,212</u>	<u>64,608,813</u>	<u>60,542,492</u>	<u>6.7%</u>
Current and Other Liabilities	4,605,002	4,308,951	3,215	7,701	4,608,217	4,316,652	6.8%
Long-Term Liabilities	3,152,394	4,999,468	--	--	3,152,394	4,999,468	-36.9%
Total Liabilities	<u>7,757,396</u>	<u>9,308,419</u>	<u>3,215</u>	<u>7,701</u>	<u>7,760,611</u>	<u>9,316,120</u>	<u>-16.7%</u>
Invested in Capital Assets, net of debt	24,113,887	22,742,363	777,854	808,266	24,891,741	23,550,629	5.7%
Restricted	8,997,542	7,983,449	--	--	8,997,542	7,983,449	12.7%
Unrestricted	22,738,567	19,447,049	220,352	245,245	22,958,919	19,692,294	16.6%
Total Net Assets	<u>\$ 55,849,996</u>	<u>\$ 50,172,861</u>	<u>\$ 998,206</u>	<u>\$ 1,053,511</u>	<u>\$ 56,848,202</u>	<u>\$ 51,226,372</u>	<u>11.0%</u>

A large portion of the County's net assets, \$22,958,919 represents *unrestricted net assets* which may be used to meet the County's ongoing obligations to citizens and creditors.

Another significant portion of the County's net assets, \$24,891,741, reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's management also designates unreserved fund balance to a particular function, project or activity. Fund balance may also be designated for purposes beyond the current year. However, designated fund balance is available for appropriation at any time.

At the end of the current fiscal year, the County reported positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental activities and business-type activities.

The County's net assets increased by \$5,621,830 during the current fiscal year. The net increase in unrestricted net assets represent the degree to which increases in ongoing revenues exceeded increases in ongoing expenses. The increase in net assets invested in capital assets, net of related debt, represents capital purchases net of depreciation plus the retirement of related long-term debt.

# COUNTY OF LASSEN

## Management's Discussion and Analysis Required Supplementary Information

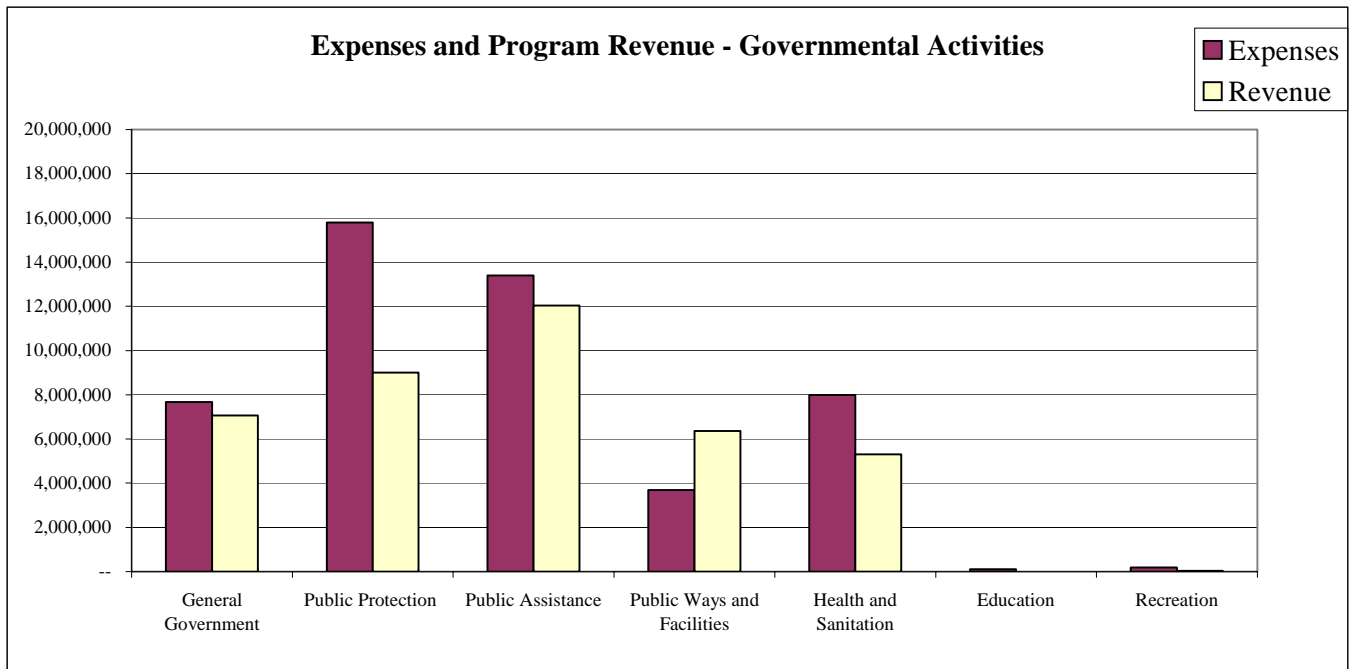
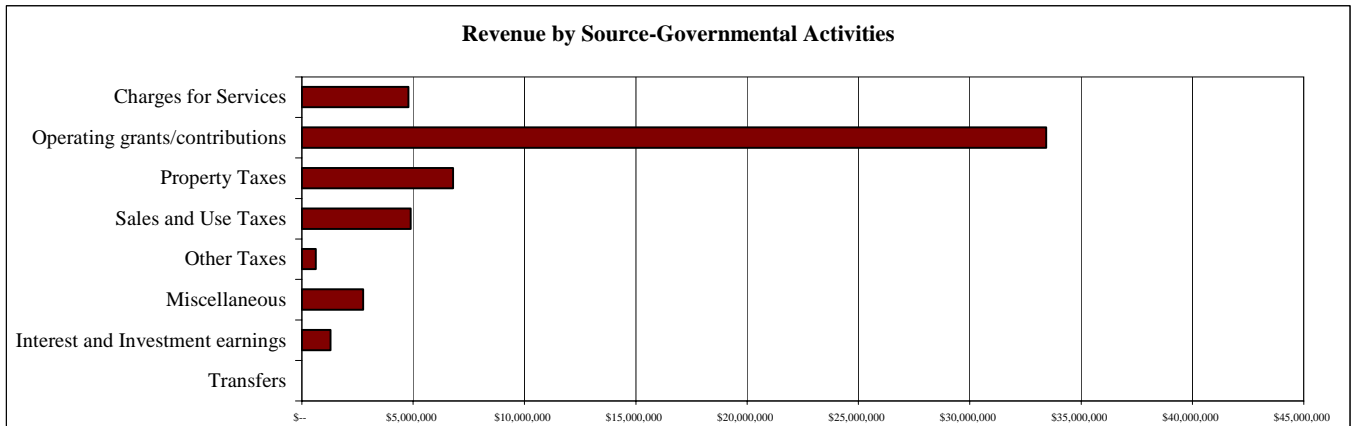
### GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following table indicates the changes in net assets for governmental and business-type activities:

Statement of Activities For the Year Ended June 30, 2006							
Revenues	Governmental Activities		Business-Type Activities		Total		Variance (%)
	2006	2005	2006	2005	2006	2005	
<b>Program Revenues:</b>							
Charges for Services	\$ 4,791,649	\$ 4,118,074	\$ 938	\$ 53,723	\$ 4,792,587	\$ 4,171,797	14.9%
Operating grants/contributions	33,427,200	31,317,024	6,150	12,300	33,433,350	31,329,324	6.7%
<b>General Revenues:</b>							
Property Taxes	6,790,706	5,691,754	--	--	6,790,706	5,691,754	19.3%
Sales and Use Taxes	4,882,869	6,169,275	--	--	4,882,869	6,169,275	-20.9%
Other Taxes	572,784	670,653	46,644	--	619,428	670,653	-7.6%
Miscellaneous	2,719,164	3,675,529	36,065	52,072	2,755,229	3,727,601	-26.1%
Interest and Investment earnings	1,277,080	1,473,493	18,275	4,683	1,295,355	1,478,176	-12.4%
Total Revenues	54,461,452	53,115,802	108,072	122,778	54,569,524	53,238,580	2.5%
<b>Expenses</b>							
General Government	7,672,461	7,569,033	--	--	7,672,461	7,569,033	1.4%
Public Protection	15,789,325	16,095,219	--	--	15,789,325	16,095,219	-1.9%
Public Assistance	13,396,430	13,645,037	--	--	13,396,430	13,645,037	-1.8%
Public Ways and Facilities	3,693,206	3,141,461	--	--	3,693,206	3,141,461	17.6%
Health and Sanitation	7,989,082	8,653,869	--	--	7,989,082	8,653,869	-7.7%
Education	107,118	102,209	--	--	107,118	102,209	4.8%
Recreation	186,510	215,542	--	--	186,510	215,542	-13.5%
Interest and Fiscal Charges	93,637	132,750	--	--	93,637	132,750	-29.5%
County Service Area (Honey Lake TV)	--	--	104,232	117,389	104,232	117,389	-11.2%
County Business Parks	--	--	44,011	37,118	44,011	37,118	18.6%
County Water System	--	--	(8,498)	3,960	(8,498)	3,960	-314.6%
Total Expenses	48,927,769	49,555,120	139,745	158,467	49,067,514	49,713,587	-1.3%
Excess (deficiency) of revenues over (under) expenses	5,533,683	3,560,682	(31,673)	(35,689)	5,502,010	3,524,993	56.1%
Transfers	23,632	32,807	(23,632)	(32,807)	--	--	0.0%
Change in Net Assets	5,557,315	3,593,489	(55,305)	(68,496)	5,502,010	3,524,993	56.1%
Net Assets - Beginning	50,172,861	46,574,300	1,053,511	1,122,007	51,226,372	47,696,307	7.4%
Prior Period Adjustment	119,820	5,072	--	--	119,820	5,072	2262.4%
Net Assets - Ending	\$ 55,849,996	\$ 50,172,861	\$ 998,206	\$ 1,053,511	\$ 56,848,202	\$ 51,226,372	11.0%

# COUNTY OF LASSEN

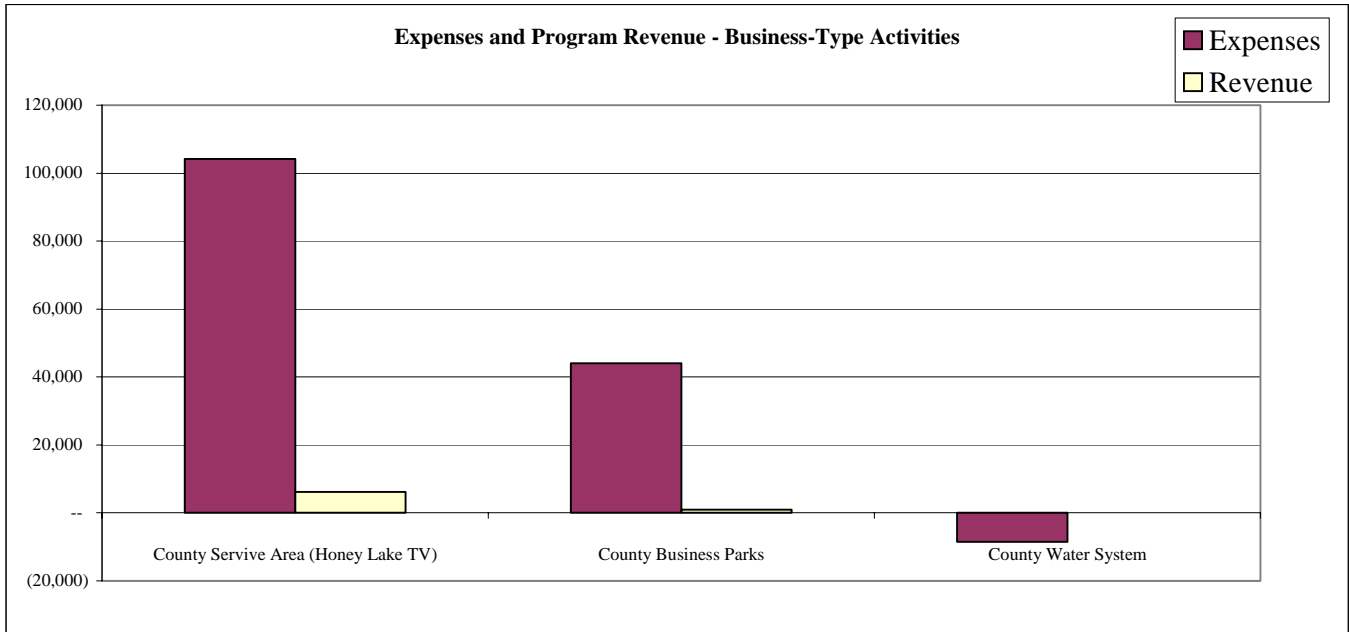
## Management's Discussion and Analysis Required Supplementary Information



# COUNTY OF LASSEN

## Management's Discussion and Analysis Required Supplementary Information

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



## COUNTY OF LASSEN

### Management's Discussion and Analysis Required Supplementary Information

#### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

#### Net Change in Fund Balance Governmental Funds

	FY 2005/06	FY 2004/05	Increase (Decrease)	
			Amount	Percent
Fund Balance - Beginning of Year, restated	\$ 27,617,630	\$ 26,278,090	\$ 1,339,540	5.10%
Revenues	54,842,294	51,539,045	3,303,249	6.41%
Expenditures	(50,530,082)	(50,285,772)	(244,310)	0.49%
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,312,212	1,253,273	3,058,939	244.08%
Other Financing Sources (Uses)	197,759	(33,553)	231,312	-689.39%
Fund Balance - Ending of Year	<u>\$ 32,127,601</u>	<u>\$ 27,497,810</u>	<u>\$ 4,629,791</u>	<u>16.84%</u>

At June, 30, 2006, the County's governmental funds reported combined fund balances of \$32,127,601, an increase of \$4,629,791 in comparison with the prior year. Of these combined fund balances, \$30,064,450, constitutes *unreserved fund balance of the General and Special Revenue Funds*, which is available to meet the County's current and future needs. The remainder of fund balance \$2,063,151 is *reserved* to indicate that it is *not* available for new spending because it has been committed.

The General Fund is the chief operating fund of the County. At June 30, 2006, unreserved fund balance was \$6,483,539, while total fund balance reached \$7,857,312. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved fund balance represents 95% of total General Fund expenditures, while the total fund balance represents 115% of total General Fund expenditures.

The County's management also designates (earmarks) unreserved fund balance to a particular function, project, or activity. Fund balance may also be designated for purposes beyond the current year. However, designated fund balance is available for appropriation at any time. Of the \$6,483,539 General Fund unreserved fund balance, 52% (or \$3,398,547) is designated.

## COUNTY OF LASSEN

### Management's Discussion and Analysis Required Supplementary Information

#### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

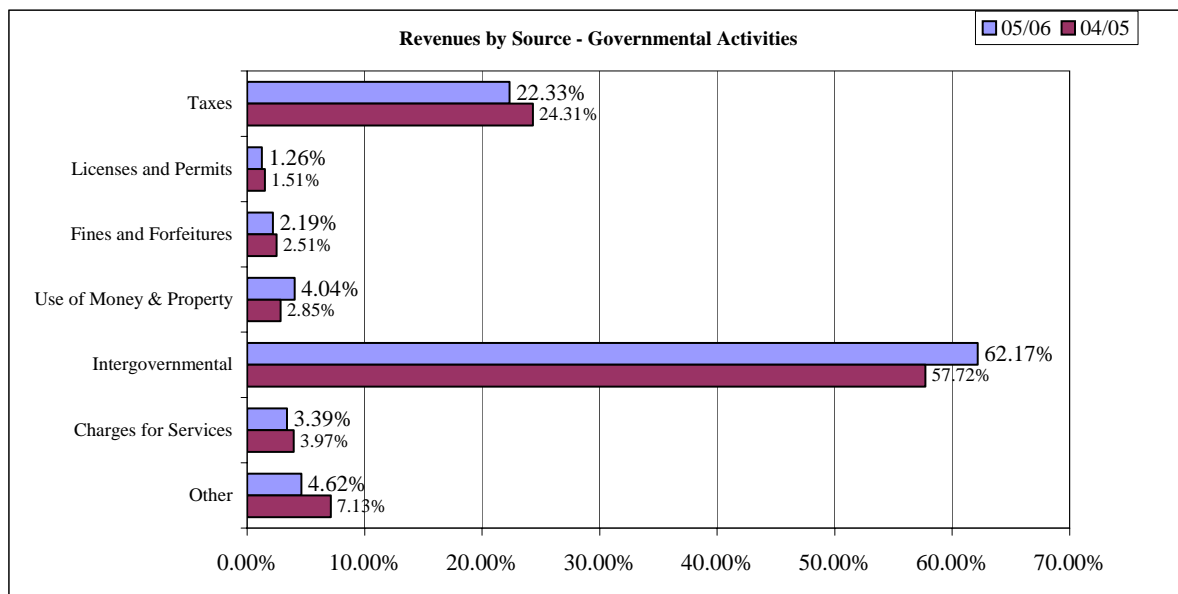
The other governmental funds' fund balances increased \$3,151,469 to \$24,270,289. The four major governmental funds had changes in fund balance as follows: Roads \$1,627,417, Health and Human Services (\$152,451), Welfare \$1,003,731, Public Safety (\$111,174). The non-major governmental funds changed by \$783,946.

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 2005/06		FY 2004/05		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Revenue by Source:						
Taxes	\$ 12,246,362	22.33%	\$ 12,531,682	24.31%	\$ (285,320)	-2.28%
Licenses and Permits	693,063	1.26%	779,380	1.51%	(86,317)	-11.08%
Fines and Forfeitures	1,202,939	2.19%	1,293,895	2.51%	(90,956)	-7.03%
Use of Money & Property	2,215,664	4.04%	1,467,076	2.85%	748,588	51.03%
Intergovernmental	34,095,889	62.17%	29,746,684	57.72%	4,349,205	14.62%
Charges for Services	1,857,309	3.39%	2,044,799	3.97%	(187,490)	-9.17%
Other	2,531,068	4.62%	3,675,529	7.13%	(1,144,461)	-31.14%
<b>Total</b>	<b>\$ 54,842,294</b>	<b>100.00%</b>	<b>\$ 51,539,045</b>	<b>100.00%</b>	<b>\$ 3,303,249</b>	<b>6.41%</b>

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



# COUNTY OF LASSEN

## Management's Discussion and Analysis Required Supplementary Information

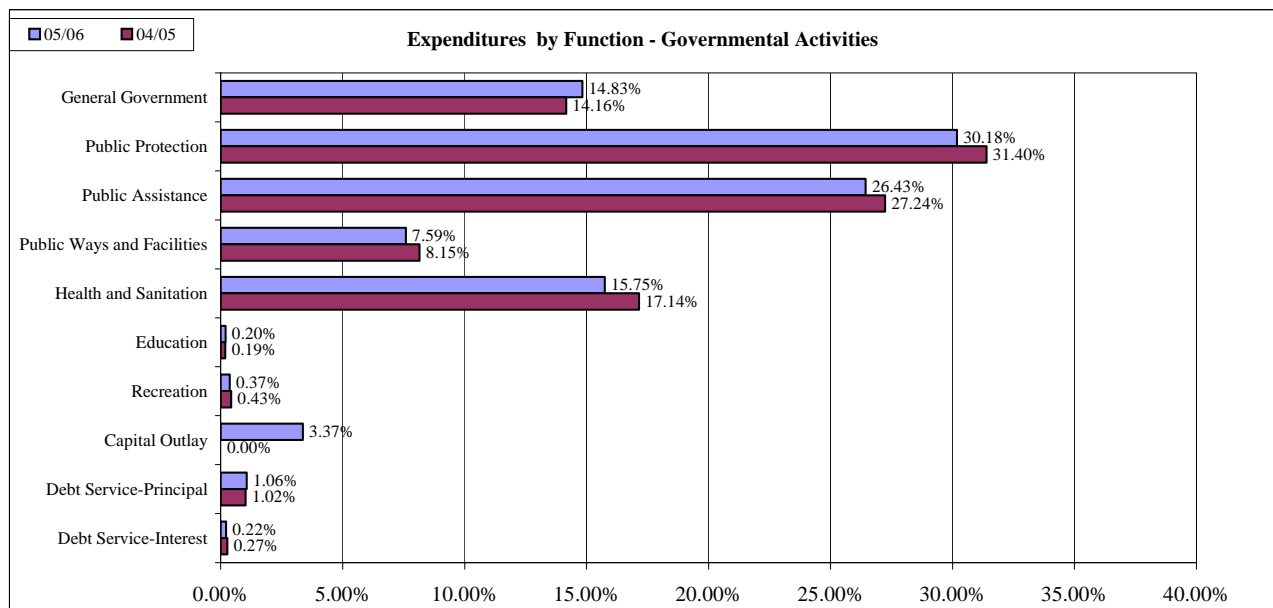
### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

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

Expenditures Classified by Function  
Governmental Funds

	FY 2005/06		FY 2004/05		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Expenditures by Function:						
General Government	\$ 7,491,145	14.83%	\$ 7,120,822	14.16%	\$ 370,323	5.20%
Public Protection	15,250,646	30.18%	15,787,103	31.40%	(536,457)	-3.40%
Public Assistance	13,357,827	26.43%	13,696,632	27.24%	(338,805)	-2.47%
Public Ways and Facilities	3,834,921	7.59%	4,098,549	8.15%	(263,628)	-6.43%
Health and Sanitation	7,957,644	15.75%	8,619,882	17.14%	(662,238)	-7.68%
Education	102,645	0.20%	97,813	0.19%	4,832	4.94%
Recreation	185,528	0.37%	214,560	0.43%	(29,032)	-13.53%
Capital Outlay	1,703,103	3.37%	--	0.00%	1,703,103	0.00%
Debt Service-Principal	535,000	1.06%	514,286	1.02%	20,714	4.03%
Debt Service-Interest	111,623	0.22%	136,125	0.27%	(24,502)	-18.00%
<b>Total</b>	<b>\$ 50,530,082</b>	<b>100.00%</b>	<b>\$ 50,285,772</b>	<b>100.00%</b>	<b>\$ 244,310</b>	<b>0.49%</b>

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



**COUNTY OF LASSEN**

Management's Discussion and Analysis  
Required Supplementary Information

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)**

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

	FY 2005/06	FY 2004/05	Increase(Decrease)	
			Amount	Percent
Proceeds from sale of capital assets	\$ 174,125	\$ --	\$ 174,125	0.00%
Transfers in	11,511,416	12,006,837	(495,421)	-4.13%
Transfers out	(11,487,782)	(12,040,390)	552,608	-4.59%
Net financing sources(uses)	<u>\$ 197,759</u>	<u>\$ (33,553)</u>	<u>\$ 231,312</u>	<u>-93.40%</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.** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

*Enterprise funds* report the business-type activities of the County. Enterprise funds are used to account for County Service Area #1 (Honey Lake TV), county business parks, county water systems operations.

	FY 2005/06	FY 2004/05	Increases(Decreases)	
			Amount	Percent
Total Net Assets - Beginning	\$ 1,053,511	\$ 1,122,007	\$ (68,496)	-6.10%
Revenues	50,938	105,795	(54,857)	-51.85%
Expenditures	(139,745)	(158,467)	18,722	-11.81%
Operating Income(Loss)	<u>(88,807)</u>	<u>(52,672)</u>	<u>(36,135)</u>	<u>68.60%</u>
Non-Operating Revenues(Expenses)	57,134	16,983	40,151	236.42%
Transfers In/Out	<u>(23,632)</u>	<u>(32,807)</u>	<u>9,175</u>	<u>-27.97%</u>
Change in Net Assets	<u>(55,305)</u>	<u>(68,496)</u>	<u>13,191</u>	<u>-19.26%</u>
Fund Balance - Ending of Year	<u>\$ 998,206</u>	<u>\$ 1,053,511</u>	<u>\$ (55,305)</u>	<u>-5.25%</u>

**COUNTY OF LASSEN**

Management's Discussion and Analysis  
Required Supplementary Information

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS** (continued)

The net assets of the enterprise funds decreased (\$55,305). Operating revenues decreased (52%) while operating expenses decreased by (12%).

*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 information technology services, vehicle maintenance and other services provided to departments and other county agencies.

	Net Change in Fund Balance Internal Service Funds		Increases(Decreases)	
	FY 2005/06	FY 2004/05	Amount	Percent
Total Net Assets - Beginning	\$ 1,063,839	\$ 1,079,114	\$ (15,275)	-1.42%
Revenues	769,486	727,728	41,758	5.74%
Expenditures	(771,816)	(815,780)	43,964	-5.39%
Operating Income(Loss)	(2,330)	(88,052)	85,722	-97.35%
Non-Operating Revenues(Expenses)	13,763	6,417	7,346	114.48%
Transfers In/Out	--	66,360	(66,360)	-100.00%
Change in Net Assets	11,433	(15,275)	26,708	-174.85%
Fund Balance - Ending of Year	\$ 1,075,272	\$ 1,063,839	\$ 11,433	1.07%

Unrestricted net assets of the internal service funds at June 30, 2006 were \$538,610. Investments in capital assets, net of related debt were \$536,662.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

**COUNTY OF LASSEN**

Management's Discussion and Analysis  
Required Supplementary Information

**GENERAL FUND BUDGETARY HIGHLIGHTS** (continued)

Differences between the original budget and the final amended budget resulted in an \$570,953 increase in appropriations. The components of this increase are briefly summarized as follows: (\$131,946) decrease to the general government; \$387,544 increase to the public protection; \$41,455 increase to capital outlay; and \$273,900 increase in other financing uses.

Even with these adjustments, actual expenditures were \$1,107,317 below final budget amounts. Resources available for appropriation were \$699,767 above final budget amounts.

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

Budgetary Comparison  
General Fund

	Original Budget	Final Budget	Net Change	
			Amount	Percent
Total Revenues	\$ 14,302,402	\$ 14,589,373	\$ 286,971	2.01%
Total Expenditures	(7,907,568)	(8,204,621)	(297,053)	3.76%
Other Financing Sources (Uses)	(7,268,551)	(7,455,226)	(186,675)	2.57%
Net Change in Fund Balances	<u>\$ (873,717)</u>	<u>\$ (1,070,474)</u>	<u>\$ (196,757)</u>	<u>22.52%</u>

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

Budgetary Comparison  
General Fund

	Final Budget	Actual Amounts	Net Change	
			Amount	Percent
Total Revenues	\$ 14,589,373	\$ 15,289,140	\$ 699,767	4.80%
Total Expenditures	(8,204,621)	(7,097,304)	1,107,317	-13.50%
Other Financing Sources (Uses)	(7,455,226)	(7,117,003)	338,223	-4.54%
Net Change in Fund Balances	<u>\$ (1,070,474)</u>	<u>\$ 1,074,833</u>	<u>\$2,145,307</u>	<u>-200.41%</u>

**CAPITAL ASSETS**

The County's investment in capital assets as of June 30, 2006, amounted to \$27,356,148 (net of accumulated depreciation). This investment in a broad range of capital assets includes land, infrastructure (roads and bridges), structures and improvements, and equipment.

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

## COUNTY OF LASSEN

### Management's Discussion and Analysis Required Supplementary Information

#### CAPITAL ASSETS (continued)

##### Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	2005	2006
Land	\$ 5,092,997	\$ 5,095,976	\$ 25,000	\$ 25,000	\$ 5,117,997	\$ 5,120,976
Structures & Improvements	16,853,359	17,016,895	819,877	798,974	17,673,236	17,815,869
Equipment	8,573,828	9,146,597	142,192	160,208	8,716,020	9,306,805
Infrastructure	6,989,595	8,434,433	--	--	6,989,595	8,434,433
Construction In Progress	1,661,958	1,672,812	--	--	1,661,958	1,672,812
Total	39,171,737	41,366,713	987,069	984,182	40,158,806	42,350,895
Accumulated Depreciation	(13,387,604)	(14,788,419)	(178,803)	(206,328)	(13,566,407)	(14,994,747)
Net Capital Assets	<u>\$ 25,784,133</u>	<u>\$ 26,578,294</u>	<u>\$ 808,266</u>	<u>\$ 777,854</u>	<u>\$ 26,592,399</u>	<u>\$ 27,356,148</u>

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

	Additions	Transfers	Retirements	Depreciation	Net Change
Land	\$ 5,248	\$ --	\$ (2,269)	\$ --	\$ 2,979
Construction in progress	1,083,626	(1,072,772)	--	--	10,854
Infrastructure	372,066	1,072,772	--	(234,292)	1,210,546
Structures & Improvements	448,327	--	(284,791)	(445,114)	(281,578)
Equipment	572,769	--	--	(721,409)	(148,640)
Totals	<u>\$ 2,482,036</u>	<u>\$ --</u>	<u>\$ (287,060)</u>	<u>\$ (1,400,815)</u>	<u>\$ 794,161</u>

The most significant additions to governmental capital assets are continuing work on Skyline East and Rocky Ridge roads, the replacement of equipment for the road department, improvements to the animal shelter and Veterans Memorial Building, and vehicle replacement.

#### DEBT ADMINISTRATION

At June 30, 2006, the County had total long-term liabilities outstanding of \$4,288,039 as compared to \$4,999,468 in the prior year. During the year, retirement of debt amounted to \$1,193,408. Additions and adjustments to long-term liabilities amounted to \$481,979.

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

## COUNTY OF LASSEN

### Management's Discussion and Analysis Required Supplementary Information

#### DEBT ADMINISTRATION (continued)

##### Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2005	June 30, 2006	July 1, 2005	June 30, 2006	July 1, 2005	June 30, 2006
Notes Payable	\$ 42,858	\$ 28,572	\$ --	\$ --	\$ 42,858	\$ 28,572
Refunding Certificates of Participation (1998)	2,885,000	2,350,000	--	--	2,885,000	2,350,000
Capital Lease Obligations	113,912	85,835	--	--	113,912	85,835
Compensated absences	1,026,719	1,075,558	--	--	1,026,719	1,075,558
Claims liability	930,979	748,074	--	--	930,979	748,074
Total	4,999,468	4,288,039	--	--	4,999,468	4,288,039
Less Current Portion	(1,090,723)	(1,135,645)	--	--	(1,090,723)	(1,135,645)
Net Long-Term Debt	<u>\$ 3,908,745</u>	<u>\$ 3,152,394</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,908,745</u>	<u>\$ 3,152,394</u>

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

Although the 2005/06 fiscal year ended with a General Fund reserve, it was projected that the county would face operating shortfalls in the coming fiscal years (that is, annual differences between revenues and expenditures). Carryover reserves will be used in 2006/07 to make up the shortfall. The use of reserves is not a long-term solution and corrective actions will be needed to keep future budgets in balance.

The county's strategy for developing a budget for the upcoming 2006/07 fiscal year was to maintain services at current levels. Once that was accomplished discussion was held on issues and requests from the community at large and departments. The process resulted in additional appropriations to animal control, veteran services, local fire protection districts and family resource centers.

#### 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 Lassen County Auditor's Office at 221 South Roop Street, Susanville California 96130.

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

**COUNTY OF LASSEN**

Statement of Net Assets  
June 30, 2006

<u>ASSETS</u>	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Cash and investments	\$ 29,669,336	\$ 273,469	\$ 29,942,805
Cash with fiscal agent	603,117	--	603,117
Interest receivable	217,017	427	217,444
Accounts receivable	31,118	--	31,118
Due from other governmental entities	4,440,513	--	4,440,513
Internal balances	50,329	(50,329)	--
Deposits with others	777,318	--	777,318
Inventories	689,378	--	689,378
Long term receivables	550,972	--	550,972
Capital assets:			
Nondepreciable	6,768,788	25,000	6,793,788
Depreciable, net	19,809,506	752,854	20,562,360
Total Assets	\$ 63,607,392	\$ 1,001,421	\$ 64,608,813
<u>LIABILITIES</u>			
Accounts payable	\$ 1,603,168	\$ 3,215	\$ 1,606,383
Salaries and benefits payable	811,791	--	811,791
Interest payable	16,754	--	16,754
Deferred revenue	1,037,644	--	1,037,644
Long-Term Liabilities:			
Portion due or payable within one year:			
Liability for compensated absences	537,779	--	537,779
Capital leases	28,580	--	28,580
Certificates of participation, net of amortized discount	555,000	--	555,000
Notes payable	14,286	--	14,286
Portion due or payable after one year:			
Liability for compensated absences	537,779	--	537,779
Capital leases	57,255	--	57,255
Certificates of participation, net of amortized discount	1,795,000	--	1,795,000
Notes payable	14,286	--	14,286
Claims liability	748,074	--	748,074
Total Liabilities	7,757,396	3,215	7,760,611
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	24,113,887	777,854	24,891,741
Restricted for:			
Public Safety	872,772	--	872,772
Health & Public Assistance	3,189,192	--	3,189,192
Community Resources & Facilities	376,903	--	376,903
General Government & Support Services	2,019,037	--	2,019,037
Criminal Justice and Courthouse Construction	1,132,923	--	1,132,923
Debt service	1,406,715	--	1,406,715
Unrestricted	22,738,567	220,352	22,958,919
Total Net Assets	55,849,996	998,206	56,848,202
Total Liabilities and Net Assets	\$ 63,607,392	\$ 1,001,421	\$ 64,608,813

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

**COUNTY OF LASSEN**

Statement of Activities  
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 7,672,461	\$ 3,005,294	\$ 3,319,900	\$ --
Public protection	15,789,325	1,655,964	6,717,461	--
Public ways and facilities	3,693,206	7,679	6,349,965	--
Health and sanitation	7,989,082	114,172	4,980,080	--
Public assistance	13,396,430	8,540	12,024,794	--
Education	107,118	--	--	--
Recreation and culture	186,510	--	35,000	--
Debt service:				
Interest	93,637	--	--	--
Total Governmental Activities	<u>48,927,769</u>	<u>4,791,649</u>	<u>33,427,200</u>	
<b>Business-Type Activities:</b>				
County Service Area (Honey Lake TV)	104,232	--	6,150	--
County Business Park	44,011	--	--	--
County Water System	(8,498)	938	--	--
Total Lassen County	<u>\$ 49,067,514</u>	<u>\$ 4,792,587</u>	<u>\$ 33,433,350</u>	<u>\$ --</u>

General Revenues:

  Taxes:

    Property taxes

    Sales and use taxes

    Other

  Miscellaneous

  Unrestricted interest and investment earnings

Transfers

    Total General Revenues and Transfers

Change in Net Assets

Net assets - July 1, 2005

Prior Period Adjustment

Net assets - June 30, 2006

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

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,347,267)	\$ --	\$ (1,347,267)
(7,415,900)	--	(7,415,900)
2,664,438	--	2,664,438
(2,894,830)	--	(2,894,830)
(1,363,096)	--	(1,363,096)
(107,118)	--	(107,118)
(151,510)	--	(151,510)
<u>(93,637)</u>	<u>--</u>	<u>(93,637)</u>
(10,708,920)		(10,708,920)
	(98,082)	(98,082)
	(44,011)	(44,011)
	9,436	9,436
<u>(10,708,920)</u>	<u>(132,657)</u>	<u>(10,841,577)</u>
6,790,706	--	6,790,706
4,882,869	--	4,882,869
572,784	46,644	619,428
2,719,164	36,065	2,755,229
1,277,080	18,275	1,295,355
23,632	(23,632)	--
<u>16,266,235</u>	<u>77,352</u>	<u>16,343,587</u>
5,557,315	(55,305)	5,502,010
50,172,861	1,053,511	51,226,372
119,820	--	119,820
<u>\$ 55,849,996</u>	<u>\$ 998,206</u>	<u>\$ 56,848,202</u>

**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

**COUNTY OF LASSEN**

Balance Sheet  
Governmental Funds  
June 30, 2006

	General	Road Fund	Health and Human Services	Welfare
<u>Assets</u>				
Cash and investments	\$ 7,284,764	\$ 5,303,441	\$ 2,193,986	\$ 1,254,015
Cash with fiscal agent	--	--	--	--
Deposits with others	777,318	--	--	--
Interest receivable	50,739	39,312	15,509	5,809
Accounts receivable	1,407	7,367	849	--
Due from other governmental entities	173,015	1,269,691	856,476	621,879
Advances to other funds	315,329	--	--	--
Inventory	--	689,378	--	--
Long term receivables	205,422	--	--	--
Total Assets	<u>\$ 8,807,994</u>	<u>\$ 7,309,189</u>	<u>\$ 3,066,820</u>	<u>\$ 1,881,703</u>
<u>Liabilities</u>				
Accounts payable	\$ 86,465	\$ 79,810	\$ 1,052,931	\$ 124,769
Accrued salaries	170,716	77,134	148,662	93,186
Advances from other funds	--	--	--	--
Deferred revenue	693,501	7,227	537,936	--
Total Liabilities	<u>950,682</u>	<u>164,171</u>	<u>1,739,529</u>	<u>217,955</u>
<u>Fund Balances</u>				
Reserved for:				
Legal obligations	244,220	--	--	--
Advances	315,329	--	--	--
Self insurance	814,224	--	--	--
Inventory	--	689,378	--	--
Unreserved, reported in:				
General fund:				
Designated	3,398,547	--	--	--
Undesignated	3,084,992	--	--	--
Special revenue funds:				
Designated	--	--	--	--
Undesignated	--	6,455,640	1,327,291	1,663,748
Debt service funds:				
Undesignated	--	--	--	--
Capital project funds:				
Designated	--	--	--	--
Undesignated	--	--	--	--
Total Fund Balances	<u>7,857,312</u>	<u>7,145,018</u>	<u>1,327,291</u>	<u>1,663,748</u>
Total Liabilities and Fund Balances	<u>\$ 8,807,994</u>	<u>\$ 7,309,189</u>	<u>\$ 3,066,820</u>	<u>\$ 1,881,703</u>

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

Public Safety	Other Governmental Funds	Total
\$ 1,453,326	\$ 11,635,830	\$ 29,125,362
--	603,117	603,117
--	--	777,318
9,029	92,428	212,826
--	21,495	31,118
648,838	870,614	4,440,513
--	167,000	482,329
--	--	689,378
--	345,550	550,972
<u>\$ 2,111,193</u>	<u>\$ 13,736,034</u>	<u>\$ 36,912,933</u>
\$ 182,053	\$ 76,959	\$ 1,602,987
225,824	86,895	802,417
17,000	415,000	432,000
213,495	495,769	1,947,928
<u>638,372</u>	<u>1,074,623</u>	<u>4,785,332</u>
--	--	244,220
--	--	315,329
--	--	814,224
--	--	689,378
--	--	3,398,547
--	--	3,084,992
551,005	9,005,475	9,556,480
921,816	(114,533)	10,253,962
--	1,406,715	1,406,715
--	1,132,923	1,132,923
--	1,230,831	1,230,831
<u>1,472,821</u>	<u>12,661,411</u>	<u>32,127,601</u>
<u>\$ 2,111,193</u>	<u>\$ 13,736,034</u>	<u>\$ 36,912,933</u>

COUNTY OF LASSEN

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Assets - Governmental Activities  
June 30, 2006

Fund Balance - total governmental funds (page 20)	\$ 32,127,601
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred revenue in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	910,284
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	26,041,632
Internal service funds are used by the County to charge the cost of unemployment insurance, dental insurance, fleet services and telephone services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:	1,075,272
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.	(16,754)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Bonds payable	(2,350,000)
Notes payable	(28,572)
Capital leases	(85,835)
Compensated absences	(1,075,558)
Claims liability	<u>(748,074)</u>
Net assets of governmental activities (page 18)	<u>\$ 55,849,996</u>

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

**COUNTY OF LASSEN**

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

	<u>General</u>	<u>Road Fund</u>	<u>Health and Human Services</u>	<u>Welfare</u>
Revenues:				
Taxes	\$ 8,020,581	\$ --	\$ --	\$ --
Licenses and permits	622,118	4,790	4,094	--
Intergovernmental	4,777,097	6,246,608	4,857,500	11,127,696
Charges for services	859,498	2,889	140,909	1,681
Fines and forfeitures	74,157	--	26,531	--
Use of money and property	365,554	154,131	40,362	23,161
Other	570,135	172,211	938,607	281,892
Total Revenues	<u>15,289,140</u>	<u>6,580,629</u>	<u>6,008,003</u>	<u>11,434,430</u>
Expenditures:				
Current:				
General government	5,714,620	--	--	--
Public protection	1,414,529	--	171,245	--
Public ways and facilities	(164,286)	3,972,190	--	--
Health and sanitation	(180,753)	--	7,102,049	--
Public assistance	(119,383)	--	547,804	12,929,406
Education	102,645	--	--	--
Recreation and culture	6,623	--	--	--
Debt Service:				
Principal	--	--	--	--
Interest	--	--	--	--
Capital outlay	39,640	981,022	12,967	50,579
Total Expenditures	<u>6,813,635</u>	<u>4,953,212</u>	<u>7,834,065</u>	<u>12,979,985</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,475,505</u>	<u>1,627,417</u>	<u>(1,826,062)</u>	<u>(1,545,555)</u>
Other Financing Sources (Uses):				
Transfers in	312,627	--	1,673,611	2,549,286
Transfers out	(7,429,630)	--	--	--
Gain (loss) on sale of assets	--	--	--	--
Total Other Financing Sources (Uses)	<u>(7,117,003)</u>	<u>--</u>	<u>1,673,611</u>	<u>2,549,286</u>
Net change in fund balances	<u>1,358,502</u>	<u>1,627,417</u>	<u>(152,451)</u>	<u>1,003,731</u>
Fund Balances, Beginning of Year	6,498,810	5,517,601	1,479,742	660,017
Prior period adjustment	--	--	--	--
Fund Balances, Restated - Beginning of Year	6,498,810	5,517,601	1,479,742	660,017
Fund Balances, End of Year	<u>\$ 7,857,312</u>	<u>\$ 7,145,018</u>	<u>\$ 1,327,291</u>	<u>\$ 1,663,748</u>

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

Public Safety	Other Governmental Funds	Total
\$ 1,397,744	\$ 2,828,037	\$ 12,246,362
7,422	54,639	693,063
4,484,551	2,602,437	34,095,889
325,194	527,138	1,857,309
28,190	1,074,061	1,202,939
245,612	1,386,844	2,215,664
182,907	385,316	2,531,068
<u>6,671,620</u>	<u>8,858,472</u>	<u>54,842,294</u>
288,175	1,488,350	7,491,145
10,153,822	3,511,050	15,250,646
--	27,017	3,834,921
--	1,036,348	7,957,644
--	--	13,357,827
--	--	102,645
--	178,905	185,528
--	535,000	535,000
--	111,623	111,623
24,819	594,076	1,703,103
<u>10,466,816</u>	<u>7,482,369</u>	<u>50,530,082</u>
<u>(3,795,196)</u>	<u>1,376,103</u>	<u>4,312,212</u>
3,701,022	3,274,870	11,511,416
(17,000)	(4,041,152)	(11,487,782)
--	174,125	174,125
<u>3,684,022</u>	<u>(592,157)</u>	<u>197,759</u>
<u>(111,174)</u>	<u>783,946</u>	<u>4,509,971</u>
1,583,995	11,757,645	27,497,810
--	119,820	119,820
<u>1,583,995</u>	<u>11,877,465</u>	<u>27,617,630</u>
<u>\$ 1,472,821</u>	<u>\$ 12,661,411</u>	<u>\$ 32,127,601</u>

## COUNTY OF LASSEN

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities For the Year Ended June 30, 2006

Net change to fund balance - total governmental funds (page 22) \$ 4,509,971

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlay as expenditures. However,  
in the statement of activities, the cost of those assets is allocated  
over their estimated useful lives and reported as depreciation  
expense.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	2,078,529	
Less: current year depreciation	<u>(1,097,692)</u>	
		980,837

Governmental fund revenues deferred at year end due to unavailability, and  
therefore, deferred under the modified accrual method of accounting, were  
recognized as revenue on the full accrual method of accounting (660,056)

Repayment of debt principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the  
statement of net assets.

Principal repayments:

Notes payable	14,286
Certificates of participation	535,000
Capital leases	28,078

Some expenses reported in the statement of activities do not  
require the use of current financial resources and, therefore, are  
not reported as expenditures in governmental funds.

Change in compensated absences	(48,839)
Change in accrued interest payable	3,700
Change in claims liabilities	182,905

Internal service funds are used by management to charge the costs of  
certain activities to individual funds. The net revenue of  
certain activities of the internal service funds is reported with  
governmental activities. 11,433

Change in net assets of governmental activities (page 19) \$ 5,557,315

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

**COUNTY OF LASSEN**

Statement of Fund Net Assets  
Proprietary Funds  
June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
<u>ASSETS</u>	<u>Nonmajor Funds</u>	<u>Funds</u>
Current assets:		
Cash and investments	\$ 273,469	\$ 543,974
Interest receivable	427	4,191
Total current assets	273,896	548,165
Noncurrent assets:		
Capital assets:		
Nondepreciable	25,000	--
Depreciable, net	752,854	536,662
Total Assets	\$ 1,051,750	\$ 1,084,827
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 3,215	\$ 181
Salaries and benefits payable	--	9,374
Advances from other funds	50,329	--
Total Liabilities	53,544	9,555
 <u>NET ASSETS</u>		
Investment in capital assets, net of related debt	777,854	536,662
Unrestricted	220,352	538,610
Total Net Assets	998,206	1,075,272
Total Liabilities and Net Assets	\$ 1,051,750	\$ 1,084,827

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

**COUNTY OF LASSEN**

Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Nonmajor Funds	Internal Service Funds
<b>Operating Revenues:</b>		
Charges for services	\$ 938	\$ 707,769
Miscellaneous	50,000	61,717
Total Operating Revenues	50,938	769,486
<b>Operating Expenses:</b>		
Salaries and benefits	--	273,243
Services and supplies	105,252	287,850
Depreciation	34,493	210,723
Total Operating Expenses	139,745	771,816
Operating Income (Loss)	(88,807)	(2,330)
<b>Non-Operating Revenue (Expenses):</b>		
Tax revenues	46,644	--
Intergovernmental revenues	6,150	--
Interest income	18,275	13,763
Gain/(loss) on disposal of assets	(13,935)	--
Total Non-Operating Revenue	57,134	13,763
Net Income (Loss) Before Transfers	(31,673)	11,433
Transfers out	(23,632)	--
<b>Change in Net Assets</b>	(55,305)	11,433
Net Assets - Beginning of Year	1,053,511	1,063,839
Net Assets - End of Year	\$ 998,206	\$ 1,075,272

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

**COUNTY OF LASSEN**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2006

	Business-Type Activities - <u>Enterprise Funds</u>	<u>Governmental Activities</u> Internal Service Funds
	Nonmajor Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 50,938	\$ --
Cash receipts from interfund services provided	--	769,486
Cash paid to suppliers for goods and services	(109,738)	(302,556)
Cash paid to employees for services	--	(272,284)
	<u>(58,800)</u>	<u>194,646</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in (out)	(23,632)	--
Tax revenue	46,644	--
Intergovernmental revenues	6,150	--
	<u>29,162</u>	<u>--</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments related to the acquisition of capital assets	(18,016)	(24,046)
Advances from other funds	329	--
	<u>(17,687)</u>	<u>(24,046)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	18,040	11,818
	<u>18,040</u>	<u>11,818</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(29,285)	182,418
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>302,754</u>	<u>361,556</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 273,469</u>	<u>\$ 543,974</u>

continued

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

**COUNTY OF LASSEN**

Statement of Cash Flows (continued)  
 Proprietary Funds  
 For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Nonmajor Funds	Internal Service Funds
<b>Reconciliation of Operating Income (Loss)</b>		
<b>to Net Cash Provided (Used) by</b>		
<b>Operating Activities:</b>		
Operating income (loss)	\$ (88,807)	\$ (2,330)
Adjustments to Reconcile Operating Income		
to Net Cash Flows from Operating Activities:		
Depreciation	34,493	210,723
Changes in Assets and Liabilities:		
Increase (decrease) in:		
Accounts payable	(4,486)	(14,706)
Accrued salaries	--	959
	<u>\$ (58,800)</u>	<u>\$ 194,646</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (58,800)</u>	<u>\$ 194,646</u>

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

COUNTY OF LASSEN

Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

	<u>Investment Trust</u>	<u>Agency Funds</u>
<u>Assets</u>		
Current Assets:		
Cash and investments	\$ 18,325,135	\$ 8,815,297
Taxes receivable	--	1,975,392
	<u>18,325,135</u>	<u>10,790,689</u>
<u>Liabilities</u>		
Current Liabilities:		
Agency obligations	--	10,790,689
	<u>--</u>	<u>10,790,689</u>
<u>Net Assets</u>		
Net assets held in trust for investment pool participants	<u>\$ 18,325,135</u>	<u>\$ --</u>

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

**COUNTY OF LASSEN**

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2006

	<u>Investment Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 52,738,292
Revenue from use of money and property	<u>689,962</u>
<b>Total Additions</b>	<u>53,428,254</u>
<b>DEDUCTIONS</b>	
Distributions from pooled investment	<u>56,213,490</u>
<b>Total Deductions</b>	<u>56,213,490</u>
Net increase (decrease) in net assets	(2,785,236)
Net Assets - Beginning of Year	<u>21,110,371</u>
Net Assets - End of Year	<u><u>\$ 18,325,135</u></u>

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

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

The notes provided in the financial section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of significant accounting policies for the County, and other necessary disclosure of pertinent matters relating to the financial position of the County. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.

# COUNTY OF LASSEN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2006

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

This summary of significant accounting policies of the County of Lassen (the County) is presented to assist in understanding the County's financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

#### A. **Reporting Entity**

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

Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units, although legally separate entities, are in substance, part of the government's operations. Blended component units are an extension of the County and so data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. Each component unit has a June 30<sup>th</sup> year end.

Blended Component Units: The Bieber Lighting District, Lassen-Modoc Flood Control District, and County Service Area #1 are districts governed by the County Board of Supervisors. The component units governing body is substantially the same as the primary government; hence, these units are presented by blending them with the primary government.

Discretely Presented Component Units: There are no component units of the County which meet the criteria for discrete presentation.

#### B. **Basis of Presentation**

##### *Government-Wide Financial Statements*

The statement of net assets and statement of activities display 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. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. 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.

# COUNTY OF LASSEN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2006

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

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

*Government-Wide Financial Statements* (continued)

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

*Fund Financial Statements*

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

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 subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as legislative and administrative, personnel, finance, counsel, elections, and property management.
- The *Road Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that relate to public ways not accounted for through other funds.

## COUNTY OF LASSEN

### Notes to the Basic Financial Statements For the Year Ended June 30, 2006

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

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

*Fund Financial Statements* (continued)

- The *Health and Human Services Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that relate to health programs, children's programs and veterans services, such as public health, mental health, veterans services, public guardian, and drug and alcohol programs.
- The *Welfare Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that relate to Social Services programs including social services administration, general relief, protective services, and community services.
- The *Public Safety Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that relate to Public Safety, such as police protection, detention, public defender, and district attorney.

The County reports the following additional fund types:

- *Internal Service Funds* are used to account for the County's fleet maintenance, information services and other services provided to departments and other County agencies.
- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The *Agency Funds* account for assets held by the County as an agent for various local governments.

**C. Basis of Accounting**

The government-wide, proprietary, and investment trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

# COUNTY OF LASSEN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2006

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

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

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available (“susceptible to accrual”). Taxes, intergovernmental, interest and charges for services are considered susceptible to accrual. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

For its business-type activities and enterprise funds, the County has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

# COUNTY OF LASSEN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2006

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

**D. Cash and Investments**

The County follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Investments are stated at fair value in accordance with the provisions of GASB Statement No. 31.

**E. Cash and Cash Equivalents**

For purposes of the statements of cash flows, the County considers all cash and investments with maturities of 90 days or less and all pooled cash and investments held by the County Treasurer as cash and cash equivalents.

**F. Receivables**

Receivables consist mostly of amounts due from other agencies. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

**G. Inventory**

Inventory is valued at market on a moving average basis. Road inventory consists of road supplies, fuel and various consumable items. The consumption method of accounting is used. The cost is recorded as an expenditure at the time individual inventory items are used. In governmental funds, reported inventories are equally offset by a fund balance reserve, which indicates that it does not constitute "available spendable resources" even though it is a component of net current assets.

**H. Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 statements and proprietary funds.

# COUNTY OF LASSEN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2006

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

#### H. **Capital Assets** (continued)

The estimated useful lives are as follows:

Infrastructure	25 to 50 years
Structures and improvements	25 to 40 years
Equipment	3 to 10 years

The County has five networks of infrastructure assets – roads, water/sewer, lighting, drainage, and flood control. GASB No. 34 requires the County to report and depreciate new infrastructure effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, water/sewer, lighting, drainage and flood control. These infrastructure assets are likely to be the largest asset class of the County. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The County elected to implement the general provisions of GASB No. 34 in fiscal year ended June 30, 2003, and will implement the retroactive infrastructure provisions in the fiscal year ending June 30, 2007. The balance of infrastructure as of June 30, 2006 includes only infrastructure that has been completed since the date of implementation.

#### I. **Accumulated Compensated Absences**

The County accounts for compensated absences (unpaid vacation, sick leave and compensatory time) in accordance with GASB 16. In governmental funds, compensated absences are recorded as expenditures in the year paid. As it is the County's policy to liquidate any unpaid vacation at June 30 from future resources rather than currently available expendable resources, the entire unpaid liability for the governmental funds is recorded in the government-wide financial statements only.

Unused vacation benefits may be accrued up to a maximum of 254 hours and are paid to employees upon termination. Compensated time off and administrative leave balances are accrued and paid to employees upon termination at 100%. Unused sick leave benefits do not vest with the employee and are lost upon termination. Therefore, unused sick leave benefits have not been accrued.

# COUNTY OF LASSEN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2006

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

### J. Revenue Recognition – Property Taxes

Property taxes are levied on real and personal property known as secured and unsecured taxes respectively. A mid-year completion of construction or transfer of property will generate a supplemental tax bill reflecting the market value at that time. This bill is in addition to the regular roll and may be due at various times of the year.

Property taxes attach as an enforceable lien on January 1. Taxes are levied on July 1 and are payable in two installments, December 10 and April 10. All general property taxes are then allocated by the County Auditor-Controller's office to the various taxing entities per the legislation implementing Proposition 13. The method of allocation used by the County is subject to review by the State of California. County property tax revenues are recognized when levied in accordance with the guidelines for implementation of the Teeter Plan for reporting property taxes.

The Teeter Plan allows the county to allocate secured and utility property taxes to jurisdictions at 100% of the billed amount rather than the actual tax collection. The county collects all future delinquent tax payments, penalties and interest. Special tax assessments and debt repayment levies are not included in the Teeter Plan. The benefits of participation in the Teeter Plan include more stable and reliable annual property tax revenues for participating jurisdictions.

Once adopted the Teeter Plan remains in effect unless either the County Board of Supervisors or resolutions from two-thirds of the participating jurisdictions order it discontinued.

### K. Interfund Transactions

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

### L. Estimates

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

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

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

**M. New Accounting Pronouncements**

*Governmental Accounting Standards Board Statement No. 46*

For fiscal year ended June 30, 2006, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 46, *Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34*. This Statement is effective for fiscal periods beginning after June 30, 2005. This Statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. A legally enforceable enabling legislation restriction is one that a party external to the County – such as citizens, public interest groups, or the judiciary – can compel a government to honor. Implementation of GASB Statement No. 46 did not have an impact on the County’s financial statements for the year ended June 30, 2006, but required additional disclosure related to restricted net assets (see Note 8).

Note 2: **Restatement of Fund Equity/Net Assets**

**Trust funds** – During the year, the County reclassified the Local Reuse Authority fund from an Agency fund to a Special Revenue fund.

The impact of the restatements on the fund balances/net assets as previously reported is presented below:

	Government-Wide Statement of Activities	Fund Statements Local Reuse Authority
	Governmental Activities	Authority
Fund balance/net assets, June 30, 2005, as previously reported	\$ 50,172,861	\$ --
Restatements:		
Reclassify agency fund	119,820	119,820
Total Restatements	119,820	119,820
Fund balance/net assets, July 1, 2005, as restated	\$ 50,292,681	\$ 119,820

# COUNTY OF LASSEN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2006

### Note 3: Cash and Investments

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds using a formula based on the average daily cash balance of each fund.

The investment pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The County investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual costs and fair value.

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

*Cash:*

Cash on hand	\$	3,761
Deposits		1,743,775
Less outstanding warrants		<u>(2,856,637)</u>
Total Cash Overdrafts		<u>(1,109,101)</u>

*Investments:*

In Treasurer's pool		<u>58,192,338</u>
Total Investments		<u>58,192,338</u>
Total Cash and Investments	\$	<u><u>57,083,237</u></u>

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 3: **Cash and Investments** (continued)

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

Primary government	\$ 29,942,805
Investment trust fund	18,325,135
Agency funds	<u>8,815,297</u>
 Total Cash and Investments	 <u><u>\$ 57,083,237</u></u>

**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	5 years	10%	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	70%	30%
Banker's Acceptances	180 days	20%	20%
Commercial Paper	180 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	10%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium Term Notes	5 years	20%	20%
Mutual Funds	N/A	20%	20%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 3: **Cash and Investments** (continued)

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

	<u>Interest Rates</u>	<u>Maturities</u>	<u>Par</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
<b>Investments with Treasurer</b>					
U.S. government agencies	2.51% - 5.22%	9/6/06 - 10/20/08	\$ 32,340,127	31,923,879	0.71
Local Agency Investment Fund (LAIF)	Variable	On Demand	757,962	757,962	--
Money market mutual funds	Variable	On Demand	25,094,249	25,094,249	--
<b>Total</b>			<u>\$ 58,192,338</u>	<u>\$ 57,776,090</u>	<u>0.71</u>

**Interest Rate Risk**

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

**Credit Risk**

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

**Concentration of Credit Risk**

At June 30, 2006, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2006.

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 3: **Cash and Investments** (continued)

	<u>S&amp;P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Money Market Sweep Account	A-1	P-1	1.3%
Federal agency issues - discount	A-1+	P-1	55.6%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	43.1%
<b>Total</b>			<u>100.0%</u>

Custodial Credit Risk

For investments and deposits held with fiscal agents, 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 deposits that are in the possession of an outside party. At year end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

Local Agency Investment Fund

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

At June 30, 2006, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$25,094,249, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$63,337,959,989. Of that amount, 97.4% was invested in non-derivative financial products and 2.6% in structured notes and asset-backed securities.

At June 30, 2006 the difference between the cost and fair value of cash and investments was not material (fair value was 99.3% of carrying value). Therefore, an adjustment to fair value was not required. Fair value is based on information provided by the State for the Local Agency Investment Fund. Investments are liquid.

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 3: **Cash and Investments** (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, 2006:

**Statement of Net Assets**

Net assets held for pool participants	\$ <u>57,083,237</u>
Equity of internal pool participants	\$ 38,758,102
Equity of external pool participants	<u>18,325,135</u>
Total net assets	\$ <u>57,083,237</u>

**Statement of Changes in Net Assets**

Investment earnings	\$ 1,917,447
Investment expenses	(130,366)
Net distributions from pool participants	<u>(2,061,220)</u>
Increase (Decrease) in Net Assets	(274,139)
Net assets at July 1, 2005	<u>57,357,376</u>
Net assets at June 30, 2006	\$ <u>57,083,237</u>

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 4: **Capital Assets**

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

	Balance July 1, 2005	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2006
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 5,092,997	\$ 5,248	\$ (2,269)	\$ --	\$ 5,095,976
Construction in progress	1,661,958	1,083,626	--	(1,072,772)	1,672,812
Total capital assets, not being depreciated	<u>6,754,955</u>	<u>1,088,874</u>	<u>(2,269)</u>	<u>(1,072,772)</u>	<u>6,768,788</u>
Capital assets, being depreciated:					
Infrastructure	6,989,595	372,066	--	1,072,772	8,434,433
Structures and improvements	16,853,359	448,327	(284,791)	--	17,016,895
Equipment	8,573,828	572,769	--	--	9,146,597
Total capital assets, being depreciated	<u>32,416,782</u>	<u>1,393,162</u>	<u>(284,791)</u>	<u>1,072,772</u>	<u>34,597,925</u>
Less accumulated depreciation for:					
Infrastructure	(269,711)	(234,292)	--	--	(504,003)
Structures and improvements	(6,849,969)	(352,714)	(92,400)	--	(7,295,083)
Equipment	(6,267,924)	(721,409)	--	--	(6,989,333)
Total accumulated depreciation	<u>(13,387,604)</u>	<u>(1,308,415)</u>	<u>(92,400)</u>	<u>--</u>	<u>(14,788,419)</u>
Total capital assets, being depreciated, net	<u>19,029,178</u>	<u>84,747</u>	<u>(377,191)</u>	<u>1,072,772</u>	<u>19,809,506</u>
Government activities capital assets, net	<u>\$ 25,784,133</u>	<u>\$ 1,173,621</u>	<u>\$ (379,460)</u>	<u>\$ --</u>	<u>\$ 26,578,294</u>
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 25,000	\$ --	\$ --	\$ --	\$ 25,000
Total capital assets, not being depreciated	<u>25,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>25,000</u>
Capital assets, being depreciated:					
Structures and improvements	819,877	--	(20,903)	--	798,974
Equipment	142,192	18,016	--	--	160,208
Total capital assets, being depreciated	<u>962,069</u>	<u>18,016</u>	<u>(20,903)</u>	<u>--</u>	<u>959,182</u>
Less accumulated depreciation for:					
Structures and improvements	(86,828)	(19,180)	6,968	--	(99,040)
Equipment	(91,975)	(15,313)	--	--	(107,288)
Total accumulated depreciation	<u>(178,803)</u>	<u>(34,493)</u>	<u>6,968</u>	<u>--</u>	<u>(206,328)</u>
Total capital assets, being depreciated, net	<u>783,266</u>	<u>(16,477)</u>	<u>(13,935)</u>	<u>--</u>	<u>752,854</u>
Business-type activities capital assets, net	<u>\$ 808,266</u>	<u>\$ (16,477)</u>	<u>\$ (13,935)</u>	<u>\$ --</u>	<u>\$ 777,854</u>

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

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

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

*Governmental Activities – Depreciation Expense*

	<u>Total</u>
General government	\$ 329,307
Public protection	519,229
Public ways	374,453
Health and sanitation	37,673
Public assistance	42,406
Education	4,366
Culture & Recreation	981
	<u>\$ 1,308,415</u>

*Business-Type Activities – Depreciation Expense*

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

County Service Area (Honey Lake TV)	\$ 15,313
County Business Park	<u>19,180</u>
	<u>\$ 34,493</u>

Note 5: **Long-Term Debt**

Long-term liabilities at June 30, 2006 consisted of the following:

	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2006</u>
<b><u>Governmental activities</u></b>						
Refunding Certificates of Participation to provide debt service payments until 1989 bonds are called	1998	2010	3.35%-4.35%	\$465,000-\$625,000	\$ 6,030,000	\$ 2,350,000
Bertie L. Gravier Note to purchase property	2002	2008	0.00%	\$14,286	<u>100,002</u>	<u>28,572</u>
Total Governmental Activities					<u>\$ 6,130,002</u>	<u>\$ 2,378,572</u>

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 5: **Long-Term Debt** (continued)

The following is a summary of long-term liability transactions for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Adjustments	Balance June 30, 2006	Amounts Due Within One Year
<b>Governmental Activities</b>						
Note payable	\$ 42,858	\$ --	\$ 14,286	\$ --	\$ 28,572	\$ 14,286
Refunding certificates of participation (1998)	2,885,000	--	535,000	--	2,350,000	555,000
Capital leases payable	113,912	--	28,077	--	85,835	28,580
Compensated absences	1,026,719	48,839	--	--	1,075,558	537,779
Claims liability	930,979	420,655	616,045	12,485	748,074	--
Total Governmental Activities						
Long-term liabilities	<u>\$ 4,999,468</u>	<u>\$ 469,494</u>	<u>\$ 1,193,408</u>	<u>\$ 12,485</u>	<u>\$ 4,288,039</u>	<u>\$ 1,135,645</u>

Claims liability has typically been liquidated from the general fund. The compensated liability will be liquidated as follows: General Fund 23%, Road Fund 11%, Health and Human Services Fund 16%, Welfare Fund 9%, Public Safety Fund 31%, and other governmental funds 10%.

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

Year Ending June 30:	Governmental Activities			
	Certificates of Participation		Note Payable	
	Principal	Interest	Principal	Interest
2007	\$ 555,000	\$ 88,868	\$ 14,286	\$ --
2008	570,000	65,100	14,286	--
2009	600,000	40,088	--	--
2010	625,000	13,593	--	--
	<u>\$ 2,350,000</u>	<u>\$ 207,649</u>	<u>\$ 28,572</u>	<u>\$ --</u>

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 5: **Long-Term Debt** (continued)

Capital Leases

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

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2006</u>
<u>Governmental Activities</u>						
<u>Capital lease obligations (various equipment)</u>						
Kansas State Bank – Motor Grader	2003	2009	5.35%	30,300	\$ 182,387	\$ 81,976
Great America Leasing – Copier	2002	2007	10.19%	2,937	<u>11,468</u>	<u>3,859</u>
Total Governmental Activities					<u>\$ 193,855</u>	<u>\$ 85,835</u>

Equipment and related accumulated depreciation under capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 233,855
Less: accumulated depreciation	<u>75,890</u>
Net Value	<u>\$ 157,965</u>

As of June 30, 2006, capital lease annual amortization is as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities Capital Leases</u>
2007	\$ 33,237
2008	31,524
2009	<u>30,300</u>
Totals	95,061
Less: Amounts representing interest	<u>(9,226)</u>
Present value of future minimum lease payments	<u>\$ 85,835</u>

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 6: **Operating Leases**

The County is committed under various noncancelable operating leases for office buildings and photocopy machines. The minimum future lease commitments on these leases are as follows:

<u>Year Ended June 30,</u>	<u>Payments</u>
2007	\$ 330,364
2008	258,328
2009	260,308
2010	191,768
2011	174,240
2012	<u>174,240</u>
Totals	<u>\$ 1,389,248</u>

Rent expenditures were \$333,249 for the year ended June 30, 2006.

Note 7: **Interfund Transactions**

**Interfund Receivables/Payables**

Interfund receivables and payables represent borrowing between funds and regular services and supplies provided but not settled at year-end. The composition of interfund balances as of June 30, 2006 are as follows:

**Advances to/from other funds:**

***(a) Between Governmental and Business-Type Activities:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Enterprise Funds	\$ 50,329

***(b) Between Funds Within the Governmental Activities:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 265,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	150,000
	Public Safety	<u>17,000</u>
Total		<u>\$ 432,000</u>

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 7: **Interfund Transactions** (continued)

**Transfers**

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

***Between Governmental and Business-Type Activities:***

Transfer from	Transfer to	Amount
Nonmajor Enterprise Fund	Nonmajor Governmental Fund	\$ 23,632
Totals		\$ 23,632

***Between Funds Within the Governmental Activities:***

Transfer from	Transfer to	Amount
General Fund	Health and Human Services	\$ 198,506
	Public Safety	3,591,022
	Welfare	724,682
	Nonmajor Governmental Funds	2,915,420
		7,429,630
Public Safety	Nonmajor Governmental Funds	17,000
Nonmajor Governmental Funds	General Fund	312,627
	Health and Human Services	1,475,104
	Welfare	1,824,604
	Public Safety	110,000
	Nonmajor Governmental Funds	318,817
		4,041,152
Totals		\$ 11,487,782

Note 8: **Net Assets/Fund Balances**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 8: **Net Assets/Fund Balances** (continued)

- *Investment in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category represents net assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Restricted net assets at June 30, 2006 for governmental activities are as follows:

Restricted for Public Safety:		
Inmate Welfare	\$ 321,767	
Sheriff	<u>551,005</u>	872,772
Restricted for Health & Public Assistance	<u>3,189,192</u>	3,189,192
Restricted for Community Resources & Facilities:		
Aviation	368,454	
Other	<u>8,449</u>	376,903
Restricted for General Government & Support Services:		
Community Development Loans	1,603,814	
Recorder	403,477	
Housing Authority	<u>11,746</u>	2,019,037
Restricted for Criminal Justice and Courthouse Construction	<u>1,132,923</u>	1,132,923
Restricted for Debt Service	<u>1,406,715</u>	<u>1,406,715</u>
Total Restricted Net Assets - Governmental Activities		<u><u>\$ 8,997,542</u></u>

As of June 30, 2006, the County did not have any net assets restricted by enabling legislation.

## COUNTY OF LASSEN

### Notes to the Basic Financial Statements For the Year Ended June 30, 2006

Note 8: **Net Assets/Fund Balances** (continued)

- *Unrestricted Net Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2006, reservations of fund balance are described below:

The term “reserved” is used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure. The County’s management will sometimes designate portions of unreserved (available) fund balance based on tentative future spending plans. Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned.

The County has “reserved” fund balances as follows:

- *Reserved for legal obligation* – to indicate that a portion of the fund balance is restricted for legal obligations.
- *Reserved for self-insurance* – to indicate that a portion of the fund balance is restricted for payment of long-term self-insurance liabilities.
- *Reserved for inventory* – to reflect the portion of assets which do not represent available spendable resources.
- *Reserved for loans/advances* – represents long-term receivables from other funds. The portion of fund balance representing the advance does not represent an available spendable resource.

The County has designated fund balance as follows:

- *Designated for capital projects* – to reflect management’s intent to expend certain funds solely for planned capital projects.
- *Designated for other purposes* – to indicate that a portion of the general fund and special revenue fund balances are designated for Emergency Services, Tobacco Settlement, Geographic Information System, Economic Development/Housing Income, and a Loss Prevention Fund.

## COUNTY OF LASSEN

### Notes to the Basic Financial Statements For the Year Ended June 30, 2006

Note 9: **Employee Retirement Systems**

**A. Plan Description**

The County of Lassen's defined benefit pension plans, the Miscellaneous Plan and the Safety Plan (the "Plans"), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are 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 Lassen selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS's Annual Financial Report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, California 95814.

**B. Funding Policy**

Active plan members in the Miscellaneous Plan and the Safety Plan are required to contribute 7 percent and 9 percent, respectively, of their annual covered salary. The County of Lassen's labor contract requires the County to pay all Miscellaneous Employee Plan contributions that are required for the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2005-06 was 10.202 percent for miscellaneous employees and 24.927 percent for safety employees. The contribution requirements of the plan members are established by State Statute and the employer contribution rate is established and may be amended by CalPERS.

**C. Annual Pension Cost**

For fiscal year 2005-06, the County of Lassen's annual pension cost was \$2,137,108 for both Miscellaneous and Safety members, and was equal to the County's required and actual contributions. The required contribution for fiscal year 2005-06 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25 percent to 14.45 percent; and (c) zero percent cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.00 percent.

COUNTY OF LASSEN

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 9: **Employee Retirement Systems** (continued)

C. **Annual Pension Cost** (continued)

The actuarial value of Miscellaneous Plan assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Miscellaneous Plan and Safety Plan unfounded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information for the Miscellaneous and Safety Plans

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 606,089	100%	\$ --
6/30/05	1,491,686	100%	--
6/30/06	2,137,108	100%	--

D. **Trend Information**

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Up to ten years of information will be provided in future years as this information becomes available.

Analysis of dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the funding status on a going-concern basis. Analysis of this percentage over time indicates whether the fund is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the fund. Trends in the unfunded pension benefit obligation and annual covered payroll approximately adjusts for the effects of inflation and aids in the analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the fund.

Note 10: **Post-Employment Benefits**

The County has agreed by resolution to allow retired employees to participate in post-employment benefits for medical insurance. Coverage is obtainable so long as the employee is eligible for retirement benefits through Lassen County. The County funds the insurance plan on a pay-as-you-go basis. One hundred two former employees participated during the current fiscal year at a cost of approximately \$258,391.

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 11: **Commitments and Contingencies**

Government Programs

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of the fiscal year-end, significant amounts of grant expenditures have not been audited, but the County believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

Note 12: **Joint Powers Agreement**

A. **Lassen Regional Solid Waste Management Authority**

In 1999, the Lassen Regional Solid Waste Management Authority (the "Authority") was created under a joint exercise of powers agreement between the County and the City of Susanville. It was formed to fund, plan, operate, administer, and maintain solid waste facilities, sites and services, including all mandated costs for planning, waste, diversion, and both closure and post-closure of sites, as well as public education, waste transfer, material recovery, recycling, household hazardous waste programs, and other AB939 programs. A five-member Board of Directors governs the Authority. Members share equally in the Authority's assets, to be distributed upon termination of the joint venture agreement. The members have no share of the Authority's debts, liabilities, and obligations. The Authority has financial statements prepared and they can be obtained from management at the Authority. Condensed statements for the Authority as of June 30, 2005 are presented below:

	<u>Amount</u>
Balance Sheet	
Assets	\$ 4,540,762
Liabilities	<u>3,412,072</u>
Equity	<u>\$ 1,128,690</u>
Revenues and Expenses	
Revenues	\$ 1,544,461
Expenses	<u>1,244,814</u>
Net income (loss)	<u>\$ 299,647</u>

# COUNTY OF LASSEN

## Notes to the Basic Financial Statements For the Year Ended June 30, 2006

### Note 12: **Joint Powers Agreement** (continued)

#### B. **Lassen Transit Service Agency**

The Lassen Transit Service Agency (Agency) was created as a joint powers agreement (JPA) between the County of Lassen and the City of Susanville on July 17, 2002 under the provisions of Article 1, Chapter 5, Division 7, Title 1 of the California Government Code Section 6500. Formerly, all of the transactions of the Agency were reported in the Rural Bus Fund of the County of Lassen. Effective July 1, 2002, the Agency became a separate legal entity and is no longer considered a part of the County.

The Agency receives Local Transportation Fund and State Transit Assistance allocations from the Lassen County Local Transportation Commission to operate and provide public transit services to the County of Lassen and the City of Susanville. The Agency has financial statements prepared and they can be obtained from management of the Agency.

Condensed statements for the Agency as of June 30, 2005 are presented below:

	<u>Amount</u>
Balance Sheet	
Assets	\$ 1,452,918
Liabilities	<u>294,853</u>
Equity	<u>\$ 1,158,065</u>
Revenues and Expenditures	
Revenue	\$ 831,063
Expenses	<u>974,934</u>
Net Income (Loss)	<u>\$ (143,871)</u>

### Note 13: **Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County participates in a joint powers agency (JPA) called Trindel Insurance, to provide coverage for workers' compensation and general liability exposure and to pay for the administration of the program. Primary and excess workers' compensation insurance, as well as excess property and general liability insurance are reinsured through a commercial company. There is a self-insured retention of \$100,000 for general liability and of \$25,000 for property, respectively. Above the self-insured retention, excess insurance coverage is up to a limit of \$15,000,000 for both programs. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the

**COUNTY OF LASSEN**

Notes to the Basic Financial Statements  
For the Year Ended June 30, 2006

Note 13: **Risk Management** (continued)

past fiscal years. At June 30, 2006, Trindel Insurance Fund was classified as a claims-servicing or account pool, wherein the County retains the risk of loss and is considered self-insured with regard to liability coverage. The County currently reports all of its risk management activities in the General Fund. Premiums due to Trindel are reported when incurred. The liability for outstanding claims was determined based on historical trends and actual activity.

Changes in the balance of claims liability during the fiscal year ended June 30, 2006 was as follows:

	2006	2005
Unpaid claims, July 1,	\$ 930,979	\$ 719,259
Incurred claims (including IBNRs)	420,655	518,825
Current year payments	(616,045)	(570,419)
Adjustment to prior year estimate	12,485	263,314
Unpaid claims, June 30,	\$ 748,074	\$ 930,979

Note 14: **Fund Balance/Net Assets Deficit**

The following funds had deficit fund balance at June 30, 2006:

	Deficit Amount
Redevelopment Agency, - Sierra Army Depot	\$ 186,356
Local Reuse Authority	114,533
County Water Systems	5,273

**REQUIRED SUPPLEMENTARY INFORMATION**

**COUNTY OF LASSEN**

Required Supplementary Information  
For the Year Ended June 30, 2006

**COUNTY EMPLOYEE'S RETIREMENT PLAN (DEFINED PENSION BENEFIT PLAN)**

**Schedule of Funding Progress**

The tables below show 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:

Funded Status of the Miscellaneous Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/03	\$ 47,624,324	\$ 46,907,729	\$ 716,595	98.5%	\$13,760,456	5.200%
6/30/04	52,488,236	49,443,693	3,044,543	94.2%	14,557,798	20.900%
6/30/05	57,735,412	53,226,150	4,509,262	92.2%	14,340,864	31.400%

Funded Status of the Safety Plan

This information is no longer available for the Safety Plan. Information is available on a pooled-basis only and can be obtained from CalPERS, P.O. Box 942709, Sacramento, CA 94229-2709.

**COUNTY OF LASSEN**

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1, restated	\$ 6,498,810	\$ --	\$ 6,498,810	\$ --
Resources (inflows):				
Taxes	7,110,000	7,110,000	8,020,581	910,581
Licenses and permits	732,000	732,000	622,118	(109,882)
Fines, forfeitures and penalties	40,300	40,300	74,157	33,857
Use of money and property	193,500	193,500	365,554	172,054
Intergovernmental	4,147,607	4,429,403	4,777,097	347,694
Charges for services	557,800	557,800	859,498	301,698
Other revenues	1,521,195	1,526,370	570,135	(956,235)
Other financing sources	875,407	962,632	312,627	(650,005)
Amounts available for appropriation	<u>15,177,809</u>	<u>15,552,005</u>	<u>15,601,767</u>	<u>49,762</u>
Charges to appropriations (outflows):				
Current:				
General government	5,912,728	5,780,782	5,714,620	66,162
Public protection	1,824,451	2,211,995	1,414,529	797,466
Health and sanitation		--	(180,753)	180,753
Education	103,781	103,781	102,645	1,136
Recreation and culture	17,250	17,250	6,623	10,627
Other financing uses	8,143,958	8,417,858	7,429,630	988,228
Capital outlay	49,358	90,813	39,640	51,173
Total charges to appropriation	<u>16,051,526</u>	<u>16,622,479</u>	<u>14,526,934</u>	<u>2,095,545</u>
Budgetary fund balances, June 30	<u>\$ 5,625,093</u>	<u>\$ (1,070,474)</u>	<u>\$ 7,573,643</u>	<u>\$ 8,644,117</u>
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement				\$ 15,601,767
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes				<u>(312,627)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 15,289,140</u>
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 14,526,934
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes				<u>(7,429,630)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 7,097,304</u>

**COUNTY OF LASSEN**

**Budgetary Comparison Schedule  
Road Fund  
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balances, July 1	\$ 5,517,601	\$ 5,517,601	\$ 5,517,601	\$ --
Resources (inflows):				
Licenses and permits		--	4,790	4,790
Intergovernmental	6,400,000	6,400,000	6,246,608	(153,392)
Use of money and property	80,000	80,000	154,131	74,131
Charges for services	1,000	1,000	2,889	1,889
Other revenues	40,000	40,000	172,211	132,211
Amounts available for appropriation	<u>6,521,000</u>	<u>6,521,000</u>	<u>6,580,629</u>	<u>59,629</u>
Charges to appropriations (outflows):				
Current:				
Public ways and facilities	4,999,803	5,010,303	3,972,190	1,038,113
Capital outlay	<u>2,885,000</u>	<u>2,874,500</u>	<u>981,022</u>	<u>1,893,478</u>
Total charges to appropriation	<u>7,884,803</u>	<u>7,884,803</u>	<u>4,953,212</u>	<u>2,931,591</u>
Budgetary fund balances, June 30	<u>\$ 4,153,798</u>	<u>\$ 4,153,798</u>	<u>\$ 7,145,018</u>	<u>\$ 2,991,220</u>

**COUNTY OF LASSEN**

**Budgetary Comparison Schedule  
Health and Human Services Fund  
For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balances, July 1	\$ 1,479,742	\$ 1,479,742	\$ 1,479,742	\$ --
Resources (inflows):				
Licenses and permits	5,000	5,000	4,094	(906)
Fines, forfeitures and penalties	41,000	41,000	26,531	(14,469)
Use of money and property	2,300	2,300	40,362	38,062
Intergovernmental	5,292,931	5,292,931	4,857,500	(435,431)
Charges for services	146,191	146,191	140,909	(5,282)
Other revenues	1,027,445	1,027,445	938,607	(88,838)
Other financing sources	2,603,431	2,603,431	1,673,611	(929,820)
Amounts available for appropriation	<u>9,118,298</u>	<u>9,118,298</u>	<u>7,681,614</u>	<u>(1,436,684)</u>
Charges to appropriations (outflows):				
Current:				
Public protection	186,224	185,479	171,245	14,234
Health and sanitation	8,227,921	8,366,379	7,102,049	1,264,330
Public assistance	600,703	600,703	547,804	52,899
Other financing uses	141,480	--	--	--
Capital outlay	130,000	133,767	12,967	120,800
Total charges to appropriation	<u>9,286,328</u>	<u>9,286,328</u>	<u>7,834,065</u>	<u>1,452,263</u>
Budgetary fund balances, June 30	<u>\$ 1,311,712</u>	<u>\$ 1,311,712</u>	<u>\$ 1,327,291</u>	<u>\$ 15,579</u>
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement				\$ 7,681,614
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes				<u>(1,673,611)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 6,008,003</u>
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 7,834,065
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes				<u>--</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 7,834,065</u>

**COUNTY OF LASSEN**

Budgetary Comparison Schedule  
Welfare  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balances, July 1	\$ 660,017	\$ 660,017	\$ 660,017	\$ --
Resources (inflows):				
Intergovernmental	11,911,580	12,063,722	11,127,696	(936,026)
Use of money and property	--	--	23,161	23,161
Charges for services	--	--	1,681	1,681
Other revenues	861,679	338,175	281,892	(56,283)
Other financing sources	2,145,559	2,685,373	2,549,286	(136,087)
Amounts available for appropriation	<u>14,918,818</u>	<u>15,087,270</u>	<u>13,983,716</u>	<u>(1,103,554)</u>
Charges to appropriations (outflows):				
Current:				
Public assistance	14,847,168	14,955,900	12,929,406	2,026,494
Other financing uses	28,920	28,920	--	28,920
Capital outlay	5,000	64,720	50,579	14,141
Total charges to appropriation	<u>14,881,088</u>	<u>15,049,540</u>	<u>12,979,985</u>	<u>2,069,555</u>
Budgetary fund balances, June 30	<u>\$ 697,747</u>	<u>\$ 697,747</u>	<u>\$ 1,663,748</u>	<u>\$ 966,001</u>
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement				\$ 13,983,716
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes				<u>(2,549,286)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 11,434,430</u>

**COUNTY OF LASSEN**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balances, July 1	\$ 1,583,995	\$ 1,583,995	\$ 1,583,995	\$ --
Resources (inflows):				
Taxes	1,555,000	1,555,000	1,397,744	(157,256)
Licenses and permits	4,107	4,107	7,422	3,315
Fines, forfeitures and penalties	29,000	29,000	28,190	(810)
Use of money and property	7,000	7,000	245,612	238,612
Intergovernmental	4,590,013	4,650,228	4,484,551	(165,677)
Charges for services	387,757	345,042	325,194	(19,848)
Other revenues	169,000	169,000	182,907	13,907
Other financing sources	4,303,842	4,303,842	3,701,022	(602,820)
Amounts available for appropriation	<u>11,045,719</u>	<u>11,063,219</u>	<u>10,372,642</u>	<u>(690,577)</u>
Charges to appropriations (outflows):				
Current:				
General government	(14,520)	(14,520)	288,175	(302,695)
Public protection	10,863,400	10,669,492	10,153,822	515,670
Other financing uses	666,820	791,820	17,000	774,820
Capital outlay	205,969	292,377	24,819	267,558
Total charges to appropriation	<u>11,721,669</u>	<u>11,739,169</u>	<u>10,483,816</u>	<u>1,255,353</u>
Budgetary fund balances, June 30	<u>\$ 908,045</u>	<u>\$ 908,045</u>	<u>\$ 1,472,821</u>	<u>\$ 564,776</u>
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement				\$ 10,372,642
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes				<u>(3,701,022)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 6,671,620</u>
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 10,483,816
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes				<u>(17,000)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 10,466,816</u>

## COUNTY OF LASSEN

### Note to Required Supplementary Information For the Year Ended June 30, 2006

#### **BUDGETARY BASIS OF ACCOUNTING**

In accordance with the provisions of Sections 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 October 2<sup>nd</sup>. Budgeted expenditures are enacted into law through the passage of an Appropriation Resolution. This resolution 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 major categories 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. Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Supervisors. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and amended during the fiscal year by four-fifths vote of the Board of Supervisors.

The County uses an encumbrance system as an extension of normal budgetary accounting for the general, special revenue and capital project 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. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

The budget approved by the Board of Supervisors for the general fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other Governmental Funds. Actual reimbursements for these items have been eliminated in the accompanying budgetary financial schedules. Accordingly, the related budgets for these items have also been eliminated in order to provide a meaningful comparison of actual and budgeted results of operations.

The budgets for the governmental funds may include an object level known as "intrafund transfers" in the charges for appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund.

**SUPPLEMENTAL INFORMATION**

**NONMAJOR GOVERNMENTAL FUNDS**

**COUNTY OF LASSEN**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>Assets</u>				
Cash and investments	\$ 8,369,895	\$ 798,221	\$ 2,467,714	\$ 11,635,830
Cash with fiscal agent	--	603,117	--	603,117
Interest receivable	68,145	5,377	18,906	92,428
Accounts receivable	21,495	--	--	21,495
Due from other governmental entities	801,395	--	69,219	870,614
Advances to other funds	17,000	--	150,000	167,000
Long term receivables	345,550	--	--	345,550
Total Assets	<u>\$ 9,623,480</u>	<u>\$ 1,406,715</u>	<u>\$ 2,705,839</u>	<u>\$ 13,736,034</u>
<u>Liabilities</u>				
Accounts payable	\$ 69,093	\$ --	\$ 7,866	\$ 76,959
Accrued salaries	86,895	--	--	86,895
Advances from other funds	150,000	--	265,000	415,000
Deferred revenue	426,550	--	69,219	495,769
Total Liabilities	<u>732,538</u>	<u>--</u>	<u>342,085</u>	<u>1,074,623</u>
<u>Fund Balances</u>				
Unreserved:				
Designated	9,005,475	--	1,132,923	10,138,398
Undesignated	(114,533)	1,406,715	1,230,831	2,523,013
Total Fund Balances	<u>8,890,942</u>	<u>1,406,715</u>	<u>2,363,754</u>	<u>12,661,411</u>
Total Liabilities and Fund Balances	<u>\$ 9,623,480</u>	<u>\$ 1,406,715</u>	<u>\$ 2,705,839</u>	<u>\$ 13,736,034</u>

**COUNTY OF LASSEN**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
Revenues:				
Taxes	\$ 2,636,288	\$ --	\$ 191,749	\$ 2,828,037
Licenses and permits	54,639	--	--	54,639
Intergovernmental	2,598,266	--	4,171	2,602,437
Charges for services	527,138	--	--	527,138
Fines and forfeitures	762,019	--	312,042	1,074,061
Use of money and property	759,383	562,685	64,776	1,386,844
Other	379,022	12	6,282	385,316
Total Revenues	<u>7,716,755</u>	<u>562,697</u>	<u>579,020</u>	<u>8,858,472</u>
Expenditures:				
Current:				
General government	1,450,541	3,275	34,534	1,488,350
Public protection	3,511,050	--	--	3,511,050
Public ways and facilities	27,017	--	--	27,017
Health and welfare	1,036,348	--	--	1,036,348
Recreation and culture	178,905	--	--	178,905
Debt Service:				
Principal	--	535,000	--	535,000
Interest	--	111,623	--	111,623
Capital outlay	397,331	--	196,745	594,076
Total Expenditures	<u>6,601,192</u>	<u>649,898</u>	<u>231,279</u>	<u>7,482,369</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,115,563</u>	<u>(87,201)</u>	<u>347,741</u>	<u>1,376,103</u>
Other Financing Sources (Uses):				
Transfers in	3,074,870	--	200,000	3,274,870
Transfers out	(3,826,825)	--	(214,327)	(4,041,152)
Gain (loss) on sale of assets	174,125	--	--	174,125
Total Other Financing Sources (Uses)	<u>(577,830)</u>	<u>--</u>	<u>(14,327)</u>	<u>(592,157)</u>
Net change in fund balances	537,733	(87,201)	333,414	783,946
Fund Balances, Beginning of Year	8,233,389	1,493,916	2,030,340	11,757,645
Prior period adjustment	119,820	--	--	119,820
Fund Balances, End of Year	<u>\$ 8,890,942</u>	<u>\$ 1,406,715</u>	<u>\$ 2,363,754</u>	<u>\$ 12,661,411</u>

**NONMAJOR SPECIAL REVENUE FUNDS**

**COUNTY OF LASSEN**

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2006

	<u>Retiree Health Benefits</u>	<u>Fish &amp; Game Fund</u>	<u>Property Tax Administration</u>
<u>Assets</u>			
Cash and investments	\$ 1,624,640	\$ 3,441	\$ 203,721
Interest receivable	12,199	--	1,640
Accounts receivable	--	--	--
Due from other governmental entities	--	--	--
Advances to other funds	--	--	--
Long term receivables	--	--	--
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,636,839</u>	<u>\$ 3,441</u>	<u>\$ 205,361</u>
<u>Liabilities</u>			
Accounts payable	\$ --	\$ 403	\$ 9,025
Accrued salaries	--	--	1,138
Advances from other funds	--	--	--
Deferred revenue	--	--	--
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>--</u>	<u>403</u>	<u>10,163</u>
<u>Fund Balances</u>			
Unreserved:			
Designated	1,636,839	3,038	195,198
Undesignated	--	--	--
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,636,839</u>	<u>3,038</u>	<u>195,198</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 1,636,839</u>	<u>\$ 3,441</u>	<u>\$ 205,361</u>

continued

**COUNTY OF LASSEN**

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

	<u>Cemetery Fund</u>	<u>Aviation Fund</u>	<u>Local Reuse Authority</u>	<u>Air Pollution Fund</u>
<u>Assets</u>				
Cash and investments	\$ 27,644	\$ 365,997	\$ 34,868	\$ 59,993
Interest receivable	230	2,765	1,223	859
Accounts receivable	--	--	--	--
Due from other governmental entities	--	66,000	--	102,315
Advances to other funds	--	--	--	--
Long term receivables	--	--	--	--
	<u>\$ 27,874</u>	<u>\$ 434,762</u>	<u>\$ 36,091</u>	<u>\$ 163,167</u>
<u>Liabilities</u>				
Accounts payable	\$ 314	\$ --	\$ 624	\$ 60
Accrued salaries	3,794	308	--	3,289
Advances from other funds	--	--	150,000	--
Deferred revenue	--	66,000	--	--
	<u>4,108</u>	<u>66,308</u>	<u>150,624</u>	<u>3,349</u>
<u>Fund Balances</u>				
Unreserved:				
Designated	23,766	368,454	--	159,818
Undesignated	--	--	(114,533)	--
	<u>23,766</u>	<u>368,454</u>	<u>(114,533)</u>	<u>159,818</u>
Total Fund Balances	<u>23,766</u>	<u>368,454</u>	<u>(114,533)</u>	<u>159,818</u>
Total Liabilities and Fund Balances	<u>\$ 27,874</u>	<u>\$ 434,762</u>	<u>\$ 36,091</u>	<u>\$ 163,167</u>

continued

**COUNTY OF LASSEN**

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

	<u>Recorder Improvements</u>	<u>Inmate Welfare</u>	<u>Bieber Lighting District Fund</u>	<u>Lassen-Modoc Flood Fund</u>
<u>Assets</u>				
Cash and investments	\$ 400,518	\$ 323,280	\$ 26,381	\$ 210,954
Interest receivable	2,959	2,351	201	1,577
Accounts receivable	--	--	--	--
Due from other governmental entities	--	--	--	--
Advances to other funds	--	--	--	--
Long term receivables	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 403,477</u>	<u>\$ 325,631</u>	<u>\$ 26,582</u>	<u>\$ 212,531</u>
<u>Liabilities</u>				
Accounts payable	\$ --	\$ --	\$ --	\$ --
Accrued salaries	--	3,864	--	--
Advances from other funds	--	--	--	--
Deferred revenue	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>--</u>	<u>3,864</u>	<u>--</u>	<u>--</u>
<u>Fund Balances</u>				
Unreserved:				
Designated	403,477	321,767	26,582	212,531
Undesignated	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>403,477</u>	<u>321,767</u>	<u>26,582</u>	<u>212,531</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 403,477</u>	<u>\$ 325,631</u>	<u>\$ 26,582</u>	<u>\$ 212,531</u>

continued

**COUNTY OF LASSEN**

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

	<u>Natural Resources</u>	<u>Health &amp; Welfare Realignment</u>	<u>Housing Authority</u>	<u>Fair</u>
<u>Assets</u>				
Cash and investments	\$ 164,181	\$ 2,622,626	\$ 12,087	\$ 487,428
Interest receivable	964	26,284	136	3,102
Accounts receivable	10,385	--	--	--
Due from other governmental entities	15,000	540,282	--	--
Advances to other funds	--	--	--	--
Long term receivables	--	--	--	--
	<u>\$ 190,530</u>	<u>\$ 3,189,192</u>	<u>\$ 12,223</u>	<u>\$ 490,530</u>
<u>Liabilities</u>				
Accounts payable	\$ 8,296	\$ --	\$ 57	\$ 585
Accrued salaries	1,831	--	420	11,863
Advances from other funds	--	--	--	--
Deferred revenue	15,000	--	--	--
	<u>25,127</u>	<u>--</u>	<u>477</u>	<u>12,448</u>
<u>Fund Balances</u>				
Unreserved:				
Designated	165,403	3,189,192	11,746	478,082
Undesignated	--	--	--	--
	<u>165,403</u>	<u>3,189,192</u>	<u>11,746</u>	<u>478,082</u>
Total Fund Balances	<u>165,403</u>	<u>3,189,192</u>	<u>11,746</u>	<u>478,082</u>
Total Liabilities and Fund Balances	<u>\$ 190,530</u>	<u>\$ 3,189,192</u>	<u>\$ 12,223</u>	<u>\$ 490,530</u>

continued

**COUNTY OF LASSEN**

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

	USDA Title III	Community Dev CDBG	Probation Fund	Total
<u>Assets</u>				
Cash and investments	\$ 8,257	\$ 1,560,659	\$ 233,220	\$ 8,369,895
Interest receivable	192	9,742	1,721	68,145
Accounts receivable	--	--	11,110	21,495
Due from other governmental entities	--	70,471	7,327	801,395
Advances to other funds	--	--	17,000	17,000
Long term receivables	--	345,550	--	345,550
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 8,449</u>	<u>\$ 1,986,422</u>	<u>\$ 270,378</u>	<u>\$ 9,623,480</u>
<u>Liabilities</u>				
Accounts payable	\$ --	\$ 30,000	\$ 19,729	\$ 69,093
Accrued salaries	--	7,058	53,330	86,895
Advances from other funds	--	--	--	150,000
Deferred revenue	--	345,550	--	426,550
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>--</u>	<u>382,608</u>	<u>73,059</u>	<u>732,538</u>
<u>Fund Balances</u>				
Unreserved:				
Designated	8,449	1,603,814	197,319	9,005,475
Undesignated	--	--	--	(114,533)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>8,449</u>	<u>1,603,814</u>	<u>197,319</u>	<u>8,890,942</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 8,449</u>	<u>\$ 1,986,422</u>	<u>\$ 270,378</u>	<u>\$ 9,623,480</u>

**COUNTY OF LASSEN**

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

	Retiree Health Benefits	Fish & Game Fund	Property Tax Administration
Revenues:			
Taxes	\$ --	\$ --	\$ --
Licenses and permits	--	--	--
Intergovernmental	--	--	--
Charges for services	--	--	88,485
Fines and forfeitures	--	3,968	--
Use of money and property	49,623	--	6,558
Other	--	--	--
Total Revenues	<u>49,623</u>	<u>3,968</u>	<u>95,043</u>
Expenditures:			
Current:			
General government	--	--	92,345
Public protection	--	2,699	--
Public ways and facilities	--	--	--
Health and sanitation	--	--	--
Recreation and culture	--	--	--
Capital outlay	--	--	--
Total Expenditures	<u>--</u>	<u>2,699</u>	<u>92,345</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>49,623</u>	<u>1,269</u>	<u>2,698</u>
Other Financing Sources (Uses):			
Transfers in	--	--	--
Transfers out	--	--	(35,000)
Gain (loss) on sale of assets	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(35,000)</u>
Net Changes in Fund Balances	49,623	1,269	(32,302)
Fund Balances, Beginning of Year	1,587,216	1,769	227,500
Prior period adjustment	--	--	--
Fund Balances, End of Year	<u>\$ 1,636,839</u>	<u>\$ 3,038</u>	<u>\$ 195,198</u>

continued

**COUNTY OF LASSEN**

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

	Cemetery Fund	Aviation Fund	Local Reuse Authority	Air Pollution Fund
<b>Revenues:</b>				
Taxes	\$ 91,965	\$ --	\$ --	\$ 11,170
Licenses and permits	782	--	--	47,768
Intergovernmental	2,001	40,250	--	146,880
Charges for services	--	--	--	--
Fines and forfeitures	--	--	--	--
Use of money and property	463	11,021	55,752	5,246
Other	26,361	--	--	--
Total Revenues	121,572	51,271	55,752	211,064
<b>Expenditures:</b>				
<b>Current:</b>				
General government	--	--	146,269	--
Public protection	155,479	--	--	--
Public ways and facilities	--	27,017	--	--
Health and sanitation	--	--	--	256,778
Recreation and culture	--	--	--	--
Capital outlay	--	--	--	12,641
Total Expenditures	155,479	27,017	146,269	269,419
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,907)	24,254	(90,517)	(58,355)
<b>Other Financing Sources (Uses):</b>				
Transfers in	52,779	--	--	--
Transfers out	--	--	(143,836)	--
Gain (loss) on sale of assets	--	--	--	--
Total Other Financing Sources (Uses)	52,779	--	(143,836)	--
Net Changes in Fund Balances	18,872	24,254	(234,353)	(58,355)
Fund Balances, Beginning of Year	4,894	344,200	--	218,173
Prior period adjustment	--	--	119,820	--
Fund Balances, End of Year	\$ 23,766	\$ 368,454	\$ (114,533)	\$ 159,818

continued

**COUNTY OF LASSEN**

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

	Recorder Improvements	Inmate Welfare	Bieber Lighting District Fund	Lassen-Modoc Flood Fund
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ 2,544	\$ 8,475
Licenses and permits	--	--	--	--
Intergovernmental	--	43,489	57	205
Charges for services	95,159	70,869	--	--
Fines and forfeitures	--	--	--	--
Use of money and property	11,670	9,807	812	6,569
Other	--	146,140	--	--
Total Revenues	<u>106,829</u>	<u>270,305</u>	<u>3,413</u>	<u>15,249</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	--	236,932	2,881	--
Public protection	32,351	44,266	--	33,552
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Recreation and culture	--	--	--	--
Capital outlay	--	--	--	--
Total Expenditures	<u>32,351</u>	<u>281,198</u>	<u>2,881</u>	<u>33,552</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>74,478</u>	<u>(10,893)</u>	<u>532</u>	<u>(18,303)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	--	--	--
Transfers out	(19,000)	--	--	--
Gain (loss) on sale of assets	--	--	--	--
Total Other Financing Sources (Uses)	<u>(19,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Changes in Fund Balances	55,478	(10,893)	532	(18,303)
Fund Balances, Beginning of Year	347,999	332,660	26,050	230,834
Prior period adjustment	--	--	--	--
Fund Balances, End of Year	<u>\$ 403,477</u>	<u>\$ 321,767</u>	<u>\$ 26,582</u>	<u>\$ 212,531</u>

continued

## COUNTY OF LASSEN

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)

#### Nonmajor Special Revenue Funds

For the Year Ended June 30, 2006

	Natural Resources	Health & Welfare Realignment	Housing Authority	Fair
<b>Revenues:</b>				
Taxes	\$ --	\$ 2,522,134	\$ --	\$ --
Licenses and permits	6,089	--	--	--
Intergovernmental	58,924	540,282	443,146	150,000
Charges for services	12,525	--	--	--
Fines and forfeitures	--	--	--	--
Use of money and property	5,365	82,190	427	397,776
Other	1,539	--	1,296	1,328
Total Revenues	<u>84,442</u>	<u>3,144,606</u>	<u>444,869</u>	<u>549,104</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	--	--	--	573,099
Public protection	9,710	--	437,033	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	779,570	--	--
Recreation and culture	178,905	--	--	--
Capital outlay	5,248	--	--	583
Total Expenditures	<u>193,863</u>	<u>779,570</u>	<u>437,033</u>	<u>573,682</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(109,421)</u>	<u>2,365,036</u>	<u>7,836</u>	<u>(24,578)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	18,334	1,924,042	--	126,000
Transfers out	--	(3,614,170)	--	--
Gain (loss) on sale of assets	--	--	--	174,125
Total Other Financing Sources (Uses)	<u>18,334</u>	<u>(1,690,128)</u>	<u>--</u>	<u>300,125</u>
Net Changes in Fund Balances	(91,087)	674,908	7,836	275,547
Fund Balances, Beginning of Year	256,490	2,514,284	3,910	202,535
Prior period adjustment	--	--	--	--
Fund Balances, End of Year	<u>\$ 165,403</u>	<u>\$ 3,189,192</u>	<u>\$ 11,746</u>	<u>\$ 478,082</u>

continued

**COUNTY OF LASSEN**

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

	USDA Title III	Community Dev CDBG	Probation Fund	Total
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ --	\$ 2,636,288
Licenses and permits	--	--	--	54,639
Intergovernmental	--	464,362	708,670	2,598,266
Charges for services	--	14,909	245,191	527,138
Fines and forfeitures	--	--	758,051	762,019
Use of money and property	5,699	103,922	6,483	759,383
Other	--	4,338	198,020	379,022
Total Revenues	<u>5,699</u>	<u>587,531</u>	<u>1,916,415</u>	<u>7,716,755</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	--	399,015	--	1,450,541
Public protection	282,259	27,371	2,486,330	3,511,050
Public ways and facilities	--	--	--	27,017
Health and sanitation	--	--	--	1,036,348
Recreation and culture	--	--	--	178,905
Capital outlay	--	372,516	6,343	397,331
Total Expenditures	<u>282,259</u>	<u>798,902</u>	<u>2,492,673</u>	<u>6,601,192</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(276,560)</u>	<u>(211,371)</u>	<u>(576,258)</u>	<u>1,115,563</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	293,453	660,262	3,074,870
Transfers out	--	--	(14,819)	(3,826,825)
Gain (loss) on sale of assets	--	--	--	174,125
Total Other Financing Sources (Uses)	<u>--</u>	<u>293,453</u>	<u>645,443</u>	<u>(577,830)</u>
Net Changes in Fund Balances	(276,560)	82,082	69,185	537,733
Fund Balances, Beginning of Year	285,009	1,521,732	128,134	8,233,389
Prior period adjustment	--	--	--	119,820
Fund Balances, End of Year	<u>\$ 8,449</u>	<u>\$ 1,603,814</u>	<u>\$ 197,319</u>	<u>\$ 8,890,942</u>

**NONMAJOR CAPITAL PROJECTS FUNDS**

**COUNTY OF LASSEN**

Combining Balance Sheet  
 Nonmajor Capital Projects Funds  
 June 30, 2006

	Criminal Justice Facility Construction	Capital Improvements	Accumulated Capital Outlay
<u>Assets</u>			
Cash and investments	\$ 641,835	\$ 746,797	\$ 518,465
Interest receivable	4,658	5,988	3,803
Due from other governments	--	69,219	--
Advances to other funds	--	150,000	--
Total Assets	\$ 646,493	\$ 972,004	\$ 522,268
<u>Liabilities</u>			
Accounts payable	\$ --	\$ 1,973	\$ 5,893
Advances from other funds	--	--	--
Deferred revenue	--	69,219	--
Total Liabilities	--	71,192	5,893
<u>Fund Balances</u>			
Unreserved:			
Designated for capital projects	646,493	--	--
Undesignated	--	900,812	516,375
Total Fund Balances	646,493	900,812	516,375
Total Liabilities and Fund Balances	\$ 646,493	\$ 972,004	\$ 522,268

continued

**COUNTY OF LASSEN**

Combining Balance Sheet (continued)  
 Nonmajor Capital Projects Funds  
 June 30, 2006

	Courthouse Construction	Sierra Army Depot RDA	Total
<u>Assets</u>			
Cash and investments	\$ 482,979	\$ 77,638	\$ 2,467,714
Interest receivable	3,451	1,006	18,906
Due from other governments	--	--	69,219
Advances to other funds	--	--	150,000
Total Assets	\$ 486,430	\$ 78,644	\$ 2,705,839
<u>Liabilities</u>			
Accounts payable	\$ --	\$ --	\$ 7,866
Advances from other funds	--	265,000	265,000
Deferred revenue	--	--	69,219
Total Liabilities	--	265,000	342,085
<u>Fund Balances</u>			
Unreserved:			
Designated for capital projects	486,430	--	1,132,923
Undesignated	--	(186,356)	1,230,831
Total Fund Balances	486,430	(186,356)	2,363,754
Total Liabilities and Fund Balances	\$ 486,430	\$ 78,644	\$ 2,705,839

**COUNTY OF LASSEN**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Capital Projects Funds  
For the Year Ended June 30, 2006

	<u>Criminal Justice Facility Construction</u>	<u>Capital Improvements</u>	<u>Accumulated Capital Outlay</u>
Revenues:			
Taxes	\$ --	\$ --	\$ 191,749
Intergovernmental	--	--	4,171
Fines and forfeitures	108,086	--	--
Use of money and property	18,817	25,117	3,803
Other	5,588	694	--
Total Revenues	132,491	25,811	199,723
Expenditures:			
General government	258	17,295	10,752
Capital outlay	57,698	124,016	15,031
Total Expenditures	57,956	141,311	25,783
Excess (Deficiency) of Revenues Over (Under) Expenditures	74,535	(115,500)	173,940
Other Financing Sources (Uses):			
Transfers in	--	--	200,000
Transfers out	(43,342)	--	(100,000)
Total Other Financing Sources (Uses)	(43,342)	--	100,000
Net Changes in Fund Balances	31,193	(115,500)	273,940
Fund Balances, Beginning of Year	615,300	1,016,312	242,435
Fund Balances, End of Year	\$ 646,493	\$ 900,812	\$ 516,375

continued

**COUNTY OF LASSEN**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Capital Projects Funds  
For the Year Ended June 30, 2006

	Courthouse Construction	Sierra Army Depot RDA	Total
Revenues:			
Taxes	\$ --	\$ --	\$ 191,749
Intergovernmental	--	--	4,171
Fines and forfeitures	203,956	--	312,042
Use of money and property	11,981	5,058	64,776
Other	--	--	6,282
	<u>215,937</u>	<u>5,058</u>	<u>579,020</u>
Expenditures:			
General government	194	6,035	34,534
Capital outlay	--	--	196,745
	<u>194</u>	<u>6,035</u>	<u>231,279</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>215,743</u>	<u>(977)</u>	<u>347,741</u>
Other Financing Sources (Uses):			
Transfers in	--	--	200,000
Transfers out	--	(70,985)	(214,327)
	<u>--</u>	<u>(70,985)</u>	<u>(14,327)</u>
Net Changes in Fund Balances	<u>215,743</u>	<u>(71,962)</u>	<u>333,414</u>
Fund Balances, Beginning of Year	<u>270,687</u>	<u>(114,394)</u>	<u>2,030,340</u>
Fund Balances, End of Year	<u>\$ 486,430</u>	<u>\$ (186,356)</u>	<u>\$ 2,363,754</u>

**NONMAJOR ENTERPRISE FUNDS**

**COUNTY OF LASSEN**

Combining Statement of Fund Net Assets  
 Nonmajor Enterprise Funds  
 June 30, 2006

<u>ASSETS</u>	<u>County Service Area (Honey Lake TV)</u>	<u>County Business Park</u>	<u>County Water Systems</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 245,362	\$ 28,107	\$ --	\$ 273,469
Interest receivable	68	303	56	427
Total current assets	<u>245,430</u>	<u>28,410</u>	<u>56</u>	<u>273,896</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	--	--	25,000	25,000
Depreciable, net	<u>52,920</u>	<u>699,934</u>	<u>--</u>	<u>752,854</u>
Total Assets	<u>\$ 298,350</u>	<u>\$ 728,344</u>	<u>\$ 25,056</u>	<u>\$ 1,051,750</u>
 <u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 3,215	\$ --	\$ --	\$ 3,215
Advances from other funds	<u>--</u>	<u>20,000</u>	<u>30,329</u>	<u>50,329</u>
Total Liabilities	<u>3,215</u>	<u>20,000</u>	<u>30,329</u>	<u>53,544</u>
 <u>NET ASSETS</u>				
Investment in capital assets, net of related debt	52,920	699,934	25,000	777,854
Unrestricted	<u>242,215</u>	<u>8,410</u>	<u>(30,273)</u>	<u>220,352</u>
Total Net Assets	<u>295,135</u>	<u>708,344</u>	<u>(5,273)</u>	<u>998,206</u>
Total Liabilities and Net Assets	<u>\$ 298,350</u>	<u>\$ 728,344</u>	<u>\$ 25,056</u>	<u>\$ 1,051,750</u>

**COUNTY OF LASSEN**

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

	County Service Area (Honey Lake TV)	County Business Park	County Water Systems	Total
<b>Operating Revenues:</b>				
Charges for services	\$ --	\$ --	\$ 938	\$ 938
Other revenue	50,000	--	--	50,000
Total Operating Revenues	<u>50,000</u>	<u>--</u>	<u>938</u>	<u>50,938</u>
<b>Operating Expenses:</b>				
Services and supplies	88,919	10,896	5,437	105,252
Depreciation	15,313	19,180	--	34,493
Total Operating Expenses	<u>104,232</u>	<u>30,076</u>	<u>5,437</u>	<u>139,745</u>
Operating Income (Loss)	<u>(54,232)</u>	<u>(30,076)</u>	<u>(4,499)</u>	<u>(88,807)</u>
<b>Non-Operating Revenue (Expenses):</b>				
Tax revenues	46,644	--	--	46,644
Intergovernmental revenues	6,150	--	--	6,150
Interest income	728	17,213	334	18,275
Gain/(loss) on disposal of assets	--	(13,935)	--	(13,935)
Total Non-Operating Revenue	<u>53,522</u>	<u>3,278</u>	<u>334</u>	<u>57,134</u>
Net income (loss) before transfers	(710)	(26,798)	(4,165)	(31,673)
Transfers out	--	(14,395)	(9,237)	(23,632)
<b>Change in Net Assets</b>	(710)	(41,193)	(13,402)	(55,305)
Net Assets - Beginning of Year	<u>295,845</u>	<u>749,537</u>	<u>8,129</u>	<u>1,053,511</u>
Net Assets - End of Year	<u>\$ 295,135</u>	<u>\$ 708,344</u>	<u>\$ (5,273)</u>	<u>\$ 998,206</u>

**COUNTY OF LASSEN**

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2006

	County Service Area (Honey Lake TV)	County Business Park	County Water Systems	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from customers	\$ 50,000	\$ --	\$ 938	\$ 50,938
Cash paid to suppliers for goods and services	<u>(85,704)</u>	<u>(18,520)</u>	<u>(5,514)</u>	<u>(109,738)</u>
Net Cash Provided (Used) by Operating Activities	<u>(35,704)</u>	<u>(18,520)</u>	<u>(4,576)</u>	<u>(58,800)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in (out)	--	(14,395)	(9,237)	(23,632)
Tax revenue	46,644	--	--	46,644
Intergovernmental revenues	<u>6,150</u>	<u>--</u>	<u>--</u>	<u>6,150</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>52,794</u>	<u>(14,395)</u>	<u>(9,237)</u>	<u>29,162</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Payments related to the acquisition of capital assets	(18,016)	--	--	(18,016)
Advances from other funds	<u>--</u>	<u>--</u>	<u>329</u>	<u>329</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(18,016)</u>	<u>--</u>	<u>329</u>	<u>(17,687)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	716	17,097	227	18,040
Net Cash Provided by Investing Activities	<u>716</u>	<u>17,097</u>	<u>227</u>	<u>18,040</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(210)	(15,818)	(13,257)	(29,285)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>245,572</u>	<u>43,925</u>	<u>13,257</u>	<u>302,754</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 245,362</u>	<u>\$ 28,107</u>	<u>\$ --</u>	<u>\$ 273,469</u>

continued

**COUNTY OF LASSEN**

Combining Statement of Cash Flows (continued)  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2006

	County Service Area (Honey Lake TV)	County Business Park	County Water Systems	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (54,232)	\$ (30,076)	\$ (4,499)	\$ (88,807)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	15,313	19,180	--	34,493
Increase (decrease) in accounts payable	3,215	(7,624)	(77)	(4,486)
	<u>\$ (35,704)</u>	<u>\$ (18,520)</u>	<u>\$ (4,576)</u>	<u>\$ (58,800)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (35,704)</b>	<b>\$ (18,520)</b>	<b>\$ (4,576)</b>	<b>\$ (58,800)</b>