

COUNTY OF LASSEN

AUDIT REPORT

JUNE 30, 2007

COUNTY OF LASSEN

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BARTIG, BASLER & RAY, LLP

A GALLINA LLP COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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.

In our opinion, based on our audit, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated March 10, 2008, 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.

Board of Supervisors and Grand Jury
County of Lassen

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 opinions 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

A handwritten signature in black ink that reads "Bartig Basler & Ray, LLP". The signature is written in a cursive, flowing style.

March 10, 2008
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 2006-2007 fiscal year by \$72,353,951 (*net assets*). Of this amount, \$24,652,527 (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, \$10,245,699 is restricted for specific purpose (*restricted net assets*), and \$37,455,725 is invested in capital assets, net of related debt. The government's total net assets increased by \$15,505,749.
- The County governmental funds reported combined fund balances of \$32,947,993 an increase of \$820,392 in comparison with the prior year.
- The County's unreserved fund balance for the general fund was \$6,189,118, or 68% of total general fund expenditures.
- The County's investment in capital assets increased by \$11,966,118. Of that amount \$8,393,909 can be attributed to the restatement of the capital asset balance as of July 1, 2006. The capital asset balance was restated to include the retroactive addition of infrastructure assets as required by GASB 34.
- The County's total long-term liabilities decreased by \$758,546 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 \$72,353,951 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, 2007						Variance (%)
	Governmental Activities		Business-Type Activities		Totals		
	2007	2006	2007	2006	2007	2006	
Current and Other Assets	\$38,645,257	\$37,029,098	\$ 262,999	\$ 223,567	\$38,908,256	\$37,252,665	4.4%
Capital Assets	<u>38,299,848</u>	<u>26,578,294</u>	<u>1,022,418</u>	<u>777,854</u>	<u>39,322,266</u>	<u>27,356,148</u>	43.7%
Total Assets	<u>76,945,105</u>	<u>63,607,392</u>	<u>1,285,417</u>	<u>1,001,421</u>	<u>78,230,522</u>	<u>64,608,813</u>	48.2%
Current and Other Liabilities	2,343,229	4,605,002	3,849	3,215	2,347,078	4,608,217	-49.1%
Long-Term Liabilities	<u>3,529,493</u>	<u>3,152,394</u>	<u>--</u>	<u>-</u>	<u>3,529,493</u>	<u>3,152,394</u>	12.0%
Total Liabilities	<u>5,872,722</u>	<u>7,757,396</u>	<u>3,849</u>	<u>3,215</u>	<u>5,876,571</u>	<u>7,760,611</u>	-37.1%
Invested in Capital Assets, net of debt	36,433,307	24,113,887	1,022,418	777,854	37,455,725	24,891,741	50.5%
Restricted	10,245,699	8,997,542	-	-	10,245,699	8,997,542	13.9%
Unrestricted	<u>24,393,377</u>	<u>22,738,567</u>	<u>259,150</u>	<u>220,352</u>	<u>24,652,527</u>	<u>22,958,919</u>	7.4%
Total Net Assets	<u>\$71,072,383</u>	<u>\$55,849,996</u>	<u>\$1,281,568</u>	<u>\$ 998,206</u>	<u>\$72,353,951</u>	<u>\$56,848,202</u>	27.3%

A large portion of the County's net assets, \$24,652,527 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, \$37,455,725, reflects its investment in capital assets, less any related debt used to acquire those assets. The retroactive addition of major infrastructure assets (e.g. roads and bridges) resulted in the restated beginning balance for July 1, 2006, an increase of \$4,155,243 for governmental funds. GASB Statement No. 34 requires governments to capitalize and report major general infrastructure assets that were acquired in fiscal years ending after June 30, 1980. The beginning balance in capital assets was also restated as a result of a separate capital asset audit which accounted for an increase of \$4,277,835 for governmental activities and an increase of \$39,169 for business-type activities.

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 \$15,505,749 during the current fiscal year (again, this figure was impacted by the addition of capital assets infrastructure.) The net increase in

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

unrestricted net assets represents 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.

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

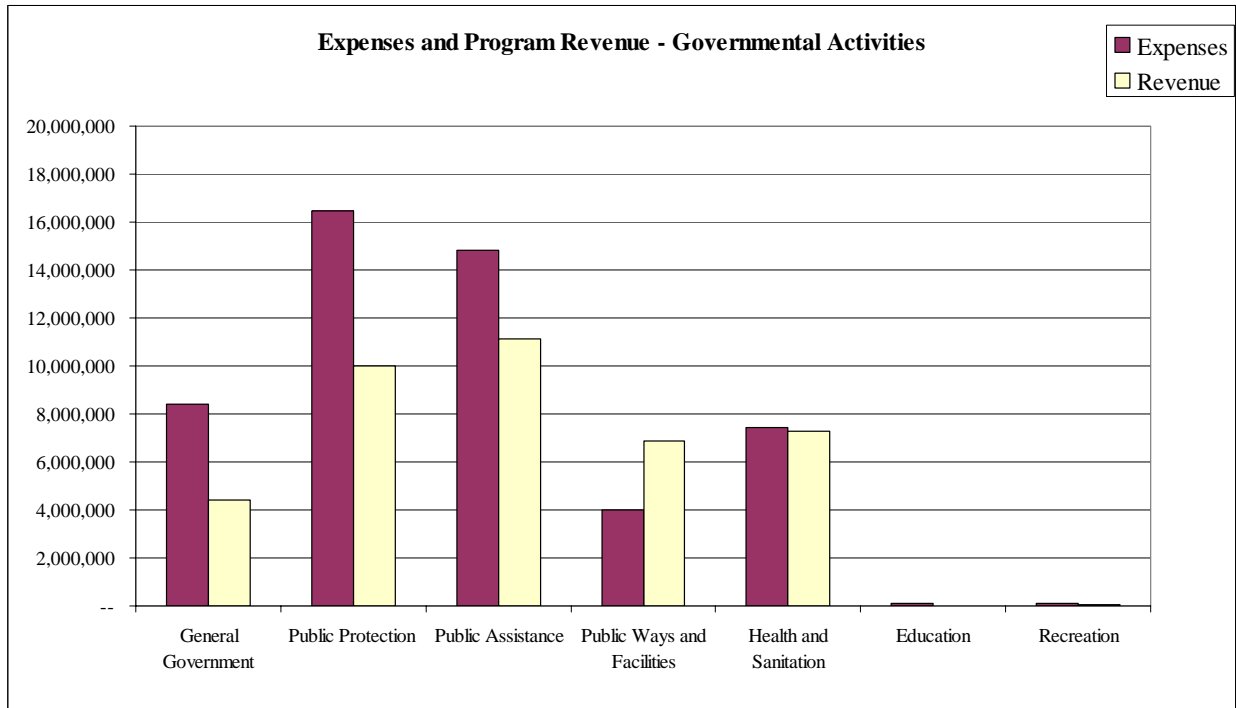
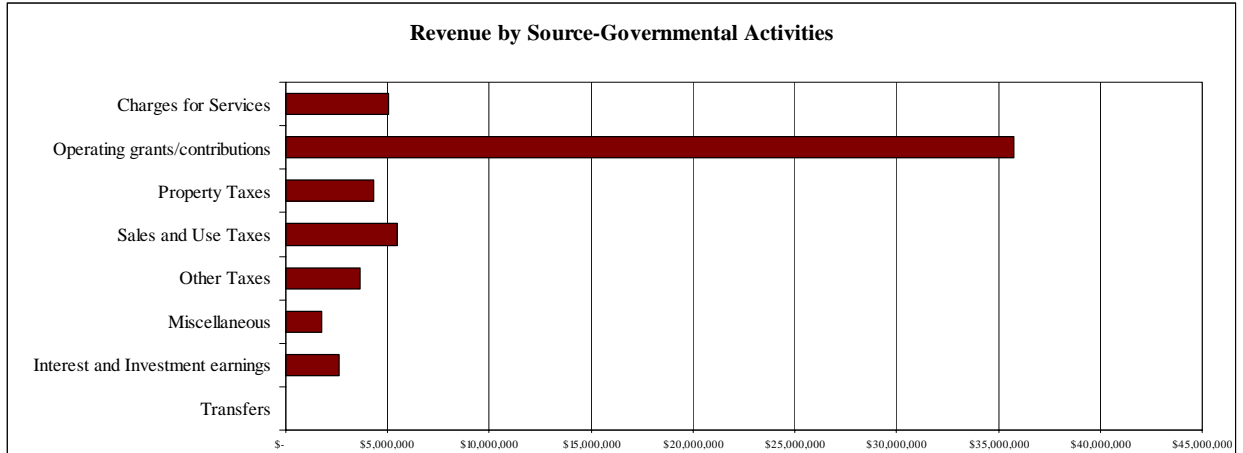
Statement of Activities For the Year Ended June 30, 2007

	Governmental		Business-Type		Total		Variance (%)
	Activities		Activities				
Revenues	2007	2006	2007	2006	2007	2006	
Program Revenues:							
Charges for Services	\$ 5,042,863	\$ 4,791,649	\$ 30,445	\$ 938	\$ 5,073,308	\$ 4,792,587	5.9%
Operating grants/contributions	35,684,022	33,427,200	58,693	6,150	35,742,715	33,433,350	6.9%
General Revenues:							
Property Taxes	4,300,530	6,790,706	-	-	4,300,530	6,790,706	-36.7%
Sales and Use Taxes	5,473,419	4,882,869	-	-	5,473,419	4,882,869	12.1%
Other Taxes	3,639,246	572,784	-	46,644	3,639,246	619,428	487.5%
Miscellaneous	1,720,545	2,719,164	18,666	36,065	1,739,211	2,755,229	-36.9%
Interest and Investment earnings	2,595,384	1,277,080	20,514	18,275	2,615,898	1,295,355	101.9%
Total Revenues	<u>58,456,009</u>	<u>54,461,452</u>	<u>128,318</u>	<u>108,072</u>	<u>58,584,327</u>	<u>54,569,524</u>	<u>7.4%</u>
Expenses							
General Government	8,390,586	7,672,461	-	-	8,390,586	7,672,461	9.4%
Public Protection	16,471,245	15,789,325	-	-	16,471,245	15,789,325	4.3%
Public Assistance	14,804,899	13,396,430	-	-	14,804,899	13,396,430	10.5%
Public Ways and Facilities	4,004,043	3,693,206	-	-	4,004,043	3,693,206	8.4%
Health and Sanitation	7,442,091	7,989,082	-	-	7,442,091	7,989,082	-6.8%
Education	84,703	107,118	-	-	84,703	107,118	-20.9%
Recreation	104,612	186,510	-	-	104,612	186,510	-43.9%
Interest and Fiscal Charges	70,697	93,637	-	-	70,697	93,637	-24.5%
County Service Area (Honey Lake TV)	-	-	59,482	104,232	59,482	104,232	-42.9%
County Business Parks	-	-	36,256	44,011	36,256	44,011	-17.6%
County Water System	-	-	3,873	(8,498)	3,873	(8,498)	-145.6%
Total Expenses	<u>51,372,876</u>	<u>48,927,769</u>	<u>9,611</u>	<u>139,745</u>	<u>51,472,487</u>	<u>49,067,514</u>	<u>4.9%</u>
Excess (deficiency) of revenues over (under) expenses	7,083,133	5,533,683	28,707	(31,673)	7,111,840	5,502,010	29.3%
Transfers	(293,824)	23,632	293,824	(23,632)	-	-	-
Change in Net Assets	6,789,309	5,557,315	322,531	(55,305)	7,111,840	5,502,010	29.3%
Net Assets - Beginning	55,849,996	50,172,861	998,206	1,053,511	56,848,202	51,226,372	11.0%
Prior Period Adjustment	8,433,078	119,820	(39,169)	-	8,393,909	119,820	6905.4%
Net Assets - Ending	<u>\$71,072,383</u>	<u>\$ 55,849,996</u>	<u>\$1,281,568</u>	<u>\$ 998,206</u>	<u>\$72,353,951</u>	<u>\$56,848,202</u>	<u>27.3%</u>

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

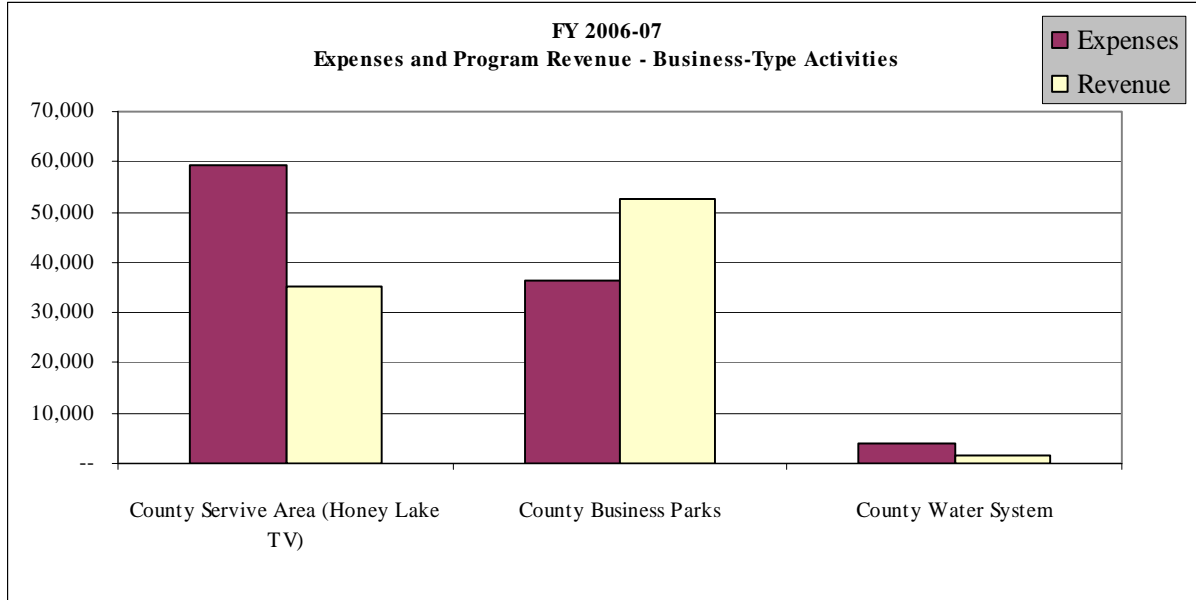
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



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		Increase (Decrease)	
	FY 2006/07	FY 2005/06	Amount	Percent
Fund Balance - Beginning of Year	\$ 32,127,601	\$ 27,617,630	\$ 4,509,971	16.33%
Revenues	57,814,270	54,842,294	2,971,976	5.42%
Expenditures	(57,015,030)	(50,530,082)	(6,484,948)	12.83%
Excess (Deficiency) of Revenues Over (Under) Expenditures	799,240	4,312,212	(3,512,972)	81.47%
Other Financing Sources (Uses)	21,152	197,759	(176,607)	89.30%
Fund Balance - Ending of Year	<u>\$ 32,947,993</u>	<u>\$ 32,127,601</u>	<u>\$ 820,392</u>	<u>2.55%</u>

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

At June 30, 2007, the County's governmental funds reported combined fund balances of \$32,947,993, an increase of \$820,392 in comparison with the prior year. Of these combined fund balances, \$30,827,419 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 \$2,120,574 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, 2007, unreserved fund balance was \$6,189,118 while total fund balance reached \$7,622,052. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved fund balance represents 68% of total General Fund expenditures, while the total fund balance represents 84% 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 \$6,189,118 General Fund unreserved fund balance, 55% (or \$3,401,928) is designated.

The other governmental funds' fund balances increased \$1,055,652 to \$25,325,941. The four major governmental funds had changes in fund balance as follows: Roads \$(1,229,404), Health and Human Services \$579,443, Welfare \$150,978, Public Safety \$(27,491). The non-major governmental funds changed by \$1,582,126.

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

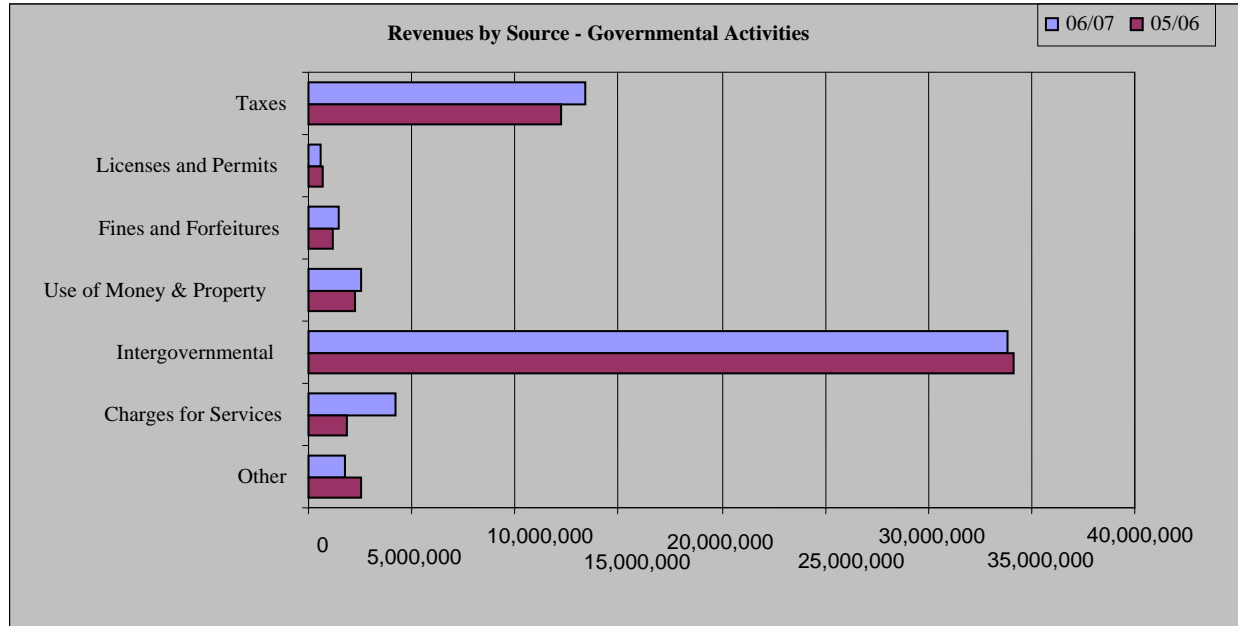
Revenues Classified by Source Governmental Funds						
	FY 2006/07		FY 2005/06		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Revenue by Source:						
Taxes	\$ 13,413,195	23.20%	\$ 12,246,362	22.33%	\$ 1,166,833	9.53%
Licenses and Permits	624,668	1.08%	693,063	1.26%	(68,395)	-9.87%
Fines and Forfeitures	1,435,600	2.48%	1,202,939	2.19%	232,661	19.34%
Use of Money & Property	2,572,504	4.45%	2,215,664	4.04%	356,840	16.11%
Intergovernmental	33,800,903	58.46%	34,095,889	62.17%	(294,986)	-0.87%
Charges for Services	4,217,734	7.30%	1,857,309	3.39%	2,360,425	127.09%
Other	1,749,666	3.03%	2,531,068	4.62%	(781,402)	-30.87%
Total	<u>\$ 57,814,270</u>	<u>100.00%</u>	<u>\$ 54,842,294</u>	<u>100.00%</u>	<u>\$ 2,971,976</u>	<u>5.42%</u>

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

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



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

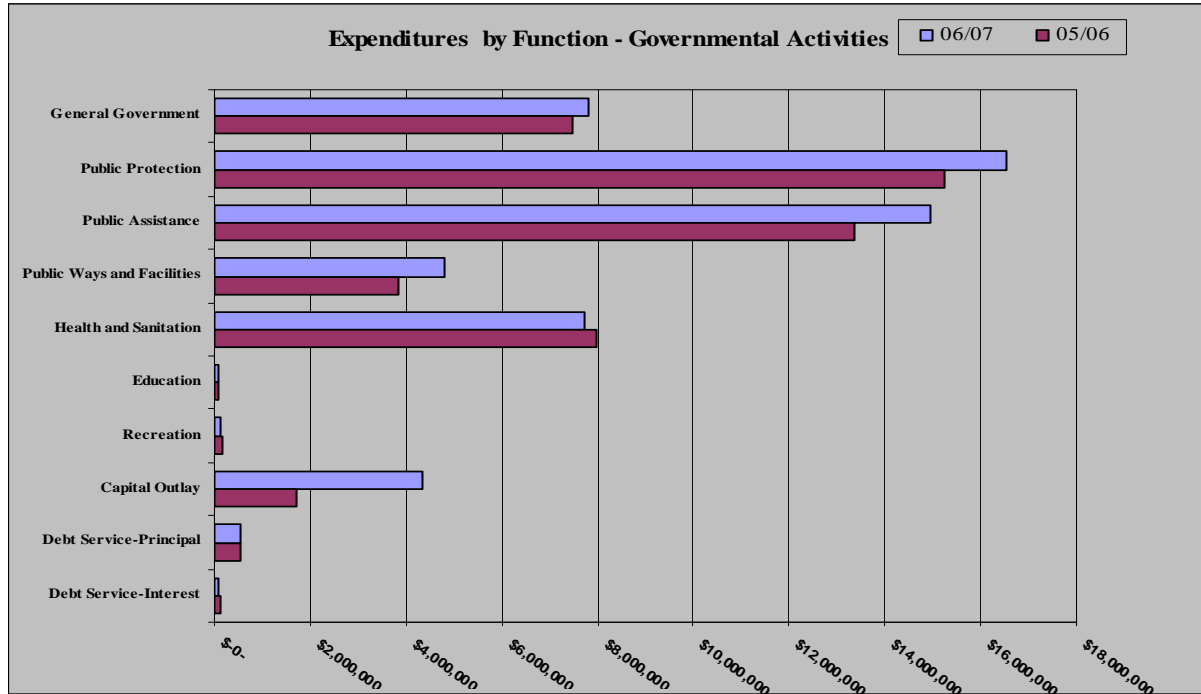
Expenditures by Function:	Expenditures Classified by Function Governmental Funds					
	FY 2006/07		FY 2005/06		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$7,795,963	13.67%	\$ 7,491,145	14.83%	\$ 304,818	4.07%
Public Protection	16,552,755	29.03%	15,250,646	30.18%	1,302,109	8.54%
Public Assistance	14,966,080	26.25%	13,357,827	26.43%	1,608,253	12.04%
Public Ways and Facilities	4,810,785	8.44%	3,834,921	7.59%	975,864	25.45%
Health and Sanitation	7,725,993	13.55%	7,957,644	15.75%	(231,651)	-2.91%
Education	85,007	0.15%	102,645	0.20%	(17,638)	-17.18%
Recreation	109,985	0.19%	185,528	0.37%	(75,543)	-40.72%
Capital Outlay	4,324,594	7.59%	1,703,103	3.37%	2,621,491	153.92%
Debt Service-Principal	555,000	0.97%	535,000	1.06%	20,000	3.74%
Debt Service-Interest	88,868	0.16%	111,623	0.22%	(22,755)	-20.39%
Total	<u>\$57,015,030</u>	<u>100.00%</u>	<u>\$50,530,082</u>	<u>100.00%</u>	<u>\$6,484,948</u>	<u>12.83%</u>

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

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



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

	Other Financing Sources (Uses)			
	Governmental Funds			
	FY 2006/07	FY 2005/06	Increase (Decrease)	
			Amount	Percent
Proceeds from sale of capital assets	\$ --	\$ 174,125	\$ (174,125)	100.00%
Transfers in	12,601,012	11,511,416	1,089,596	9.47%
Transfers out	(12,579,860)	(11,487,782)	(1,092,078)	9.51%
Net financing sources(uses)	<u>\$ 21,152</u>	<u>\$ 197,759</u>	<u>\$ (176,607)</u>	<u>-89.30%</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.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

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.

	Net Change in Fund Balance Enterprise Funds		Increases(Decreases)	
	FY 2006/07	FY 2005/06	Amount	Percent
Total Net Assets - Beginning	\$ 998,206	\$ 1,053,511	\$ (55,305)	-5.25%
Revenues	49,111	50,938	(1,827)	-3.59%
Expenditures	(99,611)	(139,745)	40,134	-28.72%
Operating Income(Loss)	(50,500)	(88,807)	38,307	-43.14%
Non-Operating Revenues(Expenses)	76,664	57,134	19,530	34.18%
Capital Contributions	317,519	--	317,519	
Transfers In/Out	(21,152)	(23,632)	2,480	-10.49%
Change in Net Assets	322,531	(55,305)	377,836	683.19%
Prior Period Adjustment	(39,169)	--	(39,169)	
Fund Balance - Ending of Year	<u>\$ 1,281,568</u>	<u>\$ 998,206</u>	<u>\$ 283,362</u>	<u>28.39%</u>

The net assets of the enterprise funds increased \$322,531. Operating revenues decreased (4%) while operating expenses decreased by (29%). The increase in net assets also reflects the transfer of property from the General Fund for the Westwood Business Park, these properties were purchased with Community Development Grant Funds.

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 2006/07	FY 2005/06	Amount	Percent
Total Net Assets - Beginning	\$ 1,075,272	\$ 1,063,839	\$ 11,433	1.07%
Revenues	999,170	769,486	229,684	29.85%
Expenditures	(995,001)	(771,816)	(223,185)	28.92%
Operating Income(Loss)	4,169	(2,330)	6,499	278.93%
Non-Operating Revenues(Expenses)	13,441	13,763	(322)	-2.34%
Change in Net Assets	17,610	11,433	6,177	54.03%
Prior Period Adjustment	(204,774)	--	(204,774)	
Fund Balance - Ending of Year	<u>\$ 888,108</u>	<u>\$ 1,075,272</u>	<u>\$ (187,164)</u>	<u>-17.41%</u>

Unrestricted net assets of the internal service funds at June 30, 2007 were \$579,917. Investments in capital assets, net of related debt were \$308,191.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

Differences between the original budget and the final amended budget resulted in a \$531,933 increase in appropriations. The components of this increase are briefly summarized as follows: (\$55,586) decrease to the general government; \$59,529 increase to the public protection; \$540,648 increase to capital outlay; and \$12,658 increase in other financing uses.

Even with these adjustments, actual expenditures were \$1,289,046 below final budgeted appropriation amounts. Resources available for appropriation were \$197,088 above final budgeted resource 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	\$ 15,745,152	\$ 15,926,810	\$ 181,658	1.15%
Total Expenditures	(9,312,223)	(9,856,814)	(544,591)	5.85%
Other Financing Sources (Uses)	(7,817,221)	(7,791,390)	25,831	-0.33%
Net Change in Fund Balances	<u>\$ (1,384,292)</u>	<u>\$ (1,721,394)</u>	<u>\$ (337,102)</u>	<u>24.35%</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	\$ 15,926,810	\$ 16,495,521	\$ 568,711	3.57%
Total Expenditures	(9,856,814)	(9,113,489)	743,325	-7.54%
Other Financing Sources (Uses)	(7,791,390)	(7,617,292)	174,098	-2.23%
Net Change in Fund Balances	<u>\$ (1,721,394)</u>	<u>\$ (235,260)</u>	<u>\$ 1,486,134</u>	<u>-86.33%</u>

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

CAPITAL ASSETS

The County's total investment in capital assets as of June 30, 2007, amounted to \$39,322,266 (net of accumulated depreciation and making GASB 34 adjustments). 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.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	2007	2006
Land	\$ 3,444,198	\$ 5,095,976	\$ 342,519	\$ 25,000	\$ 3,786,717	\$ 5,120,976
Structures & Improvements	22,624,237	17,016,895	800,614	798,974	23,424,851	17,815,869
Equipment	11,162,307	9,146,597	160,208	160,208	11,322,515	9,306,805
Infrastructure	30,023,523	8,434,433	--	--	30,023,523	8,434,433
Construction In Progress	5,019,818	1,672,812	--	--	5,019,818	1,672,812
Total	72,274,083	41,366,713	1,303,341	984,182	73,577,424	42,350,895
Accumulated Depreciation	<u>(33,974,235)</u>	<u>(14,788,419)</u>	<u>(280,923)</u>	<u>(206,328)</u>	<u>(34,255,158)</u>	<u>(14,994,747)</u>
Net Capital Assets	<u>\$38,299,848</u>	<u>\$26,578,294</u>	<u>\$1,022,418</u>	<u>\$777,854</u>	<u>\$39,322,266</u>	<u>\$27,356,148</u>

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

	Additions	Transfers	Retirements (net)	Prior Year Adjustments	Current Year Depreciation & PY Depr. Adj.	Net Change
Land	\$ 5,248	\$ (314,976)	\$ --	\$(1,342,050)	\$ --	\$(1,651,778)
Construction in progress	4,276,636	(1,647,205)	--	717,575	--	3,347,006
Infrastructure	--	1,647,205	--	19,941,885	(16,558,886)	5,030,204
Structures & Improvements	172,313	--	--	5,435,029	(713,324)	4,894,018
Equipment	1,591,078	--	(1,064,222)	1,488,854	(1,913,606)	102,104
Totals	<u>\$ 6,045,275</u>	<u>\$ (314,976)</u>	<u>\$(1,064,222)</u>	<u>\$26,241,293</u>	<u>\$(19,185,816)</u>	<u>\$11,721,554</u>

The most significant additions to governmental capital assets are the prior year adjustments made to be compliant with GASB 34.

Additional information on the County's capital assets can be found in Note 5 on page 44 of this report.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

DEBT ADMINISTRATION

At June 30, 2007, the County had total long-term liabilities outstanding of \$3,529,493 as compared to \$4,288,039 in the prior year. During the year, retirement of debt amounted to \$1,193,408. Additions and adjustments to long-term liabilities amounted to a decrease of \$794,844.

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

	Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Notes Payable	\$ 14,286	\$ 28,572	\$ --	\$ --	\$ 14,286	\$ 28,572
Refunding Certificates of Participation (1998)	1,795,000	2,350,000	--	--	1,795,000	2,350,000
Capital Lease Obligations	57,255	85,835	--	--	57,255	85,835
Compensated absences	1,118,325	1,075,558	--	--	1,118,325	1,075,558
Claims liability	544,627	748,074	--	--	544,627	748,074
Total	3,529,493	4,288,039			3,529,493	4,288,039
Less Current Portion	(1,171,943)	(1,135,645)	--	--	(1,171,943)	(1,135,645)
Net Long-Term Debt	<u>\$ 2,357,550</u>	<u>\$ 3,152,394</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,357,550</u>	<u>\$ 3,152,394</u>

Additional information on the County's long-term debt can be found in Note 6 on page 46 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Although the 2006-07 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 2007-08 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 2007-08 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 appropriation for Public Safety programs including the Narcotics Task Force. The adopted budget continues the additional support to animal control, veteran services and family resource centers.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

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, 2007

<u>ASSETS</u>	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Cash and investments	\$ 31,298,156	\$ 347,999	\$ 31,646,155
Cash with fiscal agent	603,117	--	603,117
Accounts receivable	629,695	--	629,695
Due from other governmental entities	4,642,819	--	4,642,819
Internal balances	85,000	(85,000)	--
Deposits with others	363,907	--	363,907
Inventories	687,640	--	687,640
Long term receivables	334,923	--	334,923
Capital assets:			
Nondepreciable	8,464,016	342,519	8,806,535
Depreciable, net	29,835,832	679,899	30,515,731
Total Assets	\$ 76,945,105	\$ 1,285,417	\$ 78,230,522
<u>LIABILITIES</u>			
Accounts payable	\$ 1,316,831	\$ 3,849	\$ 1,320,680
Salaries and benefits payable	941,286	--	941,286
Interest payable	12,869	--	12,869
Deferred revenue	72,243	--	72,243
Long-Term Liabilities:			
Portion due or payable within one year:			
Liability for compensated absences	559,163	--	559,163
Capital leases	28,494	--	28,494
Certificates of participation, net of amortized discount	570,000	--	570,000
Notes payable	14,286	--	14,286
Portion due or payable after one year:			
Liability for compensated absences	559,162	--	559,162
Capital leases	28,761	--	28,761
Certificates of participation, net of amortized discount	1,225,000	--	1,225,000
Claims liability	544,627	--	544,627
Total Liabilities	5,872,722	3,849	5,876,571
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	36,433,307	1,022,418	37,455,725
Restricted for:			
Public Safety	564,253	--	564,253
Health & Public Assistance	4,202,168	--	4,202,168
Community Resources & Facilities	459,862	--	459,862
General Government & Support Services	2,268,795	--	2,268,795
Criminal Justice and Courthouse Construction	1,466,487	--	1,466,487
Debt service	1,284,134	--	1,284,134
Unrestricted	24,393,377	259,150	24,652,527
Total Net Assets	71,072,383	1,281,568	72,353,951
Total Liabilities and Net Assets	\$ 76,945,105	\$ 1,285,417	\$ 78,230,522

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

COUNTY OF LASSEN

Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 8,390,586	\$ 1,205,298	\$ 4,199,309	\$ --
Public protection	16,471,245	2,716,866	7,304,626	--
Public ways and facilities	4,004,043	367,068	6,505,511	--
Health and sanitation	7,442,091	759,235	6,509,920	--
Public assistance	14,804,899	812	11,123,454	--
Education	84,703	--	--	--
Recreation and culture	104,612	(6,416)	41,202	--
Debt service:				
Interest	70,697	--	--	--
Total Governmental Activities	<u>51,372,876</u>	<u>5,042,863</u>	<u>35,684,022</u>	
Business-Type Activities:				
County Service Area (Honey Lake TV)	59,482	28,942	6,150	--
County Business Park	36,256	--	50,000	2,543
County Water System	3,873	1,503	--	--
Total Lassen County	<u>\$ 51,472,487</u>	<u>\$ 5,073,308</u>	<u>\$ 35,740,172</u>	<u>\$ 2,543</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

Prior Period Adjustment

Net assets - June 30

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
\$ (2,985,979)	\$ --	\$ (2,985,979)
(6,449,753)	--	(6,449,753)
2,868,536	--	2,868,536
(172,936)	--	(172,936)
(3,680,633)	--	(3,680,633)
(84,703)	--	(84,703)
(69,826)	--	(69,826)
<u>(70,697)</u>	<u>--</u>	<u>(70,697)</u>
(10,645,991)		(10,645,991)
	(24,390)	(24,390)
	16,287	16,287
	<u>(2,370)</u>	<u>(2,370)</u>
<u>(10,645,991)</u>	<u>(10,473)</u>	<u>(10,656,464)</u>
4,300,530	--	4,300,530
5,473,419	--	5,473,419
3,639,246	--	3,639,246
1,720,545	18,666	1,739,211
2,595,384	20,514	2,615,898
(293,824)	293,824	--
<u>17,435,300</u>	<u>333,004</u>	<u>17,768,304</u>
6,789,309	322,531	7,111,840
55,849,996	998,206	56,848,202
8,433,078	(39,169)	8,393,909
<u>\$ 71,072,383</u>	<u>\$ 1,281,568</u>	<u>\$ 72,353,951</u>

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF LASSEN

Balance Sheet
Governmental Funds
June 30, 2007

	General	Road Fund	Health and Human Services	Welfare
<u>Assets</u>				
Cash and investments	\$ 7,650,946	\$ 4,714,112	\$ 2,367,089	\$ 1,168,062
Cash with fiscal agent	--	--	--	--
Deposits with others	363,907	--	--	--
Accounts receivable	152,700	--	--	10,474
Due from other governmental entities	138,953	1,556,515	895,517	802,387
Advances to other funds	350,000	--	--	--
Inventory	--	687,640	--	--
Long term receivables	87,202	--	--	--
Total Assets	<u>\$ 8,743,708</u>	<u>\$ 6,958,267</u>	<u>\$ 3,262,606</u>	<u>\$ 1,980,923</u>
<u>Liabilities</u>				
Accounts payable	\$ 81,529	\$ 489,080	\$ 401,257	\$ 61,241
Accrued salaries	197,411	80,288	181,071	104,956
Advances from other funds	--	--	--	--
Deferred revenue	842,716	473,285	773,544	--
Total Liabilities	<u>1,121,656</u>	<u>1,042,653</u>	<u>1,355,872</u>	<u>166,197</u>
<u>Fund Balances</u>				
Reserved for:				
Legal obligations	130,784	--	--	--
Advances	350,000	--	--	--
Self insurance	952,150	--	--	--
Inventory	--	687,640	--	--
Unreserved, reported in:				
General fund:				
Designated	3,401,928	--	--	--
Undesignated	2,787,190	--	--	--
Special revenue funds:				
Designated	--	--	126,859	--
Undesignated	--	5,227,974	1,779,875	1,814,726
Debt service funds:				
Undesignated	--	--	--	--
Capital project funds:				
Designated	--	--	--	--
Undesignated	--	--	--	--
Total Fund Balances	<u>7,622,052</u>	<u>5,915,614</u>	<u>1,906,734</u>	<u>1,814,726</u>
Total Liabilities and Fund Balances	<u>\$ 8,743,708</u>	<u>\$ 6,958,267</u>	<u>\$ 3,262,606</u>	<u>\$ 1,980,923</u>

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

Public Safety	Other Governmental Funds	Total
\$ 1,223,877	\$ 13,555,579	\$ 30,679,665
--	603,117	603,117
--	--	363,907
153,977	312,544	629,695
720,166	529,281	4,642,819
--	272,476	622,476
--	--	687,640
--	247,721	334,923
<u>\$ 2,098,020</u>	<u>\$ 15,520,718</u>	<u>\$ 38,564,242</u>
\$ 105,261	\$ 150,787	\$ 1,289,155
272,291	94,371	930,388
22,476	515,000	537,476
252,662	517,023	2,859,230
<u>652,690</u>	<u>1,277,181</u>	<u>5,616,249</u>
--	--	130,784
--	--	350,000
--	--	952,150
--	--	687,640
--	--	3,401,928
--	--	2,787,190
587,917	10,498,855	11,213,631
857,413	(158,117)	9,521,871
--	1,284,134	1,284,134
--	2,827,182	2,827,182
--	(208,517)	(208,517)
<u>1,445,330</u>	<u>14,243,537</u>	<u>32,947,993</u>
<u>\$ 2,098,020</u>	<u>\$ 15,520,718</u>	<u>\$ 38,564,242</u>

COUNTY OF LASSEN

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2007

Fund Balance - total governmental funds (page 20)	\$ 32,947,993
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.	2,786,987
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	37,991,657
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:	888,108
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.	(12,869)
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	(1,795,000)
Notes payable	(14,286)
Capital leases	(57,255)
Compensated absences	(1,118,325)
Claims liability	<u>(544,627)</u>
Net assets of governmental activities (page 18)	<u>\$ 71,072,383</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, 2007

	General	Road Fund	Health and Human Services	Welfare
Revenues:				
Taxes	\$ 8,579,041	\$ --	\$ --	\$ --
Licenses and permits	511,870	49,005	4,163	--
Intergovernmental	3,885,541	5,926,886	4,453,946	10,585,518
Charges for services	2,385,909	66,210	676,550	812
Fines and forfeitures	140,737	--	27,444	--
Use of money and property	398,966	244,959	60,878	39,618
Other	593,457	30,535	153,540	466,577
Total Revenues	16,495,521	6,317,595	5,376,521	11,092,525
Expenditures:				
Current:				
General government	6,517,755	--	--	--
Public protection	2,070,845	--	192,189	--
Public ways and facilities	--	4,780,719	--	--
Health and sanitation	--	--	6,417,445	--
Public assistance	--	--	639,073	13,437,339
Education	85,007	--	--	--
Recreation and culture	15,501	--	--	--
Debt Service:				
Principal	--	--	--	--
Interest	--	--	--	--
Capital outlay	424,381	2,766,280	--	65,063
Total Expenditures	9,113,489	7,546,999	7,248,707	13,502,402
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,382,032	(1,229,404)	(1,872,186)	(2,409,877)
Other Financing Sources (Uses):				
Transfers in	239,860	--	2,486,629	2,560,855
Transfers out	(7,857,152)	--	(35,000)	--
Total Other Financing Sources (Uses)	(7,617,292)	--	2,451,629	2,560,855
Net change in fund balances	(235,260)	(1,229,404)	579,443	150,978
Fund Balances, Beginning of Year	7,857,312	7,145,018	1,327,291	1,663,748
Fund Balances, End of Year	\$ 7,622,052	\$ 5,915,614	\$ 1,906,734	\$ 1,814,726

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

Public Safety	Other Governmental Funds	Total
\$ 1,563,685	\$ 3,270,469	\$ 13,413,195
7,614	52,016	624,668
4,273,974	4,675,038	33,800,903
551,922	536,331	4,217,734
89,959	1,177,460	1,435,600
181,278	1,646,805	2,572,504
95,683	409,874	1,749,666
<u>6,764,115</u>	<u>11,767,993</u>	<u>57,814,270</u>
321,189	957,019	7,795,963
10,408,451	3,881,270	16,552,755
--	30,066	4,810,785
--	1,308,548	7,725,993
--	889,668	14,966,080
--	--	85,007
--	94,484	109,985
--	555,000	555,000
--	88,868	88,868
209,551	859,319	4,324,594
<u>10,939,191</u>	<u>8,664,242</u>	<u>57,015,030</u>
<u>(4,175,076)</u>	<u>3,103,751</u>	<u>799,240</u>
4,164,007	3,149,661	12,601,012
(16,422)	(4,671,286)	(12,579,860)
<u>4,147,585</u>	<u>(1,521,625)</u>	<u>21,152</u>
(27,491)	1,582,126	820,392
<u>1,472,821</u>	<u>12,661,411</u>	<u>32,127,601</u>
<u>\$ 1,445,330</u>	<u>\$ 14,243,537</u>	<u>\$ 32,947,993</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, 2007

Net change to fund balance - total governmental funds (page 22) \$ 820,392

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	5,549,389	
Less: current year depreciation	<u>(2,237,216)</u>	
		3,312,173

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 1,876,703

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		555,000
Capital leases		28,580

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	(42,767)
Change in accrued interest payable	3,885
Change in claims liabilities	203,447

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. 17,610

Change in net assets of governmental activities (page 19) \$ 6,789,309

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

COUNTY OF LASSEN

Statement of Fund Net Assets
Proprietary Funds
June 30, 2007

	Business-Type Activities - Enterprise Funds	Governmental Activities
<u>ASSETS</u>	Nonmajor Funds	Internal Service Funds
Current assets:		
Cash and investments	\$ 347,999	\$ 618,491
Total current assets	347,999	618,491
Noncurrent assets:		
Capital assets:		
Nondepreciable	342,519	--
Depreciable, net	679,899	308,191
Total Assets	\$ 1,370,417	\$ 926,682
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 3,849	\$ 27,676
Salaries and benefits payable	--	10,898
Advances from other funds	85,000	--
Total Liabilities	88,849	38,574
<u>NET ASSETS</u>		
Investment in capital assets, net of related debt	1,022,418	308,191
Unrestricted	259,150	579,917
Total Net Assets	1,281,568	888,108
Total Liabilities and Net Assets	\$ 1,370,417	\$ 926,682

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, 2007

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Nonmajor Funds	Internal Service Funds
Operating Revenues:		
Charges for services	\$ 30,445	\$ 983,584
Miscellaneous	18,666	15,586
Total Operating Revenues	49,111	999,170
Operating Expenses:		
Salaries and benefits	--	277,298
Services and supplies	65,825	551,656
Depreciation	33,786	166,047
Total Operating Expenses	99,611	995,001
Operating Income (Loss)	(50,500)	4,169
Non-Operating Revenue (Expenses):		
Intergovernmental revenues	56,150	--
Interest income	20,514	22,880
Gain/(loss) on disposal of assets	--	(9,439)
Total Non-Operating Revenue	76,664	13,441
Net Income (Loss) Before Transfers	26,164	17,610
Capital Contributions	317,519	--
Transfers out	(21,152)	--
Change in Net Assets	322,531	17,610
Net Assets - Beginning of Year	998,206	1,075,272
Prior period adjustment	(39,169)	(204,774)
Net Assets - Beginning of Year, restated	959,037	870,498
Net Assets - End of Year	\$ 1,281,568	\$ 888,108

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, 2007

	Business-Type Activities - <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Funds</u>
	Nonmajor Funds	Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 49,111	\$ --
Cash receipts from interfund services provided	--	999,170
Cash paid to suppliers for goods and services	(65,191)	(524,161)
Cash paid to employees for services	--	(275,774)
	<u>(16,080)</u>	<u>199,235</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	(21,152)	--
Intergovernmental revenues	56,150	--
	<u>34,998</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments related to the acquisition of capital assets	--	(151,789)
Advances from other funds	34,671	--
	<u>34,671</u>	<u>(151,789)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	20,941	27,071
	<u>20,941</u>	<u>27,071</u>
Net Increase (Decrease) in Cash and Cash Equivalents	74,530	74,517
Cash and Cash Equivalents, Beginning of Year	<u>273,469</u>	<u>543,974</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 347,999</u></u>	<u><u>\$ 618,491</u></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, 2007

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Nonmajor Funds	Internal Service Funds
Reconciliation of Operating Income (Loss)		
to Net Cash Provided (Used) by		
Operating Activities:		
Operating income (loss)	\$ (50,500)	\$ 4,169
Adjustments to Reconcile Operating Income		
to Net Cash Flows from Operating Activities:		
Depreciation	33,786	166,047
Changes in Assets and Liabilities:		
Increase (decrease) in:		
Accounts payable	634	27,495
Accrued salaries	--	1,524
	<u>\$ (16,080)</u>	<u>\$ 199,235</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (16,080)</u>	<u>\$ 199,235</u>

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

COUNTY OF LASSEN

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	<u>Investment Trust</u>	<u>Agency Funds</u>
<u>Assets</u>		
Current Assets:		
Cash and investments	\$ 22,744,700	\$ 8,050,600
Taxes receivable	--	2,262,064
	<u>22,744,700</u>	<u>10,312,664</u>
Total Assets		
	<u>22,744,700</u>	<u>10,312,664</u>
<u>Liabilities</u>		
Current Liabilities:		
Agency obligations	--	10,312,664
	<u>--</u>	<u>10,312,664</u>
Total Liabilities		
	<u>--</u>	<u>10,312,664</u>
<u>Net Assets</u>		
Net assets held in trust for investment pool participants	<u>\$ 22,744,700</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, 2007

	<u>Investment Trust</u>
ADDITIONS	
Contributions	\$ 63,188,818
Revenue from use of money and property	<u>1,044,409</u>
Total Additions	<u>64,233,227</u>
DEDUCTIONS	
Distributions from pooled investment	<u>59,813,662</u>
Total Deductions	<u>59,813,662</u>
Net increase (decrease) in net assets	4,419,565
Net Assets - Beginning of Year	<u>18,325,135</u>
Net Assets - End of Year	<u><u>\$ 22,744,700</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, 2007

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 30th 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, 2007

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, 2007

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 by the County to charge the cost of information technology services and fleet services to individual funds.
- 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.

COUNTY OF LASSEN

Notes to the Basic Financial Statements For the Year Ended June 30, 2007

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

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.

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, 2007

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 except for its long term receivables on the Community Development Housing loans.

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, 2007

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 2007. The County elected to implement the general provisions of GASB No. 34 in fiscal year ended June 30, 2003, and has implemented the retroactive infrastructure provisions in the fiscal year ending June 30, 2007.

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, 2007

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 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, 2007

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

M. **New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) recently released several new accounting and financial reporting standards. The following new standards may have a significant impact on the County's financial reporting process.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is effective for the fiscal year ending June 30, 2009. It establishes standards for the measurement, recognition and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 47, *Accounting for Termination Benefits*, is effective for the fiscal year ending June 30, 2007. It establishes accounting and reporting requirements for all termination benefits (both voluntary and involuntary termination benefits). The County has always been reporting the termination benefits using the termination payment method to recognize the expenditure/expense and liability.

GASB Statement No. 49, *Accounting and Reporting of Pollution Remediation Obligations*, is effective in financial statements for the year ending June 30, 2008. It establishes accounting and financial reporting standards for pollution remediation obligations.

GASB Statement No. 50, *Pension Disclosures*, is effective in financial statements for the year ending June 30, 2008. It enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, is effective in financial statements for the year ending June 30, 2010. It establishes accounting and financial reporting requirements for intangible assets to reduce various inconsistencies that are currently applied by various governmental entities.

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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

Restatement of capital assets – An audit of the County’s capital assets resulted in a restatement of fund balances/net assets at June 30, 2006.

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

	Government-Wide Statement of Activities		Fund Statements	
	Governmental Activities	Business- Type Activities	Nonmajor Enterprise Funds	Internal Service Funds
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service Funds</u>
Fund balance/net assets, June 30, 2006, as previously reported	\$ 55,849,996	\$ 998,206	\$ 998,206	\$ 1,075,272
Restatements:				
Adjust capital asset balances	<u>8,500,462</u>	<u>(39,169)</u>	<u>(39,169)</u>	<u>(204,774)</u>
Total Restatements	<u>8,500,462</u>	<u>(39,169)</u>	<u>(39,169)</u>	<u>(204,774)</u>
Fund balance/net assets, July 1, 2006, as restated	<u>\$ 64,350,458</u>	<u>\$ 959,037</u>	<u>\$ 959,037</u>	<u>\$ 870,498</u>

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.

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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

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 Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual costs and fair value.

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

Cash:

Cash on hand	\$	4,439
Deposits		244,927
Less outstanding warrants		<u>(4,331,196)</u>
Total Cash Overdrafts		<u>(4,081,830)</u>

Investments:

In Treasurer's pool		66,523,285
Outside Treasurer's pool		<u>603,117</u>
Total Investments		<u>67,126,402</u>
Total Cash and Investments	\$	<u><u>63,044,572</u></u>

Total cash and investments at June 30, 2007, were presented on the County's financial statements as follows:

Primary government	\$	32,249,272
Investment trust fund		22,744,700
Agency funds		<u>8,050,600</u>
Total Cash and Investments	\$	<u><u>63,044,572</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.

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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

Investments

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	10%	None
U.S. Treasury Obligations	5 years	None	None
Registered State Warrants	1 year	10%	None
Other Local Agencies Bonds, Notes Warrants	1 year	10%	None
Obligations Issued by Banks for Cooperative and Federal Agencies	5 years	70% or 40% callable issues	50%
Banker's Acceptances	180 days	40%	10%
Commercial Paper	180 days	40%	10%
Negotiable Certificates of Deposit	1 year	30%	10%
Medium-Term Corporate Notes	5 years	30%	10%
Money Market Mutual Funds	N/A	20%	10%
Notes, Bonds	5 years	20%	None
Local Agency Investment Fund	N/A	None	\$40M

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

	<u>Interest Rates</u>	<u>Maturities</u>	<u>Par</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments with Treasurer						
U.S. government agencies	2.51% - 5.22%	9/6/06 - 10/20/08	\$ 31,500,000	\$ 31,590,693	31,419,007	0.97
Local Agency Investment Fund (LAIF)	Variable	On Demand	34,932,592	34,932,592	34,932,592	--
Total			<u>\$ 66,432,592</u>	<u>\$ 66,523,285</u>	<u>\$ 66,351,599</u>	<u>0.97</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.

COUNTY OF LASSEN

Notes to the Basic Financial Statements For the Year Ended June 30, 2007

Note 3: Cash and Investments (continued)

Concentration of Credit Risk

At June 30, 2007, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization, 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, 2007.

	<u>S&P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Money Market Sweep Account	A-1	P-1	0.2%
Federal agency issues - discount	A-1+	P-1	47.3%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	52.5%
Total			<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.

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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

Local Agency Investment Fund (continued)

At June 30, 2007, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$34,932,592, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$65.8 billion. Of that amount, 96.534% was invested in non-derivative financial products and 3.466% in structured notes and asset-backed securities.

At June 30, 2007, the difference between the cost and fair value of cash and investments was not material (fair value was 100.51% 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 and quoted market prices or safekeeping agent statements for other investments.

County Investment pool Condensed Financial Statements

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2007:

Statement of Net Assets

Net assets held for pool participants	\$ 62,441,455
Equity of internal pool participants	\$ 39,696,755
Equity of external pool participants	22,744,700
Total net assets	<u>\$ 62,441,455</u>

Statement of Changes in Net Assets

Investment earnings	\$ 2,750,656
Investment expenses	(11,446)
Net contributions from pool participants	<u>2,619,008</u>
Increase in Net Assets	5,358,218
Net assets at July 1, 2006	<u>57,083,237</u>
Net assets at June 30, 2007	<u>\$ 62,441,455</u>

Note 4: **Receivables**

Management believes its receivables are fully collectible except for its long term receivables on the Community Development Housing loans recorded in the General Fund. At June 30, 2007, the gross amount of these receivables was \$196,663 and the allowance for uncollectible accounts was \$109,461 which resulted in a net amount of \$87,202.

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 5: **Capital Assets**

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

	Balance July 1, 2006 (as restated)	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2007
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,753,926	\$ 5,248	\$ --	\$ (314,976)	\$ 3,444,198
Construction in progress	2,390,387	4,276,636	--	(1,647,205)	5,019,818
Total capital assets, not being depreciated	6,144,313	4,281,884	--	(1,962,181)	8,464,016
Capital assets, being depreciated:					
Infrastructure	28,376,318	--	--	1,647,205	30,023,523
Structures and improvements	22,451,924	172,313	--	--	22,624,237
Equipment	10,635,451	1,591,078	(1,064,222)	--	11,162,307
Total capital assets, being depreciated	61,463,693	1,763,391	(1,064,222)	1,647,205	63,810,067
Less accumulated depreciation for:					
Infrastructure	(15,886,975)	(1,175,914)	--	--	(17,062,889)
Structures and improvements	(7,472,315)	(536,092)	--	--	(8,008,407)
Equipment	(9,237,344)	(691,257)	1,025,662	--	(8,902,939)
Total accumulated depreciation	(32,596,634)	(2,403,263)	1,025,662	--	(33,974,235)
Total capital assets, being depreciated, net	28,867,059	(639,872)	(38,560)	1,647,205	29,835,832
Government activities capital assets, net	\$ 35,011,372	\$ 3,642,012	\$ (38,560)	\$ (314,976)	\$ 38,299,848
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 25,000	\$ 2,543	\$ --	\$ 314,976	\$ 342,519
Total capital assets, not being depreciated	25,000	2,543	--	314,976	342,519
Capital assets, being depreciated:					
Structures and improvements	800,614	--	--	--	800,614
Equipment	160,208	--	--	--	160,208
Total capital assets, being depreciated	960,822	--	--	--	960,822
Less accumulated depreciation for:					
Structures and improvements	(120,933)	(20,387)	--	--	(141,320)
Equipment	(126,204)	(13,399)	--	--	(139,603)
Total accumulated depreciation	(247,137)	(33,786)	--	--	(280,923)
Total capital assets, being depreciated, net	713,685	(33,786)	--	--	679,899
Business-type activities capital assets, net	\$ 738,685	\$ (31,243)	\$ --	\$ 314,976	\$ 1,022,418

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 5: **Capital Assets** (continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

Governmental Activities – Depreciation Expense

	Total
General government	\$ 551,676
Public protection	1,591,469
Public ways	199,873
Health and sanitation	27,437
Public assistance	31,826
Education	982
	\$ 2,403,263

Business-Type Activities – Depreciation Expense

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

County Service Area (Honey Lake TV)	\$ 13,399
County Business Park	20,387
	\$ 33,786

At July 1, 2006, the County made the following restatements to capital assets:

	Governmental Activities	Business-Type Activities
Capital assets, net, as reported at June 30, 2006	\$ 26,578,294	\$ 777,854
Retroactive reporting of infrastructure assets in accordance with GASB 34	18,627,040	--
Less: Accumulated depreciation	(14,471,797)	--
Correct land, construction in process, structures and improvements and equipment, as result of separate capital asset audit	7,614,253	1,640
Correct accumulated depreciation as result of separate capital asset audit	(3,336,418)	(40,809)
Capital asset, net, as restated at July 1, 2006	\$ 35,011,372	\$ 738,685

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 6: **Long-Term Debt**

Long-term liabilities at June 30, 2007 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, 2007</u>
<u>Governmental activities</u>						
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	\$ 1,795,000
Bertie L. Gravier Note to purchase property	2002	2008	0.00%	\$14,286	<u>100,002</u>	<u>14,286</u>
Total Governmental Activities					<u>\$ 6,130,002</u>	<u>\$ 1,809,286</u>

The following is a summary of long-term liability transactions for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities</u>					
Note payable	\$ 28,572	\$ --	\$ 14,286	\$ 14,286	\$ 14,286
Refunding certificates of participation (1998)	2,350,000	--	555,000	1,795,000	570,000
Capital leases payable	85,835	--	28,580	57,255	28,494
Compensated absences	1,075,558	42,767	--	1,118,325	559,163
Claims liability	748,074	576,760	780,207	544,627	--
Total Governmental Activities					
Long-term liabilities	<u>\$ 4,288,039</u>	<u>\$ 619,527</u>	<u>\$ 1,378,073</u>	<u>\$ 3,529,493</u>	<u>\$ 1,171,943</u>

Claims liability has typically been liquidated from the general fund. Compensated absences are generally liquidated by the General Fund and related special revenue funds.

As of June 30, 2007, annual debt service requirements of governmental activities to maturity are as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>			
	<u>Certificates of Participation</u>		<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 570,000	\$ 65,100	\$ 14,286	\$ --
2009	600,000	40,088	--	--
2010	625,000	13,594	--	--
	<u>\$ 1,795,000</u>	<u>\$ 118,782</u>	<u>\$ 14,286</u>	<u>\$ --</u>

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 6: **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, 2007</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	\$ 56,062
Great America Leasing – Copier	2002	2007	10.19%	2,937	<u>11,468</u>	<u>1,193</u>
Total Governmental Activities					<u>\$ 193,855</u>	<u>\$ 57,255</u>

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

	<u>Governmental Activities</u>
Equipment	\$ 233,855
Less: accumulated depreciation	<u>100,423</u>
Net Value	<u>\$ 133,432</u>

As of June 30, 2007, capital lease annual amortization is as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities Capital Leases</u>
2008	\$ 31,524
2009	<u>30,300</u>
Totals	61,824
Less: Amounts representing interest	<u>4,569</u>
Present value of future minimum lease payments	<u>\$ 57,255</u>

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 7: **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:

Year Ended June 30,	Payments
2008	\$ 216,260
2009	218,240
2010	174,240
2011	174,240
2012	174,240
Totals	\$ 957,220

Rent expenditures were \$459,680 for the year ended June 30, 2007.

Note 8: **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, 2007 are as follows:

Advances to/from other funds:

(a) Between Governmental and Business-Type Activities:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Enterprise Funds	\$ 85,000

(b) Between Funds Within the Governmental Activities:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 265,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	250,000
	Public Safety	22,476
Total		\$ 537,476

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 8: **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	\$ 21,152
Totals		\$ 21,152

Between Funds Within the Governmental Activities:

Transfer from	Transfer to	Amount
General Fund	Health and Human Services	\$ 167,094
	Public Safety	3,992,116
	Welfare	620,855
	Nonmajor Governmental Funds	3,077,087
		7,857,152
Health and Human Services	Nonmajor Governmental Funds	35,000
Public Safety	Nonmajor Governmental Funds	16,422
Nonmajor Governmental Funds	General Fund	239,860
	Health and Human Services	2,319,535
	Welfare	1,940,000
	Public Safety	171,891
Totals		\$ 12,579,860

Note 9: **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, 2007

Note 9: **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, 2007 for governmental activities are as follows:

Restricted for Public Safety:		
Inmate Welfare	\$ 301,855	
Sheriff	<u>262,398</u>	
		\$ 564,253
Restricted for Health & Public Assistance		
Health & Welfare Realignment	3,389,717	
Mental Health Services Act	<u>812,451</u>	
		4,202,168
Restricted for Community Resources & Facilities:		
Aviation	<u>459,862</u>	
		459,862
Restricted for General Government & Support Services:		
Community Development Loans	1,745,211	
Recorder	458,049	
Housing Authority	<u>65,535</u>	
		2,268,795
Restricted for Criminal Justice and Courthouse Construction	<u>1,466,487</u>	
		1,466,487
Restricted for Debt Service	<u>1,284,134</u>	
		<u>1,284,134</u>
Total Restricted Net Assets - Governmental Activities		<u><u>\$ 10,245,699</u></u>

As of June 30, 2007, 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, 2007

Note 9: **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, 2007, 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, retiree health benefits, health and social service programs, economic development, loss prevention/risk management, and public safety programs.

COUNTY OF LASSEN

Notes to the Basic Financial Statements For the Year Ended June 30, 2007

Note 10: 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 2006-07 was 9.993 percent for miscellaneous employees and 26.382 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 2006-07, the County of Lassen's annual pension cost was \$2,220,453 for both Miscellaneous and Safety members, and was equal to the County's required and actual contributions. The required contribution for fiscal year 2006-07 was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative 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, 2007

Note 10: **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>
6/30/05	1,491,686	100%	--
6/30/06	2,137,108	100%	--
6/30/07	2,220,453	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 11: **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 one former employees participated during the current fiscal year at a cost of approximately \$262,777.

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 12: **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 13: **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, 2006 are presented below:

	<u>Amount</u>
Statement of Net Assets	
Assets	\$ 4,574,870
Liabilities	<u>3,590,511</u>
Net assets	<u>\$ 984,359</u>
Revenues and Expenses	
Revenues	\$ 1,558,054
Expenses	<u>1,702,385</u>
Net income (loss)	<u>\$ (144,331)</u>

COUNTY OF LASSEN

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 13: **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, 2006 are presented below:

	<u>Amount</u>
Statement of Net Assets	
Assets	\$ 1,344,492
Liabilities	<u>296,075</u>
Equity	<u>\$ 1,048,417</u>
Revenues and Expenditures	
Revenue	\$ 831,147
Expenses	<u>940,795</u>
Net Income (Loss)	<u>\$ (109,648)</u>

Note 14: **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, 2007

Note 14: **Risk Management** (continued)

past three fiscal years. At June 30, 2007, 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.

Estimates of the liabilities for incurred (both reported and unreported) but unpaid claims are actuarially determined. Liabilities are based on the estimated cost of settling the claims.

Changes in the balance of claims liability during the fiscal years ended June 30, 2007 and 2006 were as follows:

	2007	2006
Unpaid claims, July 1,	\$ 748,074	\$ 930,979
Incurring claims (including IBNRs) and changes in estimate	576,760	433,140
Current year payments	(780,207)	(616,045)
Unpaid claims, June 30,	\$ 544,627	\$ 748,074

The County is also involved in various cases in which there is a reasonable possibility of loss. All of the cases in excess of the County's retained liability limit are covered by excess insurance coverage. In accordance with Government Auditing Standards Board Statement No. 10, these cases have not been accrued in the financial statements.

Note 15: **Fund Balance/Net Assets Deficit**

The following funds had deficit fund balance at June 30, 2007:

	Deficit Amount
Redevelopment Agency, – Sierra Army Depot	\$ 208,517
Local Reuse Authority	158,117
County Water Systems	13,583

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF LASSEN

Required Supplementary Information
For the Year Ended June 30, 2007

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>
6/30/04	\$ 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%
6/30/06	63,405,274	57,702,339	5,702,935	91.0%	15,480,649	36.800%

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, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1, restated	\$ 7,857,312	\$ 7,857,312	\$ 7,857,312	\$ --
Resources (inflows):				
Taxes	8,593,448	8,593,448	8,579,041	(14,407)
Licenses and permits	625,000	625,000	511,870	(113,130)
Fines, forfeitures and penalties	46,300	46,300	140,737	94,437
Use of money and property	286,900	286,900	398,966	112,066
Intergovernmental	3,749,891	3,931,049	3,885,541	(45,508)
Charges for services	1,958,063	1,958,563	2,385,909	427,346
Other revenues	485,550	485,550	593,457	107,907
Other financing sources	598,310	611,483	239,860	(371,623)
Amounts available for appropriation	<u>16,343,462</u>	<u>16,538,293</u>	<u>16,735,381</u>	<u>197,088</u>
Charges to appropriations (outflows):				
Current:				
General government	6,730,137	6,674,551	6,517,755	156,796
Public protection	2,339,597	2,399,126	2,070,845	328,281
Education	96,871	96,871	85,007	11,864
Recreation and culture	16,260	16,260	15,501	759
Other financing uses	8,415,531	8,402,873	7,857,152	545,721
Capital outlay	129,358	670,006	424,381	245,625
Total charges to appropriation	<u>17,727,754</u>	<u>18,259,687</u>	<u>16,970,641</u>	<u>1,289,046</u>
Budgetary fund balances, June 30	<u>\$ 6,473,020</u>	<u>\$ 6,135,918</u>	<u>\$ 7,622,052</u>	<u>\$ 1,486,134</u>
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement				\$ 16,735,381
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes				<u>(239,860)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 16,495,521</u>
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 16,970,641
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes				<u>(7,857,152)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 9,113,489</u>

COUNTY OF LASSEN

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balances, July 1	\$ 7,145,018	\$ 7,145,018	\$ 7,145,018	\$ --
Resources (inflows):				
Licenses and permits	35,000	35,000	49,005	14,005
Intergovernmental	13,330,309	13,330,309	5,926,886	(7,403,423)
Use of money and property	80,000	80,000	244,959	164,959
Charges for services	41,000	41,000	66,210	25,210
Other revenues	--	--	30,535	30,535
Other financing sources	2,500	2,500	--	(2,500)
Amounts available for appropriation	<u>13,488,809</u>	<u>13,488,809</u>	<u>6,317,595</u>	<u>(7,171,214)</u>
Charges to appropriations (outflows):				
Current:				
Public ways and facilities	5,425,751	6,030,724	4,780,719	1,250,005
Capital outlay	<u>10,271,000</u>	<u>9,666,027</u>	<u>2,766,280</u>	<u>6,899,747</u>
Total charges to appropriation	<u>15,696,751</u>	<u>15,696,751</u>	<u>7,546,999</u>	<u>8,149,752</u>
Budgetary fund balances, June 30	<u>\$ 4,937,076</u>	<u>\$ 4,937,076</u>	<u>\$ 5,915,614</u>	<u>\$ 978,538</u>

COUNTY OF LASSEN

**Budgetary Comparison Schedule
Health and Human Services Fund
For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Budgetary fund balances, July 1	\$ 1,327,291	\$ 1,327,291	\$ 1,327,291	\$ --
Resources (inflows):				
Licenses and permits	3,500	3,500	4,163	663
Fines, forfeitures and penalties	23,887	23,887	27,444	3,557
Use of money and property	33,100	33,100	60,878	27,778
Intergovernmental	5,512,386	5,574,589	4,453,946	(1,120,643)
Charges for services	669,779	694,279	676,550	(17,729)
Other revenues	405,255	405,255	153,540	(251,715)
Other financing sources	2,661,361	2,652,772	2,486,629	(166,143)
Amounts available for appropriation	<u>9,309,268</u>	<u>9,387,382</u>	<u>7,863,150</u>	<u>(1,524,232)</u>
Charges to appropriations (outflows):				
Current:				
Public protection	201,034	201,034	192,189	8,845
Health and sanitation	8,659,370	8,728,484	6,417,445	2,311,039
Public assistance	728,208	728,208	639,073	89,135
Other financing uses	16,000	51,000	35,000	16,000
Capital outlay	263,983	228,983	--	228,983
Total charges to appropriation	<u>9,868,595</u>	<u>9,937,709</u>	<u>7,283,707</u>	<u>2,654,002</u>
Budgetary fund balances, June 30	<u>\$ 767,964</u>	<u>\$ 776,964</u>	<u>\$ 1,906,734</u>	<u>\$ 1,129,770</u>
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement				\$ 7,863,150
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes				<u>(2,486,629)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 5,376,521</u>
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 7,283,707
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes				<u>(35,000)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 7,248,707</u>

COUNTY OF LASSEN

Budgetary Comparison Schedule
Welfare
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balances, July 1	\$ 1,663,748	\$ 1,663,748	\$ 1,663,748	\$ --
Resources (inflows):				
Intergovernmental	11,890,034	11,890,034	10,585,518	(1,304,516)
Use of money and property	--	--	39,618	39,618
Charges for services	--	--	812	812
Other revenues	309,444	309,444	466,577	157,133
Other financing sources	2,907,485	2,907,485	2,560,855	(346,630)
Amounts available for appropriation	<u>15,106,963</u>	<u>15,106,963</u>	<u>13,653,380</u>	<u>(1,453,583)</u>
Charges to appropriations (outflows):				
Current:				
Public assistance	15,087,929	15,062,729	13,437,339	1,625,390
Capital outlay	40,000	65,200	65,063	137
Total charges to appropriation	<u>15,127,929</u>	<u>15,127,929</u>	<u>13,502,402</u>	<u>1,625,527</u>
Budgetary fund balances, June 30	<u>\$ 1,642,782</u>	<u>\$ 1,642,782</u>	<u>\$ 1,814,726</u>	<u>\$ 171,944</u>
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement				\$ 13,653,380
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes				<u>(2,560,855)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 11,092,525</u>

COUNTY OF LASSEN

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

	<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	\$ 1,472,821	\$ 1,472,821	\$ 1,472,821	\$ --
Resources (inflows):				
Taxes	1,635,000	1,635,000	1,563,685	(71,315)
Licenses and permits	7,850	7,850	7,614	(236)
Fines, forfeitures and penalties	20,710	20,710	89,959	69,249
Use of money and property	5,000	5,000	181,278	176,278
Intergovernmental	4,512,485	4,661,542	4,273,974	(387,568)
Charges for services	571,924	472,867	551,922	79,055
Other revenues	63,000	63,000	95,683	32,683
Other financing sources	4,732,185	4,732,185	4,164,007	(568,178)
Amounts available for appropriation	<u>11,548,154</u>	<u>11,598,154</u>	<u>10,928,122</u>	<u>(670,032)</u>
Charges to appropriations (outflows):				
Current:				
General government	326,259	326,259	321,189	5,070
Public protection	10,775,748	10,658,980	10,408,451	250,529
Other financing uses	588,967	718,167	16,422	701,745
Capital outlay	293,398	350,966	209,551	141,415
Total charges to appropriation	<u>11,984,372</u>	<u>12,054,372</u>	<u>10,955,613</u>	<u>1,098,759</u>
Budgetary fund balances, June 30	<u>\$ 1,036,603</u>	<u>\$ 1,016,603</u>	<u>\$ 1,445,330</u>	<u>\$ 428,727</u>
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement				\$ 10,928,122
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes				<u>(4,164,007)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 6,764,115</u>
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 10,955,613
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes				<u>(16,422)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 10,939,191</u>

COUNTY OF LASSEN

Note to Required Supplementary Information For the Year Ended June 30, 2007

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 2nd. 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, 2007

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>Assets</u>				
Cash and investments	\$ 10,196,671	\$ 681,017	\$ 2,677,891	\$ 13,555,579
Cash with fiscal agent	--	603,117	--	603,117
Accounts receivable	312,544	--	--	312,544
Due from other governmental entities	348,863	--	180,418	529,281
Advances to other funds	22,476	--	250,000	272,476
Long term receivables	247,721	--	--	247,721
Total Assets	\$ 11,128,275	\$ 1,284,134	\$ 3,108,309	\$ 15,520,718
<u>Liabilities</u>				
Accounts payable	\$ 106,561	\$ --	\$ 44,226	\$ 150,787
Accrued salaries	94,371	--	--	94,371
Advances from other funds	250,000	--	265,000	515,000
Deferred revenue	336,605	--	180,418	517,023
Total Liabilities	787,537	--	489,644	1,277,181
<u>Fund Balances</u>				
Unreserved:				
Designated	10,498,855	--	2,827,182	13,326,037
Undesignated	(158,117)	1,284,134	(208,517)	917,500
Total Fund Balances	10,340,738	1,284,134	2,618,665	14,243,537
Total Liabilities and Fund Balances	\$ 11,128,275	\$ 1,284,134	\$ 3,108,309	\$ 15,520,718

COUNTY OF LASSEN

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ 3,049,389	\$ --	\$ 221,080	\$ 3,270,469
Licenses and permits	52,016	--	--	52,016
Intergovernmental	4,436,711	--	238,327	4,675,038
Charges for services	536,331	--	--	536,331
Fines and forfeitures	820,594	--	356,866	1,177,460
Use of money and property	1,042,202	524,450	80,153	1,646,805
Other	409,677	197	--	409,874
Total Revenues	<u>10,346,920</u>	<u>524,647</u>	<u>896,426</u>	<u>11,767,993</u>
Expenditures:				
Current:				
General government	870,518	3,360	83,141	957,019
Public protection	3,881,270	--	--	3,881,270
Public ways and facilities	30,066	--	--	30,066
Health and welfare	1,308,548	--	--	1,308,548
Public assistance	889,668	--	--	889,668
Recreation and culture	94,484	--	--	94,484
Debt Service:				
Principal	--	555,000	--	555,000
Interest	--	88,868	--	88,868
Capital outlay	209,942	--	649,377	859,319
Total Expenditures	<u>7,284,496</u>	<u>647,228</u>	<u>732,518</u>	<u>8,664,242</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,062,424</u>	<u>(122,581)</u>	<u>163,908</u>	<u>3,103,751</u>
Other Financing Sources (Uses):				
Transfers in	3,026,150	--	123,511	3,149,661
Transfers out	(4,638,778)	--	(32,508)	(4,671,286)
Total Other Financing Sources (Uses)	<u>(1,612,628)</u>	<u>--</u>	<u>91,003</u>	<u>(1,521,625)</u>
Net change in fund balances	1,449,796	(122,581)	254,911	1,582,126
Fund Balances, Beginning of Year	<u>8,890,942</u>	<u>1,406,715</u>	<u>2,363,754</u>	<u>12,661,411</u>
Fund Balances, End of Year	<u>\$ 10,340,738</u>	<u>\$ 1,284,134</u>	<u>\$ 2,618,665</u>	<u>\$ 14,243,537</u>

NONMAJOR SPECIAL REVENUE FUNDS

COUNTY OF LASSEN

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2007

	<u>Retiree Health Benefits</u>	<u>Fish & Game Fund</u>	<u>Mental Health Services Act</u>	<u>Property Tax Administration</u>
<u>Assets</u>				
Cash and investments	\$ 1,703,962	\$ 5,084	\$ 781,567	\$ 219,882
Accounts receivable	--	--	--	--
Due from other governmental entities	--	--	--	--
Advances to other funds	--	--	--	--
Long term receivables	--	--	--	--
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Total Assets	<u>\$ 1,703,962</u>	<u>\$ 5,084</u>	<u>\$ 781,567</u>	<u>\$ 219,882</u>
<u>Liabilities</u>				
Accounts payable	\$ --	\$ 1,091	\$ --	\$ --
Accrued salaries	--	--	--	1,330
Advances from other funds	--	--	--	--
Deferred revenue	--	--	--	--
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Total Liabilities	<u>--</u>	<u>1,091</u>	<u>--</u>	<u>1,330</u>
<u>Fund Balances</u>				
Unreserved:				
Designated	1,703,962	3,993	781,567	218,552
Undesignated	--	--	--	--
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Total Fund Balances	<u>1,703,962</u>	<u>3,993</u>	<u>781,567</u>	<u>218,552</u>
Total Liabilities and Fund Balances	<u>\$ 1,703,962</u>	<u>\$ 5,084</u>	<u>\$ 781,567</u>	<u>\$ 219,882</u>

continued

COUNTY OF LASSEN

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

	Cemetery Fund	Aviation Fund	Local Reuse Authority	Air Pollution Fund
<u>Assets</u>				
Cash and investments	\$ 26,960	\$ 460,223	\$ 91,922	\$ 234,121
Accounts receivable	--	--	--	--
Due from other governmental entities	--	--	--	--
Advances to other funds	--	--	--	--
Long term receivables	--	--	--	--
	<u>\$ 26,960</u>	<u>\$ 460,223</u>	<u>\$ 91,922</u>	<u>\$ 234,121</u>
Total Assets	<u>\$ 26,960</u>	<u>\$ 460,223</u>	<u>\$ 91,922</u>	<u>\$ 234,121</u>
<u>Liabilities</u>				
Accounts payable	\$ 188	\$ --	\$ 39	\$ 829
Accrued salaries	2,311	361	--	3,697
Advances from other funds	--	--	250,000	--
Deferred revenue	--	--	--	--
	<u>2,499</u>	<u>361</u>	<u>250,039</u>	<u>4,526</u>
Total Liabilities	<u>2,499</u>	<u>361</u>	<u>250,039</u>	<u>4,526</u>
<u>Fund Balances</u>				
Unreserved:				
Designated	24,461	459,862	--	229,595
Undesignated	--	--	(158,117)	--
	<u>24,461</u>	<u>459,862</u>	<u>(158,117)</u>	<u>229,595</u>
Total Fund Balances	<u>24,461</u>	<u>459,862</u>	<u>(158,117)</u>	<u>229,595</u>
Total Liabilities and Fund Balances	<u>\$ 26,960</u>	<u>\$ 460,223</u>	<u>\$ 91,922</u>	<u>\$ 234,121</u>

continued

COUNTY OF LASSEN

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

	<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	\$ 458,049	\$ 292,534	\$ 27,377	\$ 219,850
Accounts receivable	--	17,222	--	--
Due from other governmental entities	--	--	--	--
Advances to other funds	--	--	--	--
Long term receivables	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 458,049</u>	<u>\$ 309,756</u>	<u>\$ 27,377</u>	<u>\$ 219,850</u>
<u>Liabilities</u>				
Accounts payable	\$ --	\$ 3,390	\$ --	\$ --
Accrued salaries	--	4,511	--	--
Advances from other funds	--	--	--	--
Deferred revenue	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<hr/> --	<hr/> 7,901	<hr/> --	<hr/> --
<u>Fund Balances</u>				
Unreserved:				
Designated	458,049	301,855	27,377	219,850
Undesignated	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>458,049</u>	<u>301,855</u>	<u>27,377</u>	<u>219,850</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 458,049</u>	<u>\$ 309,756</u>	<u>\$ 27,377</u>	<u>\$ 219,850</u>

continued

COUNTY OF LASSEN

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

	Natural Resources	Health & Welfare Realignment	Housing Authority	Fair
<u>Assets</u>				
Cash and investments	\$ 166,531	\$ 2,906,553	\$ 66,630	\$ 430,585
Accounts receivable	--	295,322	--	--
Due from other governmental entities	--	187,842	--	--
Advances to other funds	--	--	--	--
Long term receivables	--	--	--	--
	<u>\$ 166,531</u>	<u>\$ 3,389,717</u>	<u>\$ 66,630</u>	<u>\$ 430,585</u>
Total Assets	<u>\$ 166,531</u>	<u>\$ 3,389,717</u>	<u>\$ 66,630</u>	<u>\$ 430,585</u>
<u>Liabilities</u>				
Accounts payable	\$ --	\$ --	\$ --	\$ 11,085
Accrued salaries	2,281	--	1,095	12,131
Advances from other funds	--	--	--	--
Deferred revenue	--	--	--	--
	<u>2,281</u>	<u>--</u>	<u>1,095</u>	<u>23,216</u>
Total Liabilities	<u>2,281</u>	<u>--</u>	<u>1,095</u>	<u>23,216</u>
<u>Fund Balances</u>				
Unreserved:				
Designated	164,250	3,389,717	65,535	407,369
Undesignated	--	--	--	--
	<u>164,250</u>	<u>3,389,717</u>	<u>65,535</u>	<u>407,369</u>
Total Fund Balances	<u>164,250</u>	<u>3,389,717</u>	<u>65,535</u>	<u>407,369</u>
Total Liabilities and Fund Balances	<u>\$ 166,531</u>	<u>\$ 3,389,717</u>	<u>\$ 66,630</u>	<u>\$ 430,585</u>

continued

COUNTY OF LASSEN

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

	USDA Title III	Community Dev CDBG	Probation Fund	Total
<u>Assets</u>				
Cash and investments	\$ 181,214	\$ 1,772,126	\$ 151,501	\$ 10,196,671
Accounts receivable	--	--	--	312,544
Due from other governmental entities	--	43,356	117,665	348,863
Advances to other funds	--	--	22,476	22,476
Long term receivables	--	247,721	--	247,721
	<u>\$ 181,214</u>	<u>\$ 2,063,203</u>	<u>\$ 291,642</u>	<u>\$ 11,128,275</u>
Total Assets	<u>\$ 181,214</u>	<u>\$ 2,063,203</u>	<u>\$ 291,642</u>	<u>\$ 11,128,275</u>
<u>Liabilities</u>				
Accounts payable	\$ --	\$ 9,117	\$ 80,822	\$ 106,561
Accrued salaries	--	4,775	61,879	94,371
Advances from other funds	--	--	--	250,000
Deferred revenue	--	276,508	60,097	336,605
	<u>--</u>	<u>290,400</u>	<u>202,798</u>	<u>787,537</u>
Total Liabilities	<u>--</u>	<u>290,400</u>	<u>202,798</u>	<u>787,537</u>
<u>Fund Balances</u>				
Unreserved:				
Designated	181,214	1,772,803	88,844	10,498,855
Undesignated	--	--	--	(158,117)
	<u>181,214</u>	<u>1,772,803</u>	<u>88,844</u>	<u>10,340,738</u>
Total Fund Balances	<u>181,214</u>	<u>1,772,803</u>	<u>88,844</u>	<u>10,340,738</u>
Total Liabilities and Fund Balances	<u>\$ 181,214</u>	<u>\$ 2,063,203</u>	<u>\$ 291,642</u>	<u>\$ 11,128,275</u>

COUNTY OF LASSEN

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

	Retiree Health Benefits	Fish & Game Fund	Mental Health Services Act	Property Tax Administration
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses and permits	--	--	--	--
Intergovernmental	--	--	856,985	--
Charges for services	--	--	--	109,153
Fines and forfeitures	--	1,906	--	--
Use of money and property	67,123	--	4,030	7,844
Other	--	1,000	--	--
Total Revenues	<u>67,123</u>	<u>2,906</u>	<u>861,015</u>	<u>116,997</u>
Expenditures:				
Current:				
General government	--	--	--	58,643
Public protection	--	1,951	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	79,448	--
Public assistance	--	--	--	--
Recreation and culture	--	--	--	--
Capital outlay	--	--	--	--
Total Expenditures	<u>--</u>	<u>1,951</u>	<u>79,448</u>	<u>58,643</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>67,123</u>	<u>955</u>	<u>781,567</u>	<u>58,354</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	--	--	--	(35,000)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(35,000)</u>
Net Changes in Fund Balances	67,123	955	781,567	23,354
Fund Balances, Beginning of Year	<u>1,636,839</u>	<u>3,038</u>	<u>--</u>	<u>195,198</u>
Fund Balances, End of Year	<u>\$ 1,703,962</u>	<u>\$ 3,993</u>	<u>\$ 781,567</u>	<u>\$ 218,552</u>

COUNTY OF LASSEN

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

	Cemetery Fund	Aviation Fund	Local Reuse Authority	Air Pollution Fund
Revenues:				
Taxes	\$ 106,032	\$ --	\$ --	\$ 12,878
Licenses and permits	938	--	--	51,078
Intergovernmental	2,010	105,340	--	259,611
Charges for services	--	--	--	--
Fines and forfeitures	--	--	--	--
Use of money and property	595	16,134	59,016	9,246
Other	10,250	--	--	--
Total Revenues	<u>119,825</u>	<u>121,474</u>	<u>59,016</u>	<u>332,813</u>
Expenditures:				
Current:				
General government	--	--	102,600	--
Public protection	119,130	--	--	--
Public ways and facilities	--	30,066	--	--
Health and sanitation	--	--	--	276,356
Public assistance	--	--	--	--
Recreation and culture	--	--	--	--
Capital outlay	--	--	--	--
Total Expenditures	<u>119,130</u>	<u>30,066</u>	<u>102,600</u>	<u>276,356</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>695</u>	<u>91,408</u>	<u>(43,584)</u>	<u>56,457</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	18,120
Transfers out	--	--	--	(4,800)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>13,320</u>
Net Changes in Fund Balances	695	91,408	(43,584)	69,777
Fund Balances, Beginning of Year	<u>23,766</u>	<u>368,454</u>	<u>(114,533)</u>	<u>159,818</u>
Fund Balances, End of Year	<u>\$ 24,461</u>	<u>\$ 459,862</u>	<u>\$ (158,117)</u>	<u>\$ 229,595</u>

COUNTY OF LASSEN

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

	Recorder Improvements	Inmate Welfare	Bieber Lighting District Fund	Lassen-Modoc Flood Fund
Revenues:				
Taxes	\$ --	\$ --	\$ 2,834	\$ 9,141
Licenses and permits	--	--	--	--
Intergovernmental	--	--	54	188
Charges for services	86,508	101,597	--	--
Fines and forfeitures	--	--	--	--
Use of money and property	17,347	12,166	1,089	8,627
Other	--	164,538	--	--
Total Revenues	<u>103,855</u>	<u>278,301</u>	<u>3,977</u>	<u>17,956</u>
Expenditures:				
Current:				
General government	--	--	3,182	--
Public protection	28,283	288,466	--	10,637
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Recreation and culture	--	--	--	--
Capital outlay	--	9,747	--	--
Total Expenditures	<u>28,283</u>	<u>298,213</u>	<u>3,182</u>	<u>10,637</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>75,572</u>	<u>(19,912)</u>	<u>795</u>	<u>7,319</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	<u>(21,000)</u>	--	--	--
Total Other Financing Sources (Uses)	<u>(21,000)</u>	--	--	--
Net Changes in Fund Balances	54,572	(19,912)	795	7,319
Fund Balances, Beginning of Year	<u>403,477</u>	<u>321,767</u>	<u>26,582</u>	<u>212,531</u>
Fund Balances, End of Year	<u>\$ 458,049</u>	<u>\$ 301,855</u>	<u>\$ 27,377</u>	<u>\$ 219,850</u>

COUNTY OF LASSEN

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

	Natural Resources	Health & Welfare Realignment	Housing Authority	Fair
Revenues:				
Taxes	\$ --	\$ 2,918,504	\$ --	\$ --
Licenses and permits	--	--	--	--
Intergovernmental	34,786	483,164	435,599	213,940
Charges for services	--	--	--	--
Fines and forfeitures	--	--	--	--
Use of money and property	6,419	143,924	2,265	415,495
Other	37,417	--	1,624	46,479
Total Revenues	<u>78,622</u>	<u>3,545,592</u>	<u>439,488</u>	<u>675,914</u>
Expenditures:				
Current:				
General government	--	--	--	706,093
Public protection	293	--	385,699	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	952,744	--	--
Public assistance	--	--	--	--
Recreation and culture	94,484	--	--	--
Capital outlay	--	--	--	75,534
Total Expenditures	<u>94,777</u>	<u>952,744</u>	<u>385,699</u>	<u>781,627</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,155)</u>	<u>2,592,848</u>	<u>53,789</u>	<u>(105,713)</u>
Other Financing Sources (Uses):				
Transfers in	15,002	2,185,655	--	35,000
Transfers out	--	(4,577,978)	--	--
Total Other Financing Sources (Uses)	<u>15,002</u>	<u>(2,392,323)</u>	<u>--</u>	<u>35,000</u>
Net Changes in Fund Balances	(1,153)	200,525	53,789	(70,713)
Fund Balances, Beginning of Year	<u>165,403</u>	<u>3,189,192</u>	<u>11,746</u>	<u>478,082</u>
Fund Balances, End of Year	<u>\$ 164,250</u>	<u>\$ 3,389,717</u>	<u>\$ 65,535</u>	<u>\$ 407,369</u>

COUNTY OF LASSEN

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

	USDA Title III	Community Dev CDBG	Probation Fund	Total
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ 3,049,389
Licenses and permits	--	--	--	52,016
Intergovernmental	525,480	771,928	747,626	4,436,711
Charges for services	--	14,631	224,442	536,331
Fines and forfeitures	--	--	818,688	820,594
Use of money and property	5,745	255,283	9,854	1,042,202
Other	--	18,482	129,887	409,677
Total Revenues	<u>531,225</u>	<u>1,060,324</u>	<u>1,930,497</u>	<u>10,346,920</u>
Expenditures:				
Current:				
General government	--	--	--	870,518
Public protection	358,460	--	2,688,351	3,881,270
Public ways and facilities	--	--	--	30,066
Health and sanitation	--	--	--	1,308,548
Public assistance	--	889,668	--	889,668
Recreation and culture	--	--	--	94,484
Capital outlay	--	72,819	51,842	209,942
Total Expenditures	<u>358,460</u>	<u>962,487</u>	<u>2,740,193</u>	<u>7,284,496</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>172,765</u>	<u>97,837</u>	<u>(809,696)</u>	<u>3,062,424</u>
Other Financing Sources (Uses):				
Transfers in	--	71,152	701,221	3,026,150
Transfers out	--	--	--	(4,638,778)
Total Other Financing Sources (Uses)	<u>--</u>	<u>71,152</u>	<u>701,221</u>	<u>(1,612,628)</u>
Net Changes in Fund Balances	172,765	168,989	(108,475)	1,449,796
Fund Balances, Beginning of Year	<u>8,449</u>	<u>1,603,814</u>	<u>197,319</u>	<u>8,890,942</u>
Fund Balances, End of Year	<u>\$ 181,214</u>	<u>\$ 1,772,803</u>	<u>\$ 88,844</u>	<u>\$ 10,340,738</u>

NONMAJOR CAPITAL PROJECTS FUNDS

COUNTY OF LASSEN

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2007

	Criminal Justice Facility Construction	Capital Improvements	Accumulated Capital Outlay
<u>Assets</u>			
Cash and investments	\$ 706,625	\$ 656,150	\$ 495,820
Due from other governments	--	180,418	--
Advances to other funds	--	250,000	--
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 706,625</u>	<u>\$ 1,086,568</u>	<u>\$ 495,820</u>
<u>Liabilities</u>			
Accounts payable	\$ 2,951	\$ 35,194	\$ 6,081
Advances from other funds	--	--	--
Deferred revenue	--	180,418	--
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,951</u>	<u>215,612</u>	<u>6,081</u>
<u>Fund Balances</u>			
Unreserved:			
Designated for capital projects	703,674	870,956	489,739
Undesignated	--	--	--
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>703,674</u>	<u>870,956</u>	<u>489,739</u>
Total Liabilities and Fund Balances	<u>\$ 706,625</u>	<u>\$ 1,086,568</u>	<u>\$ 495,820</u>

continued

COUNTY OF LASSEN

Combining Balance Sheet (continued)
 Nonmajor Capital Projects Funds
 June 30, 2007

	Courthouse Construction	Sierra Army Depot RDA	Total
<u>Assets</u>			
Cash and investments	\$ 762,813	\$ 56,483	\$ 2,677,891
Due from other governments	--	--	180,418
Advances to other funds	--	--	250,000
Total Assets	\$ 762,813	\$ 56,483	\$ 3,108,309
<u>Liabilities</u>			
Accounts payable	\$ --	\$ --	\$ 44,226
Advances from other funds	--	265,000	265,000
Deferred revenue	--	--	180,418
Total Liabilities	--	265,000	489,644
<u>Fund Balances</u>			
Unreserved:			
Designated for capital projects	762,813	--	2,827,182
Undesignated	--	(208,517)	(208,517)
Total Fund Balances	762,813	(208,517)	2,618,665
Total Liabilities and Fund Balances	\$ 762,813	\$ 56,483	\$ 3,108,309

COUNTY OF LASSEN

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2007

	Criminal Justice Facility Construction	Capital Improvements	Accumulated Capital Outlay
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ --	\$ --	\$ 221,080
Intergovernmental	--	234,136	4,191
Fines and forfeitures	105,013	--	--
Use of money and property	<u>26,886</u>	<u>29,828</u>	<u>(3,803)</u>
Total Revenues	<u>131,899</u>	<u>263,964</u>	<u>221,468</u>
Expenditures:			
General government	583	44,565	13,120
Capital outlay	<u>41,627</u>	<u>372,766</u>	<u>234,984</u>
Total Expenditures	<u>42,210</u>	<u>417,331</u>	<u>248,104</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>89,689</u>	<u>(153,367)</u>	<u>(26,636)</u>
Other Financing Sources (Uses):			
Transfers in	--	123,511	--
Transfers out	<u>(32,508)</u>	<u> --</u>	<u> --</u>
Total Other Financing Sources (Uses)	<u>(32,508)</u>	<u>123,511</u>	<u> --</u>
Net Changes in Fund Balances	57,181	(29,856)	(26,636)
Fund Balances, Beginning of Year	<u>646,493</u>	<u>900,812</u>	<u>516,375</u>
Fund Balances, End of Year	<u>\$ 703,674</u>	<u>\$ 870,956</u>	<u>\$ 489,739</u>

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, 2007

	Courthouse Construction	Sierra Army Depot RDA	Total
Revenues:			
Taxes	\$ --	\$ --	\$ 221,080
Intergovernmental	--	--	238,327
Fines and forfeitures	251,853	--	356,866
Use of money and property	24,530	2,712	80,153
Total Revenues	276,383	2,712	896,426
Expenditures:			
General government	--	24,873	83,141
Capital outlay	--	--	649,377
Total Expenditures	--	24,873	732,518
Excess (Deficiency) of Revenues Over (Under) Expenditures	276,383	(22,161)	163,908
Other Financing Sources (Uses):			
Transfers in	--	--	123,511
Transfers out	--	--	(32,508)
Total Other Financing Sources (Uses)	--	--	91,003
Net Changes in Fund Balances	276,383	(22,161)	254,911
Fund Balances, Beginning of Year	486,430	(186,356)	2,363,754
Fund Balances, End of Year	\$ 762,813	\$ (208,517)	\$ 2,618,665

NONMAJOR ENTERPRISE FUNDS

COUNTY OF LASSEN

Combining Statement of Fund Net Assets Nonmajor Enterprise Funds June 30, 2007

<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	\$ 259,923	\$ 61,659	\$ 26,417	\$ 347,999
Total current assets	<u>259,923</u>	<u>61,659</u>	<u>26,417</u>	<u>347,999</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	--	317,519	25,000	342,519
Depreciable, net	20,605	659,294	--	679,899
Total capital assets	<u>20,605</u>	<u>976,813</u>	<u>25,000</u>	<u>1,022,418</u>
Total assets	<u>\$ 280,528</u>	<u>\$ 1,038,472</u>	<u>\$ 51,417</u>	<u>\$ 1,370,417</u>
 <u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 3,849	\$ --	\$ --	\$ 3,849
Noncurrent liabilities				
Advances from other funds	--	20,000	65,000	85,000
Total liabilities	<u>3,849</u>	<u>20,000</u>	<u>65,000</u>	<u>88,849</u>
 <u>NET ASSETS</u>				
Investment in capital assets, net of related debt	20,605	976,813	25,000	1,022,418
Unrestricted	256,074	41,659	(38,583)	259,150
Total net assets	<u>276,679</u>	<u>1,018,472</u>	<u>(13,583)</u>	<u>1,281,568</u>
Total liabilities and net assets	<u>\$ 280,528</u>	<u>\$ 1,038,472</u>	<u>\$ 51,417</u>	<u>\$ 1,370,417</u>

COUNTY OF LASSEN

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

	County Service Area (Honey Lake TV)	County Business Park	County Water Systems	Total
Operating Revenues:				
Charges for services	\$ 28,942	\$ --	\$ 1,503	\$ 30,445
Other revenue	18,666	--	--	18,666
Total Operating Revenues	<u>47,608</u>	<u>--</u>	<u>1,503</u>	<u>49,111</u>
Operating Expenses:				
Services and supplies	46,083	15,869	3,873	65,825
Depreciation	13,399	20,387	--	33,786
Total Operating Expenses	<u>59,482</u>	<u>36,256</u>	<u>3,873</u>	<u>99,611</u>
Operating Income (Loss)	<u>(11,874)</u>	<u>(36,256)</u>	<u>(2,370)</u>	<u>(50,500)</u>
Non-Operating Revenue (Expenses):				
Intergovernmental revenues	6,150	50,000	--	56,150
Interest income	6,184	13,444	886	20,514
Total Non-Operating Revenue	<u>12,334</u>	<u>63,444</u>	<u>886</u>	<u>76,664</u>
Net income (loss) before transfers	460	27,188	(1,484)	26,164
Capital Contributions	--	317,519	--	317,519
Transfers out	--	(14,326)	(6,826)	(21,152)
Change in Net Assets	<u>460</u>	<u>330,381</u>	<u>(8,310)</u>	<u>322,531</u>
Net Assets - Beginning of Year	295,135	708,344	(5,273)	998,206
Prior period adjustment	(18,916)	(20,253)	--	(39,169)
Net Assets - Beginning of Year, restated	<u>276,219</u>	<u>688,091</u>	<u>(5,273)</u>	<u>959,037</u>
Net Assets - End of Year	<u>\$ 276,679</u>	<u>\$ 1,018,472</u>	<u>\$ (13,583)</u>	<u>\$ 1,281,568</u>

COUNTY OF LASSEN

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

	<u>County Service Area (Honey Lake TV)</u>	<u>County Business Park</u>	<u>County Water Systems</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	\$ 47,608	\$ --	\$ 1,503	\$ 49,111
Cash paid to suppliers for goods and services	<u>(45,449)</u>	<u>(15,869)</u>	<u>(3,873)</u>	<u>(65,191)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,159</u>	<u>(15,869)</u>	<u>(2,370)</u>	<u>(16,080)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	--	(14,326)	(6,826)	(21,152)
Intergovernmental revenues	<u>6,150</u>	<u>50,000</u>	<u>--</u>	<u>56,150</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>6,150</u>	<u>35,674</u>	<u>(6,826)</u>	<u>34,998</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Advances from other funds	<u>--</u>	<u>--</u>	<u>34,671</u>	<u>34,671</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>34,671</u>	<u>34,671</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>6,252</u>	<u>13,747</u>	<u>942</u>	<u>20,941</u>
Net Cash Provided by Investing Activities	<u>6,252</u>	<u>13,747</u>	<u>942</u>	<u>20,941</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,561	33,552	26,417	74,530
Cash and Cash Equivalents, Beginning of Year	<u>245,362</u>	<u>28,107</u>	<u>--</u>	<u>273,469</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 259,923</u></u>	<u><u>\$ 61,659</u></u>	<u><u>\$ 26,417</u></u>	<u><u>\$ 347,999</u></u>

continued

COUNTY OF LASSEN

Combining Statement of Cash Flows (continued)
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2007

	County Service Area (Honey Lake TV)	County Business Park	County Water Systems	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (11,874)	\$ (36,256)	\$ (2,370)	\$ (50,500)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	13,399	20,387	--	33,786
Increase (decrease) in accounts payable	634	--	--	634
Net Cash Provided (Used) by Operating Activities	\$ 2,159	\$ (15,869)	\$ (2,370)	\$ (16,080)

INTERNAL SERVICE FUNDS

COUNTY OF LASSEN

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

<u>ASSETS</u>	<u>Information Services</u>	<u>Fleet Maintenance</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 23,283	\$ 595,208	\$ 618,491
Total current assets	23,283	595,208	618,491
Noncurrent assets:			
Capital assets:			
Depreciable, net	69,833	238,358	308,191
Total capital assets	69,833	238,358	308,191
Total assets	\$ 93,116	\$ 833,566	\$ 926,682
 <u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 6,125	\$ 21,551	\$ 27,676
Salaries and benefits payable	8,353	2,545	10,898
Total liabilities	14,478	24,096	38,574
 <u>NET ASSETS</u>			
Investment in capital assets, net of related debt	69,833	238,358	308,191
Unrestricted	8,805	571,112	579,917
Total net assets	78,638	809,470	888,108
Total liabilities and net assets	\$ 93,116	\$ 833,566	\$ 926,682

COUNTY OF LASSEN

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2007

	Information Services	Fleet Maintenance	Total
Operating Revenues:			
Charges for services	\$ 312,359	\$ 671,225	\$ 983,584
Other revenue	--	15,586	15,586
Total Operating Revenues	312,359	686,811	999,170
Operating Expenses:			
Salaries and benefits	210,659	66,639	277,298
Services and supplies	104,317	447,339	551,656
Depreciation	69,834	96,213	166,047
Total Operating Expenses	384,810	610,191	995,001
Operating Income (Loss)	(72,451)	76,620	4,169
Non-Operating Revenue (Expenses):			
Interest income	2,133	20,747	22,880
Gain/(loss) on disposal of assets	--	(9,439)	(9,439)
Total Non-Operating Revenue	2,133	11,308	13,441
Change in Net Assets	(70,318)	87,928	17,610
Net Assets - Beginning of Year	261,660	813,612	1,075,272
Prior period adjustment	(112,704)	(92,070)	(204,774)
Net Assets - Beginning of Year, restated	148,956	721,542	870,498
Net Assets - End of Year	\$ 78,638	\$ 809,470	\$ 888,108

COUNTY OF LASSEN

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

	<u>Information</u> <u>Services</u>	<u>Fleet</u> <u>Maintenance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 312,359	\$ 686,811	\$ 999,170
Cash paid to suppliers for goods and services	(98,373)	(425,788)	(524,161)
Cash paid to employees for services	<u>(209,577)</u>	<u>(66,197)</u>	<u>(275,774)</u>
 Net Cash Provided (Used) by Operating Activities	 <u>4,409</u>	 <u>194,826</u>	 <u>199,235</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payment for the acquisition of capital assets	<u>--</u>	<u>(151,789)</u>	<u>(151,789)</u>
 Net Cash Provided (Used) by Capital and Related Financing Activities	 <u>--</u>	 <u>(151,789)</u>	 <u>(151,789)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>2,669</u>	<u>24,402</u>	<u>27,071</u>
Net Cash Provided by Investing Activities	<u>2,669</u>	<u>24,402</u>	<u>27,071</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 <u>7,078</u>	 <u>67,439</u>	 <u>74,517</u>
 Cash and Cash Equivalents, Beginning of Year	 <u>16,205</u>	 <u>527,769</u>	 <u>543,974</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$ 23,283</u></u>	 <u><u>\$ 595,208</u></u>	 <u><u>\$ 618,491</u></u>

continued

COUNTY OF LASSEN

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

	<u>Information Services</u>	<u>Fleet Maintenance</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (72,451)	\$ 76,620	\$ 4,169
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation	69,834	96,213	166,047
Changes in Assets and Liabilities:			
Increase (decrease) in:			
Increase (decrease) in accounts payable	5,944	21,551	27,495
Increase (decrease) in accrued salaries	<u>1,082</u>	<u>442</u>	<u>1,524</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,409</u>	<u>\$ 194,826</u>	<u>\$ 199,235</u>