

County of Lassen

Susanville, California

Basic Financial Statements

For the year ended June 30, 2011

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

County of Lassen
Basic Financial Statements
For the year ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
of the County of Lassen
Susanville, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lassen, California (County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2011, 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.

As explained further in Notes 1B and 9B to the basic financial statements, the County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

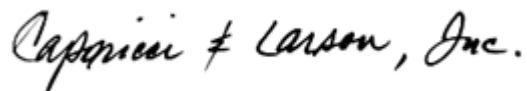
As explained further in Note 12C to the basic financial statements, the California State Legislature has enacted legislation that provides for the dissolution of redevelopment agencies in the State of California. The full impact of the most recent developments related to this legislation and the impact on other funds of the County are not known at this time. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

To the Board of Supervisors
of the County of Lassen
Susanville, California
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In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 17 and budgetary comparison information and schedules of funding progress on pages 76 through 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
January 18, 2012

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL HIGHLIGHTS

Government-wide financial analysis:

- The assets of the County exceeded liabilities at the close of the 2010-11 fiscal year by \$88,404,689 (*net assets*). Of this amount, \$14,469,446 (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, \$21,421,741 is restricted for specific purpose (*restricted net assets*), and \$52,513,502 is invested in capital assets, net of related debt. The government's total net assets increased by \$1,456,896.
- The County's total non-current liabilities increased by \$724,344 in comparison with the prior year.
- The County's investment in capital assets increased by \$928,882

Financial analysis of County's funds:

- The County governmental funds reported combined fund balance of \$39,068,496 an increase of \$2,267,137 in comparison with the prior year. In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions* (GASB 54), the County's fund balance is reported as **nonspendable, restricted, committed, assigned and unassigned**.
- Of the \$39,068,496, \$5,182,553 is considered to be **nonspendable**-legally or contractually required to be maintained intact; \$23,850,742 is considered to be **restricted**-constrained for a specific purpose by an outside party and is legally enforceable; no funds are considered formally **committed** by the Board of Supervisors (by resolution); \$7,217,516 is considered **assigned** by the Board of Supervisors or delegated representative in a informal manner (board minutes, budget, purchase order, contract, etc); and \$2,817,685 is considered **unassigned**, \$3,774,026 available in the general fund and (\$956,341) as deficit special revenue funds balances.
- The County's general fund assigned fund balance was \$286,648 and unassigned fund balance was \$3,774,026 totaling \$ 4,060,674, or 51.7% of the total general fund expenditures. This was reported as unreserved fund balance prior to the implementation of GASB 54.

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.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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).

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*.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The County maintains eight 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, Road Fund, Health and Human Services Fund, Community Development Fund, Sierra Army Depot Redevelopment Fund, Welfare Assistance Fund, Welfare Administration Fund and the Public Safety Fund; data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each non-major governmental fund is provided in the Supplemental Information Section of this report.

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the 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 Major Funds to demonstrate compliance with this budget.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

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 \$88,404,689 at the close of the most recent fiscal year.

	Governmental		Business-Type		Totals		Variance (%)
	Activities		Activities				
	2011	2010	2011	2010	2011	2010	
Current and Other Assets	\$ 43,347,086	\$ 42,868,239	\$ (47,797)	\$ 78,578	\$ 43,299,289	\$ 42,946,817	0.8%
Long Term Receivables	624,494	633,788			624,494	633,791	-1.5%
Capital Assets	51,488,849	50,576,491	1,024,653	1,008,129	52,513,502	51,608,115	1.8%
Total Assets	<u>95,460,429</u>	<u>94,078,518</u>	<u>976,856</u>	<u>1,086,707</u>	<u>96,437,285</u>	<u>95,188,723</u>	1.1%
Current and Other Liabilities	5,400,761	6,309,940			5,400,761	6,309,940	-14.4%
Long-Term Liabilities	2,631,836	1,907,492			2,631,836	1,907,492	38.0%
Total Liabilities	<u>8,032,596</u>	<u>8,217,432</u>	<u>-</u>	<u>-</u>	<u>8,032,596</u>	<u>8,217,432</u>	-2.2%
Invested in Capital Assets, net of debt	51,488,849	50,576,491	1,024,653	1,008,129	52,513,502	51,584,620	1.8%
Restricted	21,421,741	20,248,711			21,421,741	20,248,711	5.8%
Unrestricted	14,517,243	15,035,880	(47,797)	78,578	14,469,446	15,114,462	-4.3%
Total Net Assets	<u>\$ 87,427,833</u>	<u>\$ 85,861,082</u>	<u>\$ 976,856</u>	<u>\$ 1,086,707</u>	<u>\$ 88,404,689</u>	<u>\$ 86,971,291</u>	1.6%

A portion of the County's net assets, \$14,469,446 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, \$52,513,502, reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. On June 30, 2011 the County had no debt related to capital assets.

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.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

During the current fiscal year the County had an overall increase in net assets of \$1,456,896. While the investments in capital assets, net of related debt, increased by \$928,882, and the restricted assets increased by \$1,173,030, the unrestricted asset decreased by \$645,016.

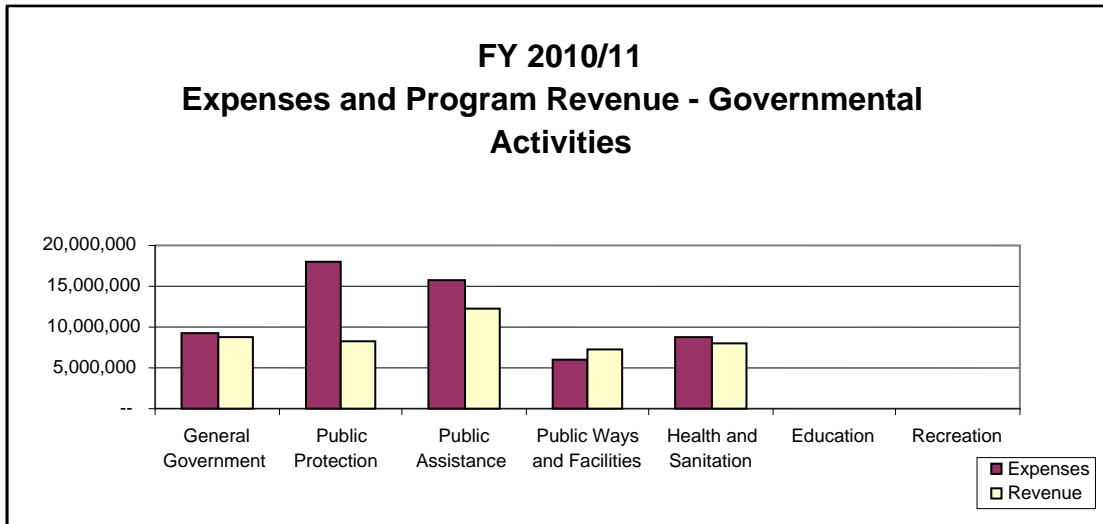
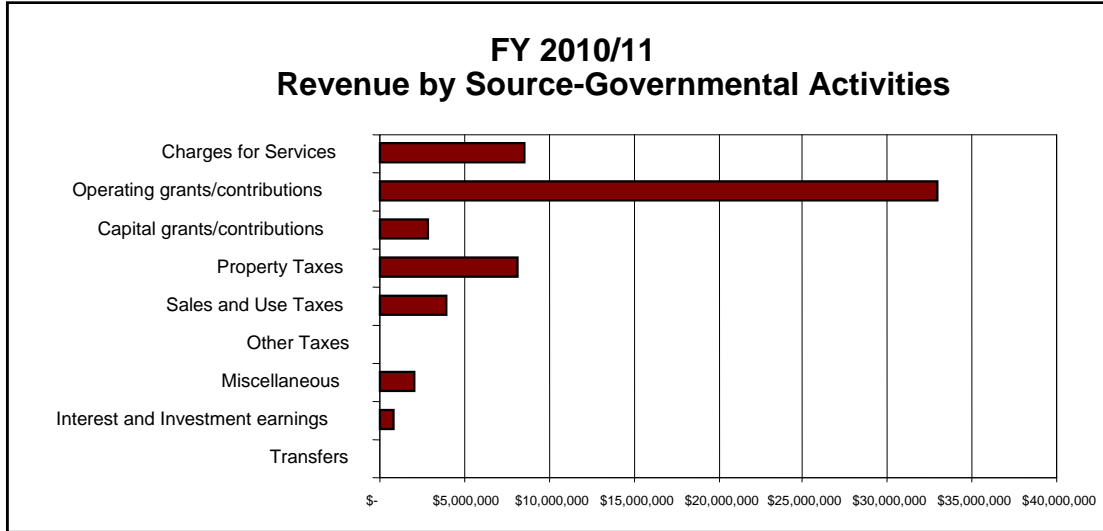
The following table indicates the changes in net assets for governmental and business-type activities:

Statement of Activities For the Year Ended June 30, 2011							
	Governmental Activities		Business-Type Activities		Total		Variance (%)
	2011	2010	2011	2010	2011	2010	
Revenues							
Program Revenues:							
Charges for Services	\$ 8,459,380	\$ 9,031,081	\$ 35,451	\$ 77,067	\$ 8,494,831	\$ 9,108,148	-6.7%
Operating grants/contributions	33,016,502	35,584,580			33,016,502	35,584,580	-7.2%
Capital grants/contributions	2,788,861	71,571			2,788,861	71,571	3796.6%
Property Taxes	8,160,463	8,359,030			8,160,463	8,359,030	-2.4%
Sales and Use Taxes	3,915,175	3,468,095			3,915,175	3,468,095	12.9%
Miscellaneous	2,051,792	1,800,681			2,051,792	1,800,681	13.9%
Interest and Investment earnings	827,232	1,124,487	192	2,667	827,424	1,127,154	-26.6%
Total Revenues	59,219,405	59,439,525	35,643	79,734	59,255,048	59,519,259	-0.4%
Expenses							
General Government	9,201,840	10,016,188			9,201,840	10,016,188	-7.9%
Public Protection	17,941,387	18,431,841			17,941,387	18,431,841	-2.7%
Public Assistance	15,692,612	14,218,043			15,692,612	14,218,043	10.4%
Public Ways and Facilities	5,906,880	6,185,107			5,906,880	6,185,107	-4.9%
Health and Sanitation	8,768,351	8,728,863			8,768,351	8,728,863	0.5%
Education	72,682	74,607			72,682	74,607	-2.6%
Recreation	87,591	89,021			87,591	89,021	-1.6%
Interest and Fiscal Charges		9,343			-	9,343	-100.0%
County Service Area (Honey Lake TV)			75,499	79,340	75,499	79,340	-4.8%
County Business Parks			46,147	48,620	46,147	48,620	-5.1%
County Water System			5,163	5,899	5,163	5,899	-12.5%
Total Expenses	57,671,343	57,753,013	126,809	133,859	57,798,152	57,886,872	-0.2%
Excess (deficiency) of revenues							
over (under) expenses	1,548,062	1,686,512	(91,166)	(54,125)	1,456,896	1,632,387	-10.8%
Transfers	18,685	26,255	(18,685)	(26,255)	--	--	
Change in Net Assets	1,566,747	1,712,767	(109,851)	(80,380)	1,456,896	1,632,387	-10.8%
Net Assets - Beginning	85,861,086	84,148,315	1,086,707	1,167,087	86,947,793	85,315,402	1.9%
Net Assets - Ending	\$ 87,427,833	\$ 85,861,082	\$ 976,856	\$ 1,086,707	\$ 88,404,689	\$ 86,947,789	1.7%

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

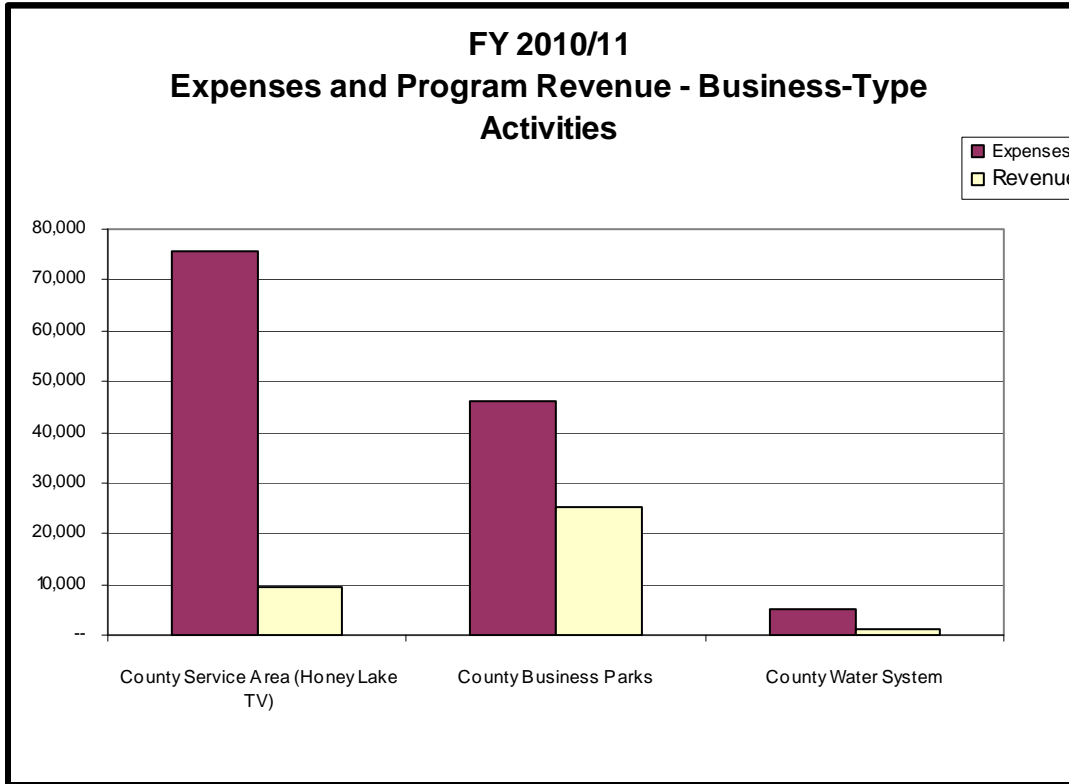
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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, *total fund balance less the nonspendable portion* is a useful measure of a government's net resources available for spending at the end of the fiscal year.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

	Net Change in Fund Balance Governmental Funds		Increase (Decrease)	
	FY 2010/11	FY 2009/10	Amount	Percent
Fund Balance - Beginning of Year, restated	\$ 36,801,359	\$ 34,888,697	\$ 1,912,662	5.48%
Revenues	59,197,054	59,431,060	(234,006)	-0.39%
Expenditures	(56,958,602)	(57,554,654)	596,052	-1.04%
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,238,452	1,876,406	362,046	19.29%
Other Financing Sources (Uses)	28,685	36,256	(7,571)	-20.88%
Fund Balance - Ending of Year	<u>\$ 39,068,496</u>	<u>\$ 36,801,359</u>	<u>\$ 2,267,137</u>	<u>6.16%</u>

At June 30, 2011, the County's governmental funds reported total fund balances of \$39,068,496, an increase of \$2,267,137 in comparison with the prior year's total ending fund balance. The components of total fund balance are as follows (for more information see Note 9 – Net Assets/Fund Balances):

- *Nonspendable fund balance*, \$5,182,553, are amounts that are not in spendable form, or are legally or contractually required to be maintained intact, and are made up of 1) prepaid expenses, \$25,714; 2) advances and deposits of \$750,000; 3) self insurance reserve of \$3,698,045; 4) roads inventory of \$708,794.
- *Restricted fund balance*, \$23,850,472, consists of amounts with constraints put on their use by externally imposed creditors, grantors, contributions, laws, regulations or enabling legislation. See the table in Note 9 for schedule of restricted funds.
- *Committed fund balance*, none, this would be amounts for a specific purpose determined by the Board of Supervisors by resolution.
- *Assigned fund balance*, \$7,217,516, is designated by the Board of Supervisors or delegated representative in a informal manner (board minutes, budget, purchase order, contract, etc);
- *Unassigned fund balance*, \$2,817,685, represents the residual classification for the County's General Fund of \$3,774,026, as well as governmental funds where expenditures exceeded the available (or allowable) funds in their respective special revenue fund, including the Sierra Army Depot RDA, (\$715,836), Community Development, (\$235,287) and Non-Major funds-Probation and DA Contracts, (\$5,218).

Approximately 86.7%, or \$33,885,943, of the total fund balance is available to meet the County's current and future needs. With the approval of the Board of Supervisors, County management can earmark a portion of the fund balance to a particular function, project or activity, and can also earmark it for purposes beyond the current year, within the constraints applied to the various categories of the fund balance. With the exception of the nonspendable portion, fund balances are available for appropriation at any time (within restrictions if applicable).

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

General Fund: The General Fund is the main operating fund of the County. At June 30, 2011, the spendable fund balance consisted of assigned funds of \$286,648 and unassigned funds \$3,774,026 totaling \$4,060,674. Including the \$3,698,045 in nonspendable funds, the total fund balance reached \$7,758,719, a total increase of 12%, or \$841,228, from the prior year.

As a measure of the General Fund's liquidity, it may be useful to compare both spendable and total fund balance to total fund expenditures. Spendable fund balance represents 52% of total General Fund expenditures, while the total fund balance represents 99% of total General Fund expenditures. It should be noted that Other Financing Uses (transfers) are not included in this comparison.

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

Of the \$3,774,026 General Fund unassigned fund balance, \$3,174,766 of this amount represents the General Reserve.

Other Government Funds: The other major governmental funds' fund balances changed as follows: Roads \$262,073, Health and Human Services \$650,077, Public Safety \$239,737, Community Development (\$189,486), RDA (\$54,860), Welfare Administration \$191,398, Welfare Assistance (\$620,339). The non-major governmental funds changed by \$947,307.

The following non-major governmental funds had deficit fund balances at June 30, 2011; Probation Contracts Fund, (\$331), and DA Contracts Fund, (\$4,887).

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

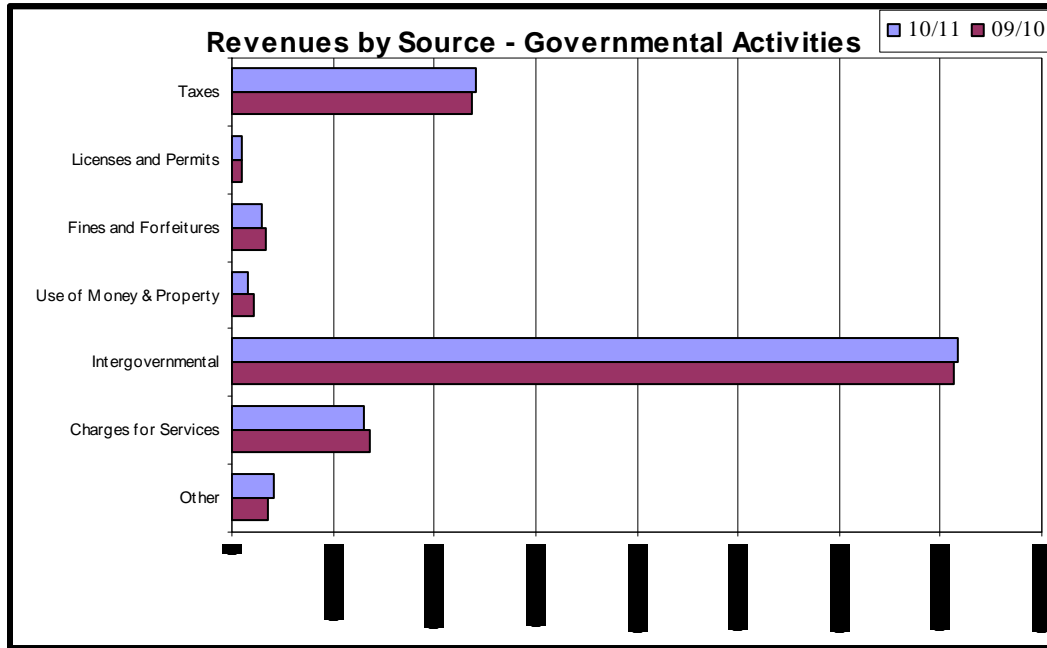
	FY 2010/11		FY 2009/10		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Revenue by Source:						
Taxes	\$ 12,075,638	20.40%	\$ 11,823,325	19.89%	\$ 252,313	2.13%
Licenses and Permits	448,515	0.76%	498,171	0.84%	(49,656)	-9.97%
Fines and Forfeitures	1,508,886	2.55%	1,683,640	2.83%	(174,754)	-10.38%
Use of Money & Property	824,432	1.39%	1,122,626	1.89%	(298,194)	-26.56%
Intergovernmental	35,805,364	60.49%	35,637,018	59.96%	168,346	0.47%
Charges for Services	6,501,979	10.98%	6,849,241	11.52%	(347,262)	-5.07%
Other	2,032,240	3.43%	1,817,039	3.06%	215,201	11.84%
Total	<u>\$ 59,197,054</u>	<u>100.00%</u>	<u>\$ 59,431,060</u>	<u>100.00%</u>	<u>\$ (234,006)</u>	<u>-0.39%</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.

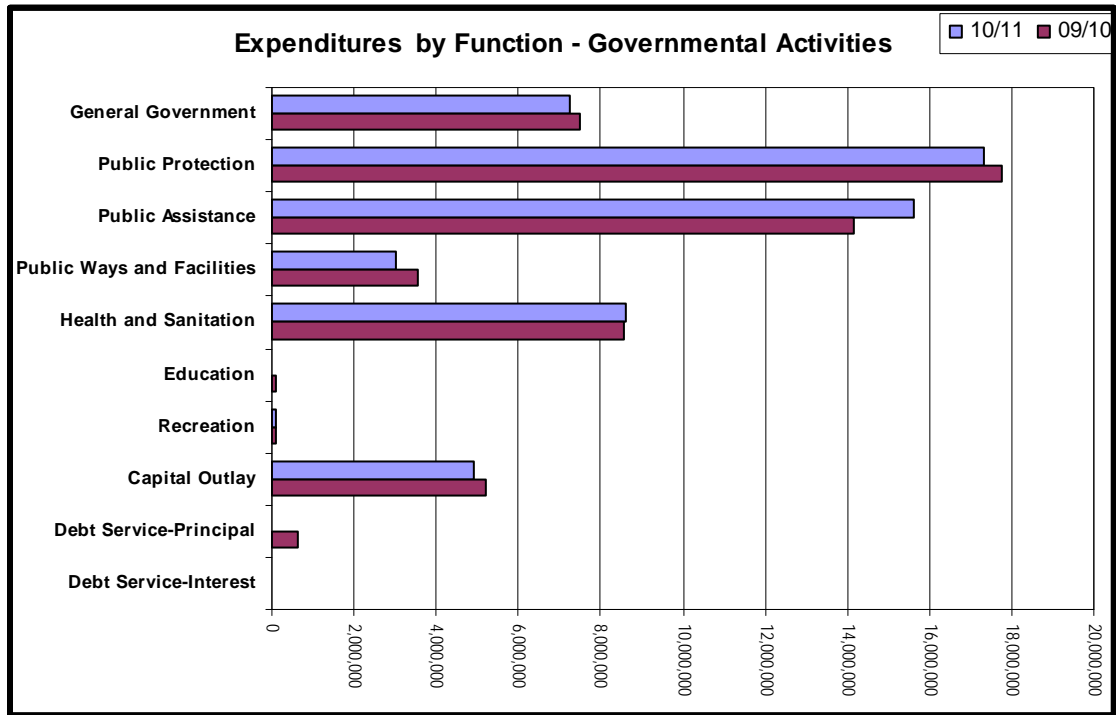
	FY 2010/11		FY 2009/10		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Expenditures by Function:						
General Government	\$ 7,242,625	12.72%	\$ 7,476,312	12.99%	\$ (233,687)	-3.13%
Public Protection	17,343,437	30.45%	17,772,852	30.88%	(429,415)	-2.42%
Public Assistance	15,643,904	27.47%	14,172,304	24.62%	1,471,600	10.38%
Public Ways and Facilities	2,989,828	5.29%	3,544,814	6.16%	(554,986)	-15.66%
Health and Sanitation	8,632,444	15.16%	8,561,091	14.87%	71,353	0.83%
Education	71,797	0.13%	73,900	0.13%	(2,103)	-2.85%
Recreation	85,195	0.15%	87,040	0.15%	(1,845)	-2.12%
Capital Outlay	4,949,372	8.65%	5,227,467	9.08%	(278,095)	-5.77%
Debt Service-Principal	--	0.00%	625,000	1.09%	(625,000)	-100.00%
Debt Service-Interest	--	0.00%	13,874	0.02%	(13,874)	-100.00%
Total	\$ 56,958,602	100.00%	\$ 57,554,654	100.00%	\$ (596,052)	-1.04%

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 2010/11	FY 2009/10	Increase (Decrease)		
		Amount	Percent		
Transfers in	16,067,857	15,103,058	964,799	6.39%	
Transfers out	(16,039,172)	(15,066,802)	(972,370)	6.45%	
Net financing sources(uses)	<u>\$ 28,685</u>	<u>\$ 36,256</u>	<u>\$ (7,571)</u>	<u>-20.88%</u>	

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

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

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

	Net Change in Fund Balance		Enterprise Funds	
	FY 2010/11	FY 2009/10	Increase (Decrease)	
			Amount	Percent
Total Net Assets - Beginning	\$ 1,086,707	\$ 1,167,087	\$ (80,380)	-6.89%
Revenues	35,451	77,067	(41,616)	-54.00%
Expenditures	<u>(126,808)</u>	<u>(133,859)</u>	<u>7,051</u>	<u>-5.27%</u>
Operating Income(Loss)	(91,357)	(56,792)	(34,565)	60.86%
Non-Operating Revenues(Expenses)	191	2,667	(2,476)	-92.84%
Capital Contributions				
Transfers In/Out	<u>(18,685)</u>	<u>(26,255)</u>	<u>7,570</u>	<u>-28.83%</u>
Change in Net Assets	<u>(109,851)</u>	<u>(80,380)</u>	<u>(29,471)</u>	<u>36.67%</u>
Fund Balance - Ending of Year	<u>\$ 976,856</u>	<u>\$ 1,086,707</u>	<u>\$ (109,851)</u>	<u>-10.11%</u>

The net assets of the enterprise funds decreased \$(109,851). Operating revenues decreased (54.0%) while operating expenses decreased by (5.27%). County Water System's operations had a deficit fund balance at June 30, 2011.

Internal service funds are an accounting device to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for information technology services, and vehicle maintenance.

	Net Change in Fund Balance		Internal Service Funds	
	FY 2010/11	FY 2009/10	Increase (Decrease)	
			Amount	Percent
Total Net Assets - Beginning	\$ 1,064,422	\$ 1,070,911	\$ (6,489)	-0.61%
Revenues	1,135,199	1,074,065	61,134	5.69%
Expenditures	<u>(1,045,576)</u>	<u>(1,079,016)</u>	<u>33,440</u>	<u>-3.10%</u>
Operating Income(Loss)	89,623	(4,951)	94,574	-1910.20%
Non-Operating Revenues(Expenses)	22,352	8,462	13,890	164.15%
Transfers In/Out	<u>(10,000)</u>	<u>(10,000)</u>	<u>--</u>	<u>0.00%</u>
Change in Net Assets	<u>101,975</u>	<u>(6,489)</u>	<u>108,464</u>	<u>-1671.51%</u>
Fund Balance - Ending of Year	<u>\$ 1,166,397</u>	<u>\$ 1,064,422</u>	<u>\$ 101,975</u>	<u>9.58%</u>

Unrestricted net assets of the internal service funds at June 30, 2011 were \$776,344. Investments in capital assets, net of related debt were \$390,053.

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 multiple 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 expenditures/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 General Fund original budget and the final amended budget resulted in a \$33,396 increase in appropriations.

Even with these adjustments, actual expenditures were \$836,975 below final budgeted appropriation amounts. Resources available for appropriation were \$585,345 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	Final	Net Change	
	Budget	Budget	Amount	Percent
Total Revenues	\$ 15,683,935	\$ 15,672,831	\$ (11,104)	-0.07%
Total Expenditures	(8,722,812)	(8,689,416)	33,396	-0.38%
Other Financing Sources (Uses)	(7,375,667)	(7,407,563)	(31,896)	0.43%
Net Change in Fund Balances	<u>\$ (414,544)</u>	<u>\$ (424,148)</u>	<u>\$ (9,604)</u>	<u>2.32%</u>

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

Budgetary Comparison General Fund				
	Final	Actual	Net Change	
	Budget	Amounts	Amount	Percent
Total Revenues	\$ 15,672,831	\$ 16,258,176	\$ 585,345	3.73%
Total Expenditures	(8,689,416)	(7,852,441)	836,975	-9.63%
Other Financing Sources (Uses)	(7,407,563)	(7,564,507)	(156,944)	2.12%
Net Change in Fund Balances	<u>\$ (424,148)</u>	<u>\$ 841,228</u>	<u>\$ 1,267,700</u>	<u>-298.33%</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, 2011 amounted to \$52,513,502 net of accumulated depreciation. This investment in a broad range of capital assets includes land, infrastructure (roads and bridges), structures and improvements, and equipment.

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

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	2011	2010
Land	\$ 3,694,980	\$ 3,694,980	\$ 342,519	\$ 342,519	\$ 4,037,499	\$ 4,037,499
Structures & Improvements	24,950,342	24,897,942	800,614	800,614	25,750,956	25,698,556
Equipment	13,451,906	12,929,749	332,138	267,322	13,784,044	13,197,071
Infrastructure Construction In Progress	53,621,450	49,660,131			53,621,450	49,660,131
	<u>2,436,072</u>	<u>2,466,123</u>			<u>2,436,072</u>	<u>2,466,123</u>
Total	98,154,750	93,648,925	1,475,271	1,410,455	99,630,021	95,059,380
Accumulated Depreciation	<u>(46,665,901)</u>	<u>(43,072,434)</u>	<u>(450,618)</u>	<u>(402,326)</u>	<u>(47,116,519)</u>	<u>(43,474,760)</u>
Net Capital Assets	<u>\$ 51,488,849</u>	<u>\$ 50,576,491</u>	<u>\$ 1,024,653</u>	<u>\$ 1,008,129</u>	<u>\$ 52,513,502</u>	<u>\$ 51,584,620</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	Net Change
Land	\$	\$	\$	\$	\$	\$
Construction in progress	1,043,700	(1,073,751)				(30,051)
Infrastructure Structures & Improvements	2,887,568	1,073,751			(2,548,150)	1,413,169
	52,400				(632,844)	(580,444)
Equipment	<u>1,011,694</u>		<u>(2,286)</u>		<u>(899,724)</u>	<u>109,684</u>
Totals	<u>\$ 4,995,362</u>	<u>\$ -</u>	<u>\$ (2,286)</u>	<u>\$ -</u>	<u>\$(4,080,718)</u>	<u>\$ 912,358</u>

The following major projects or project segments were considered completed in 2010-11: Harston/Lambert Bridge, New Cemetery Road, Mooney Road railroad crossing, Byers Pass Road, Fort Sage Road, Leavitt Lake Sub Seal, Standish/Buntingville Road, Cutoff Road, Birch Street, eight roads were chip sealed, Spaulding Airport, Susanville Ranch Bridge and Susanville Cemetery irrigation project.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

LONG-TERM LIABILITIES

The long-term liabilities of the County include liabilities for compensated absences, insurance claims, and other post-employment benefits. At June 30, 2011 the County had total long-term liabilities of \$4,592,234 of which \$1,960,398 will be due within one year and \$2,631,836 will be due beyond one year.

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.

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**BASIC
FINANCIAL STATEMENTS**

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Lassen
Statement of Net Assets
June 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 34,794,070	\$ 37,203	\$ 34,831,273
Imprest cash	41,258		41,258
Deposits with others	3,672,472		3,672,472
Due from other governmental entities	4,019,778		4,019,778
Internal balances	85,000	(85,000)	
Prepaid expense	25,714		25,714
Inventory	708,794		708,794
Total current assets	43,347,086	(47,797)	43,299,289
Noncurrent assets:			
Long-term receivables, net of allowances	624,494		624,494
Capital assets:			
Non-depreciable	6,131,052	342,519	6,473,571
Depreciable, net	45,357,797	682,134	46,039,931
Total noncurrent assets	52,113,343	1,024,653	53,137,996
Total assets	95,460,429	976,856	96,437,285
LIABILITIES			
Current liabilities:			
Accounts payable	632,394		632,394
Salaries and benefits payable	1,269,908		1,269,908
Due to other governmental entities	473,427		473,427
Unearned revenue	1,064,634		1,064,634
Claims and judgment payable - due within one year	1,069,006		1,069,006
Compensated absences - due within one year	891,392		891,392
Total current liabilities	5,400,761	-	5,400,761
Noncurrent liabilities:			
Claims and judgment payable - due in more than one year	1,069,006		1,069,006
Compensated absences - due in more than one year	297,131		297,131
Net OPEB obligation	1,265,699		1,265,699
Total noncurrent liabilities	2,631,836	-	2,631,836
Total liabilities	8,032,596	-	8,032,596
NET ASSETS			
Invested in capital assets, net of related debt	51,488,849	1,024,653	52,513,502
Restricted	21,421,741		21,421,741
Unrestricted	14,517,243	(47,797)	14,469,446
Total net assets	\$ 87,427,833	\$ 976,856	\$ 88,404,689

See accompanying Notes to Basic Financial Statements.

County of Lassen
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011

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	\$ 9,225,365	\$ 3,996,221	\$ 4,583,983	\$ 259,590
Public protection	17,941,387	3,433,826	4,705,878	
Public ways and facilities	5,883,355	93,534	4,526,903	2,529,271
Health and sanitation	8,768,351	550,148	7,359,330	
Public assistance	15,692,612	385,651	11,793,922	
Education	72,682			
Recreation and culture	87,591		46,486	
Total governmental activities	57,671,343	8,459,380	33,016,502	2,788,861
Business-type activities:				
County service area (Honey Lake TV)	75,498	9,302		
County business park	46,147	25,068		
County water system	5,163	1,081		
Total business-type activities	126,808	35,451	-	-
Total primary government	\$ 57,798,151	\$ 8,494,831	\$ 33,016,502	\$ 2,788,861

General Revenues:

Taxes:

Property taxes

Sales and use taxes

Miscellaneous

Unrestricted interest and investment earnings

Gain/(loss) on disposal of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Assets

Total	Governmental Activities	Business-Type Activities	Total
\$ 8,839,794	\$ (385,571)	\$	\$ (385,571)
8,139,704	(9,801,683)		(9,801,683)
7,149,708	1,266,353		1,266,353
7,909,478	(858,873)		(858,873)
12,179,573	(3,513,039)		(3,513,039)
	(72,682)		(72,682)
46,486	(41,105)		(41,105)
<u>44,264,743</u>	<u>(13,406,600)</u>	<u>-</u>	<u>(13,406,600)</u>
9,302		(66,196)	(66,196)
25,068		(21,079)	(21,079)
1,081		(4,082)	(4,082)
<u>35,451</u>	<u>-</u>	<u>(91,357)</u>	<u>(91,357)</u>
<u>\$ 44,300,194</u>	<u>(13,406,600)</u>	<u>(91,357)</u>	<u>(13,497,957)</u>

8,160,463		8,160,463
3,915,175		3,915,175
2,032,236		2,032,236
827,232	191	827,423
19,556		19,556
18,685	(18,685)	
<u>14,973,347</u>	<u>(18,494)</u>	<u>14,954,853</u>
1,566,747	(109,851)	1,456,896
85,861,086	1,086,707	86,947,793
<u>\$ 87,427,833</u>	<u>\$ 976,856</u>	<u>\$ 88,404,689</u>

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FUND
FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

County of Lassen
Balance Sheet
Governmental Funds
For the year ended June 30, 2011

	Major Funds						
	General	Road Fund	Community Development	Redevelopment Agency	Welfare Admin	Welfare Assistance	Health and Human Services
ASSETS							
Cash and investments	\$ 5,346,218	\$ 7,176,115	\$ 845,266	\$	\$ 249,763	\$ 158,569	\$ 3,851,400
Imprest cash							3,598
Deposits with others	3,672,472						
Due from other governmental entities	122,982	1,301,244	395,510		365,847	234,478	517,150
Due from other funds	113,751						5,578
Advances to other funds							
Prepaid expenses					25,714		
Inventory		708,794					
Long-term receivables			565,493				
Total assets	\$ 9,255,423	\$ 9,186,153	\$ 1,806,269	\$ -	\$ 641,324	\$ 393,047	\$ 4,377,726
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 134,671	\$ 23,555	\$	\$	\$	\$	\$ 16,776
Accrued salaries	238,099	112,712	7,140		143,491		232,754
Due to other governmental entities	40,711						416,267
Due to other funds	39,588			50,836			
Advances from other funds				665,000			
Deferred revenue		54,788	565,493				7,094
Unearned revenue	1,043,634						
Total liabilities	1,496,704	191,055	572,633	715,836	143,491	-	672,891
Fund Balances:							
Nonspendable:							
Advances and deposits							
Prepaid expenses					25,714		
Self insurance	3,698,045						
Inventory		708,794					
Restricted		8,286,304	1,468,923		472,119	393,047	3,704,835
Assigned	286,648						
Unassigned	3,774,026		(235,287)	(715,836)			
Total fund balances	7,758,719	8,995,098	1,233,636	(715,836)	497,833	393,047	3,704,835
Total liabilities and fund balances	\$ 9,255,423	\$ 9,186,153	\$ 1,806,269	\$ -	\$ 641,324	\$ 393,047	\$ 4,377,726

See accompanying Notes to Basic Financial Statements.

Public Safety	Non-Major Governmental Funds	Total Governmental Funds
\$ 633,506	\$ 15,729,340	\$ 33,990,177
37,660		41,258
		3,672,472
435,030	647,537	4,019,778
	39,588	158,917
	750,000	750,000
		25,714
		708,794
	59,001	624,494
<u>\$ 1,106,196</u>	<u>\$ 17,225,466</u>	<u>\$ 43,991,604</u>
\$ 54,085	\$ 391,592	\$ 620,679
331,073	188,805	1,254,074
	16,449	473,427
	68,493	158,917
		665,000
	59,001	686,376
	21,000	1,064,634
<u>385,158</u>	<u>745,340</u>	<u>4,923,108</u>
	750,000	750,000
		25,714
		3,698,045
		708,794
	9,525,514	23,850,742
721,038	6,209,830	7,217,516
	(5,218)	2,817,685
<u>721,038</u>	<u>16,480,126</u>	<u>39,068,496</u>
<u>\$ 1,106,196</u>	<u>\$ 17,225,466</u>	<u>43,991,604</u>

County of Lassen
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
For the year ended June 30, 2011

Total Fund Balances - Total Governmental Funds \$ 39,068,496

Amounts reported for governmental activities in the Statement of Net Assets were different because:

Loans receivable and other long-term receivables are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds. 686,378

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. This amount is net of capital assets of the Internal Service Funds in the amount of \$390,053. 51,098,796

Internal Service Funds were used by the County to charge the costs of fleet services and telephone services to individual funds. The assets and liabilities of the Internal Service Funds were included in governmental activities in the Government-Wide Statement of Net Assets. 1,166,397

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Compensated absences	(1,188,523)
Net OPEB obligation	(1,265,699)
Claims liability	(2,138,012)
	(3,592,234)

Net Assets of Governmental Activities **\$ 87,427,833**

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County of Lassen
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	General	Road Fund	Community Development	Redevelopment Agency
REVENUES:				
Taxes	\$ 8,608,291	\$	\$	\$
Licenses and permits	360,921	9,680		
Intergovernmental	3,635,460	6,976,174	601,308	
Charges for services	2,379,755	83,854	6,615	
Fines and forfeitures	441,094			
Use of money and property	45,434	34,430	11,955	64,145
Other revenues	787,221	323,939	298	18,455
Total revenues	16,258,176	7,428,077	620,176	82,600
EXPENDITURES:				
Current:				
General government	5,963,370			108,269
Public protection	1,774,344			
Public ways and facilities		2,909,274		
Health and sanitation				
Public assistance			867,538	
Education	71,797			
Recreation and culture	19,347			
Capital outlay	23,583	4,256,730		
Total expenditures	7,852,441	7,166,004	867,538	108,269
REVENUES OVER (UNDER) EXPENDITURES	8,405,735	262,073	(247,362)	(25,669)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,157,770		57,876	
Transfers out	(8,722,277)			(29,191)
Total other financing sources (uses)	(7,564,507)	-	57,876	(29,191)
Net change in fund balances	841,228	262,073	(189,486)	(54,860)
FUND BALANCES (DEFICIT):				
Beginning of year	6,917,491	8,733,025	1,423,122	(660,976)
End of year	<u>\$ 7,758,719</u>	<u>\$ 8,995,098</u>	<u>\$ 1,233,636</u>	<u>\$ (715,836)</u>

See accompanying Notes to Basic Financial Statements.

Major Funds					
Welfare Administration	Welfare Assistance	Health and Human Services	Public Safety	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$	\$ 75,197	\$ 3,392,150	\$ 12,075,638
		3,496	590	73,828	448,515
5,227,166	5,908,606	3,396,278	1,346,296	8,714,076	35,805,364
160		834,060	2,567,375	630,160	6,501,979
		21,158	118,389	928,245	1,508,886
3,328		44,406	1,919	618,815	824,432
76,277	148,119	47,989	168,584	461,358	2,032,240
5,306,931	6,056,725	4,347,387	4,278,350	14,818,632	59,197,054
			358,173	812,813	7,242,625
		207,445	9,396,155	5,965,493	17,343,437
				80,554	2,989,828
		5,875,612		2,756,832	8,632,444
6,495,096	7,435,196	828,316		17,758	15,643,904
					71,797
				65,848	85,195
62,035		27,109		579,915	4,949,372
6,557,131	7,435,196	6,938,482	9,754,328	10,279,213	56,958,602
(1,250,200)	(1,378,471)	(2,591,095)	(5,475,978)	4,539,419	2,238,452
1,442,680	889,780	3,242,952	5,762,304	3,514,495	16,067,857
(1,083)	(131,647)	(1,779)	(46,588)	(7,106,607)	(16,039,172)
1,441,597	758,133	3,241,173	5,715,716	(3,592,112)	28,685
191,397	(620,338)	650,078	239,738	947,307	2,267,137
306,436	1,013,385	3,054,757	481,300	15,532,819	36,801,359
\$ 497,833	\$ 393,047	\$ 3,704,835	\$ 721,038	\$ 16,480,126	\$ 39,068,496

County of Lassen

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 2,267,137

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense:

Expenditures for general capital assets, infrastructure, and other related capital asset adjustments recorded as capital outlays on the government fund financial statements \$ 4,949,372

Less: current year depreciation recorded in the government-wide financial statements, net of Internal Service Funds depreciation of \$187,511 and adjusted for current net disposition (3,895,494)

1,053,878

Revenues that have not met the revenue recognition criteria in the Fund Financial Statements are recognized as revenue in the Government-Wide Financial Statements. This amount represents the change in deferred revenue from the prior year. (940,976)

Certain expenses reported in the Statement of Activities and Changes in Net Assets do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences 133,522

Change in Net OPEB obligation (483,726)

Change in claim liabilities (565,064)

Internal Service Funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government- Wide Statement of Net Assets 101,975

Change in Net Assets of Governmental Activities

\$ 1,566,747

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

County of Lassen
Statement of Net Assets
Proprietary Funds
For the year ended June 30, 2011

	Business-Type Activities - Enterprise Funds Nonmajor Funds	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 37,203	\$ 803,893
Total current assets	<u>37,203</u>	<u>803,893</u>
Noncurrent assets:		
Capital assets:		
Non-depreciable	342,519	
Depreciable, net	<u>682,134</u>	<u>390,053</u>
Total noncurrent assets	<u>1,024,653</u>	<u>390,053</u>
Total assets	<u>1,061,856</u>	<u>1,193,946</u>
LIABILITIES		
Current liabilities:		
Accounts payable		11,715
Salaries and benefits payable		<u>15,834</u>
Total current liabilities	<u>-</u>	<u>27,549</u>
Noncurrent liabilities:		
Advances from other funds	<u>85,000</u>	
Total noncurrent liabilities	<u>85,000</u>	<u>-</u>
Total liabilities	<u>85,000</u>	<u>27,549</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,024,653	390,053
Unrestricted	<u>(47,797)</u>	<u>776,344</u>
Total net assets	<u>\$ 976,856</u>	<u>\$ 1,166,397</u>

See accompanying Notes to Basic Financial Statements.

County of Lassen
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2011

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Nonmajor Funds	Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 35,451	\$ 1,133,963
Miscellaneous		1,236
Total operating revenues	35,451	1,135,199
OPERATING EXPENSES:		
Salaries and benefits		295,372
Services and supplies	78,516	562,693
Depreciation	48,292	187,511
Total operating expenses	126,808	1,045,576
OPERATING INCOME (LOSS)	(91,357)	89,623
NONOPERATING REVENUES (EXPENSES):		
Interest income	191	2,796
Gain on disposal of capital assets		19,556
Total nonoperating revenues (expenses)	191	22,352
INCOME (LOSS) BEFORE TRANSFERS	(91,166)	111,975
Transfers out	(18,685)	(10,000)
Change in net assets	(109,851)	101,975
NET ASSETS:		
Beginning of year	1,086,707	1,064,422
End of year	\$ 976,856	\$ 1,166,397

See accompanying Notes to Basic Financial Statements.

County of Lassen
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2011

	Business-Type Activities - Enterprise Funds	Governmental Activities Internal Service Funds
	Nonmajor Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 35,451	\$
Cash received from interfund services provided		1,135,199
Cash payments to suppliers for goods and services	(78,516)	(529,781)
Cash paid to employees for services		(294,442)
Net cash provided by (used in) by operating activities	(43,065)	310,976
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers out	(18,685)	(10,000)
Net cash used in noncapital financing activities	(18,685)	(10,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Sale of capital assets		19,556
Payments related to the acquisition of capital assets	(64,816)	(45,988)
Net cash used in capital and related financing activities	(64,816)	(26,432)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	191	2,796
Net cash provided by investing activities	191	2,796
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(126,375)	277,340
CASH AND CASH EQUIVALENTS - Beginning of year	163,578	526,553
CASH AND CASH EQUIVALENTS - End of year	\$ 37,203	\$ 803,893
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (91,357)	\$ 89,623
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	48,292	187,511
Changes in assets and liabilities:		
Prepaid expense		31,198
Accounts payable		1,715
Accrued salaries		929
Net cash provided by (used in) by operating activities	\$ (43,065)	\$ 310,976

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

County of Lassen
Statement of Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2011

	Investment Trust	Agency Funds
ASSETS		
Cash and investments	\$ 19,373,637	\$ 7,635,223
Taxes receivable		4,632,851
Total assets	<u>19,373,637</u>	<u>12,268,074</u>
LIABILITIES		
Agency obligations		12,268,074
Total liabilities	<u>-</u>	<u>\$ 12,268,074</u>
NET ASSETS		
Held in trust for investment pool participants	<u>\$ 19,373,637</u>	

See accompanying Notes to Basic Financial Statements.

County of Lassen
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2011

	Investment Trust
	<u> </u>
ADDITIONS:	
Contributions	\$ 83,267,225
Revenue from use of money and property	116,701
Total additions	<u>83,383,926</u>
DEDUCTIONS:	
Distributions from pooled investment	<u>82,464,682</u>
Total deductions	<u>82,464,682</u>
Change in net assets	919,244
NET ASSETS	
Beginning of year	<u>18,454,393</u>
End of year	<u><u>\$ 19,373,637</u></u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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. Financial 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.

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 County. 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. The County had no discretely presented component units. Each component unit has a June 30th year end:

Blended Component Units: The Lassen County Community Development Commission, 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.

B. New Pronouncements

Government Accounting Standard Board Statement No. 54

For the fiscal year ended June 30, 2011, the County implemented Government Accounting Standards Board Statement No. 54 (GASB 54), "*Fund Balance Reporting and Governmental Fund Type Definitions.*" The requirements of this statement are effective for financial statement periods beginning after June 15, 2010.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Net Assets/Fund Balances section of the Notes to Basic Financial Statements.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Basis of Accounting and Measurement Focus

The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below. The accounting policies of the County conform to GAAP in the United States for local governmental units. The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purpose of which they are to be spent and means by which spending activities are controlled.

Government-Wide Financial Statements

The County's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the County accompanied by a total column. Fiduciary activities of the County are not included in these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the County in three categories:

- Fees, fines, and charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column, if any. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to and from other funds
- Advances to and from other funds
- Transfers in and out

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The County has presented all major funds that met the applicable criteria.

The County reports the following major governmental funds:

General Fund accounts 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, counselor, elections, and property management.

Road Fund accounts for all revenues and expenditures necessary to carry out basic governmental activities of the County that relate to public thoroughways not accounted for through other funds.

Health and Human Services Fund accounts 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.

Public Safety Fund accounts 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 Welfare Administration Fund is used to account for all revenue 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 and community services.

The Welfare Assistance Fund accounts for all revenue and expenditures necessary to carry out basic governmental activities of the County related social services programs including CalWORKS and Foster Care.

Community Development Fund also known as Economic Development is used to account for monies received from State and Federal governments and loaned by the County to individuals and businesses to encourage economic growth.

Sierra Army Depot Redevelopment Project Fund (Redevelopment Fund) is used to account for all activity necessary to engage in the general economic revitalization and redevelopment of property in the project area that is determined to be in declining conditions.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Basis of Accounting and Measurement Focus, Continued

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recognized when “*measurable*” and “*available*”. Measurable means knowing or being able to reasonably estimate the amount. Available means having been earned and collectible within the current period or within 60 days after year end for property tax revenues, and 180 days after year end with limited exceptions extending the availability period for certain grant revenues. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt service expenditures (principal and interest), as well as expenditures related to compensated absences, which are reported when due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Deferred revenue arises when potential revenues do not meet both the “*measurable*” and “*available*” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

The county reports the following proprietary funds:

Enterprise Funds are used to report an activity for which a fee is charged to external users for goods and services. The County’s enterprise funds include County Service Area #1 which provides telecommunication services, county business parks, and a county water system.

Internal Service Funds account for vehicle fleet maintenance and information technology operations that provide services to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Basis of Accounting and Measurement Focus, Continued

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. The County has no major proprietary funds.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary Fund Financial Statements

Fiduciary Funds include:

Investment Trust Funds account for the external portion of the County Treasurer’s investment pool, which commingles resources of legally separate local governments within the County, in an investment portfolio for the benefit of all participants. These entities include school and community college districts, special districts that are governed by local boards, regional boards and authorities. The County separately maintains these entities’ money in individual funds; these funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to entities at some future time. These funds account for assets held by the County in an agency capacity for other government units.

Fiduciary fund financial statements include a Statement of Fiduciary Net Assets for Investment Trust Funds and all Agency Funds, and a Statement of Changes in Fiduciary Net Assets for the Investment Trust Fund.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. *Cash, Cash Equivalents 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.

For purposes of the statement of cash flows of the proprietary fund types, cash and cash equivalents include all investments, as the County operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

E. *Receivables*

Receivables consist mostly of amounts due from other government agencies. Management believes its receivables are fully collectible except for its long term receivables on the Community Development Housing loans. It is the County's policy (with the exception of Community Development) to only record receivables as revenue at the end of the year end and to verify those receivables are collected within 60 days. Any receivables noted that are expected to be received after 60 days are recorded as deferred revenue in the governmental fund financial statements.

F. *Deposits with Others*

Deposits with others consist of a deposit held with Trindel Insurance of \$3,672,472.

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 expenditure at the time individual inventory items are used. In governmental funds, reported inventories are equally offset by their categorization as "nonspendable" fund balances.

H. *Capital Assets*

Capital assets (including infrastructure and intangibles) 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 assets consisting of roads, bridges, buildings, equipment, water/sewer systems, lighting systems, 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 financial statements and proprietary funds.

Easement and right-a-way costs are included in the cost of the structure or infrastructure with which they are associated.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

The estimated useful lives are as follows:

Infrastructure	5 - 50 years
Structures and Improvements	7 - 40 years
Equipment	3-10 years

I. Compensated Absences

In the governmental funds, compensated absences (unpaid vacation and other compensatory time off) are recorded as expenditures in the year paid. The County's policy is to liquidate any unpaid vacation at June 30 from future resources rather than currently available expendable resources, so the entire unpaid liability for the governmental funds is recorded in the government-wide financial statements.

Unused vacation benefits may be accrued up to a maximum of 254 hours and are paid to employees upon termination. Other compensatory time off is 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.

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'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, including the County, 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.

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.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangement outstanding at the end of the fiscal year are referred to as “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. In the governmental funds financial statements, the non-current advances between funds are offset by a corresponding nonspendable portion of fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

L. Use of Estimates

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

M. Net Assets/Fund Balances

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction or improvement of the assets.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted – This amount is unrestricted by external creditors, grantors, contributors, or laws or regulations of governments. Unrestricted assets are all net assets that do not meet the definition of invested in capital assets, net of related debt or restricted net assets as defined above.

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Net Assets/Fund Balances, Continued

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the County’s highest level or decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – amounts that are constrained by the County’s *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the County’s special revenue funds.

Unassigned fund balance – the residual classification for the County’s General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The County has established a fund within the General Fund known as the General Reserved. The intended use of the fund is to have resources available for future budgetary and cash flow needs. For the period ending June 30, 2011 the General Reserve is included as part of the unassigned fund balance of the General Fund.

The Board of Supervisors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done in conjunction with the adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, followed by committed, assigned, and unassigned resources as needed.

2. 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 Basic Financial Statements, Continued
For the year ended June 30, 2011

2. 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, 2011 total County cash and investments (excluding imprest funds of \$41,258) were as follows:

Cash:	
Cash on hand	\$ 3,742
Cash in US Bank	4,638,495
Outside Treasurer's Pool-EBT Account	58,877
Less outstanding warrants	<u>(3,052,316)</u>
Total deposits	<u>1,648,798</u>
Investments:	
In Treasurer's pool	<u>60,191,335</u>
Total investments	<u>60,191,335</u>
Total cash and investments	<u><u>\$ 61,840,133</u></u>

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

Cash and investments in Treasurer's pool	
Primary government	\$ 34,831,273
Investment trust fund	19,373,637
Agency funds	<u>7,635,223</u>
Total cash and investments	<u><u>\$ 61,840,133</u></u>

The carrying amounts of the County's cash deposits were \$1,648,798 at June 30, 2011. Bank balances as of June 30, 2011, were \$4,638,495, which were fully insured and collateralized with securities held by the pledging financial institutions in the County's name as discussed in the following.

The California Government Code (Code) requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

The market value of pledged securities must equal at least 110% of the County's cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

A. Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Issued by Lassen County	5 years	10%	No limit
U.S. Treasury Obligations	5 years	No limit	No limit
Obligations to the State of California	1 year	10%	No limit
Other local agency bonds, notes or warrants	1 year	10%	No limit
Federal agency obligations	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%
Local Agency Investment Fund	N/A	No limit	\$50M
Other local government pools	N/A	No limit	No limit

The County may also hold securities for the purpose of collateralizing its deposits in accordance with Sections 53651 and 53652 of the Government Code.

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

	Interest Rates	Maturities	Cost	Fair Value
Federal Agency Issues - Coupon	1-2%	9/27/12-6/16/15	\$ 10,031,512	\$ 10,131,981
Local Agency Investment Fund	Variable	On demand	50,000,000	50,059,354
Total			\$ 60,031,512	\$ 60,191,335

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

B. 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.

Investment Type	Investment Maturities (In Years)					
	Cost	Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
Federal Agency Issued - Coupon	\$ 10,031,512	\$ -	\$ 2,031,512	\$ 2,000,000	\$ 6,000,000	\$ -
Local Agency Investment Fund	50,000,000	50,000,000	-	-	-	-
Total	\$ 60,031,512	\$ 50,000,000	\$ 2,031,512	\$ 2,000,000	\$ 6,000,000	\$ -

C. 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.

D. Concentration of Credit Risk

At June 30, 2011, 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. governments, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

At June 30, 2011, the County had 5% or more of its net investments in obligations of the Federal Home Loan Bank (6.39%), the Federal Home Loan Mortgage Corporation (3.2%) and the Federal National Mortgage Association (9.59%). These investments are not violations of state law or the investment policy, but are required disclosures for financial reporting.

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, 2010:

	Credit Quality Ratings		% of Portfolio
	Moody's	S&P	
Federal agencies	Aaa	AAA	20.85%
Local Agency Investment Fund	Not Rated	Not Rated	79.15%
Total			100.00%

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

E. 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.

F. Local Agency Investment Fund

The County is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2011, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2011, the County had \$50,059,354 invested in LAIF, which had invested 5.42% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF provided a fair value factor of 1.001576470 to calculate the fair value of the investments in LAIF.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

G. County Investment Pool Summary

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

Statement of Net Assets:	
Net assets held for pool participants	<u>\$ 61,840,133</u>
Equity of internal investment pool participants	34,831,273
Equity of external investment pool participants	<u>27,008,860</u>
Total net assets	<u>\$ 61,840,133</u>
Statement of Changes in Net Assets:	
Investment earnings	\$ 537,822
Investment expenses	(130,107)
Net distributions to pool participants	<u>1,616,892</u>
Decrease in net assets	2,024,607
Total net assets:	
Beginning of year	<u>59,815,526</u>
End of year	<u>\$ 61,840,133</u>

3. RECEIVABLES

Management believes its receivables are fully collectible except for its long term receivables on loans recorded in the Community & Economic Development, a major fund, and Economic Development & Housing Income funds, a non-major fund. At June 30, 2011, the gross amount of these receivables was \$709,420 and the allowance for uncollectible accounts was \$84,926 which resulted in a net amount of \$624,494.

<u>Loan Type</u>	<u>Balance as of June 30, 2011</u>
HUD - Home 93	\$ 19,120
CDBG - 317 Rev	59,001
HUD - Home 94	88,761
CDBG - 89 RLF	<u>457,612</u>
Total Loans Receivable	<u>\$ 624,494</u>

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

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

	Balance July 1, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,694,980	\$ -	\$ -	\$ -	\$ 3,694,980
Construction in progress	2,466,123	1,043,700	-	(1,073,751)	2,436,072
Total capital assets, not being depreciated	6,161,103	1,043,700	-	(1,073,751)	6,131,052
Capital assets, being depreciated:					
Infrastructure	49,660,131	2,887,568	-	1,073,751	53,621,450
Structures and improvements (includes leasehold improvements)	24,897,942	52,400	-	-	24,950,342
Equipment	12,929,749	1,011,694	(489,537)	-	13,451,906
Total capital assets, being depreciated	87,487,822	3,951,662	(489,537)	1,073,751	92,023,698
Less accumulated depreciation for:					
Infrastructure	(22,320,661)	(2,548,150)	-	-	(24,868,811)
Structures and improvements (includes leasehold improvements)	(10,111,690)	(632,844)	-	-	(10,744,534)
Equipment	(10,640,083)	(899,724)	487,251	-	(11,052,556)
Total accumulated depreciation	(43,072,434)	(4,080,718)	487,251	-	(46,665,901)
Total capital assets, being depreciated, net	44,415,388	(129,056)	(2,286)	1,073,751	45,357,797
Government activities capital assets, net	\$ 50,576,491	\$ 914,644	\$ (2,286)	\$ -	\$ 51,488,849
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 342,519	\$ -	\$ -	\$ -	\$ 342,519
Total capital assets, not being depreciated	342,519	-	-	-	342,519
Capital assets, being depreciated:					
Structures and improvements	800,614	-	-	-	800,614
Equipment	267,322	64,816	-	-	332,138
Total capital assets, being depreciated	1,067,936	64,816	-	-	1,132,752
Less accumulated depreciation for:					
Structures and improvements	(202,481)	(20,387)	-	-	(222,868)
Equipment	(199,845)	(27,905)	-	-	(227,750)
Total accumulated depreciation	(402,326)	(48,292)	-	-	(450,618)
Total capital assets, being depreciated, net	665,610	16,524	-	-	682,134
Business-type activities capital assets, net	\$ 1,008,129	\$ 16,524	\$ -	\$ -	\$ 1,024,653

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. CAPITAL ASSETS, Continued

B. Depreciation

Governmental Activities - Depreciation Expense

Depreciation expense was charged to governmental functions as follows:

General government	\$ 525,405
Public protection	391,154
Public ways and facilities	2,850,287
Health and sanitation	76,670
Public assistance	48,708
Recreation and culture	982
Internal service funds	<u>187,512</u>
Total	<u>\$ 4,080,718</u>

Depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their usage of the assets.

Business-Type Activities - Depreciation Expense

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

County Service Area (Honey Lake TV)	\$ 27,905
County Business Parks	<u>20,387</u>
Total	<u>\$ 48,292</u>

5. LONG-TERM DEBT

The following is a summary of long-term liability transactions for the year ended June 30, 2010:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year	Due more than one year
Governmental Activities:						
Compensated absences	\$ 1,322,045	\$ 1,144,772	\$ (1,278,294)	\$ 1,188,523	\$ 891,392	\$ 297,131
Claims liability	1,572,947	1,178,230	(613,165)	2,138,012	1,069,006	1,069,006
Other post-employment benefits liability	781,973	759,576	(275,850)	1,265,699	-	1,265,699
Total long-term liabilities	<u>\$ 3,676,965</u>	<u>\$ 3,082,578</u>	<u>\$ (2,167,309)</u>	<u>\$ 4,592,234</u>	<u>\$ 1,960,398</u>	<u>\$ 2,631,836</u>

Claims liability has typically been liquidated from the General Fund. Compensated absences are generally liquidated by the General Fund.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. OPERATING LEASES

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

Year Ending June 30,	Principal
2012	\$ 387,072
2013	142,308
Total	\$ 529,380

Rent expenditures were \$542,454 for the year ended June 30, 2011.

7. INTERFUND TRANSACTIONS

A. 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, 2011 is as follows:

Advances to/from Other Funds

Between Governmental and Business-Type Activities

Advances From	Advances To			
	Non-Major Enterprise Funds			
	Redevelopment Agency	County Business Parks	County Water Systems	Total
Non-Major Governmental Funds:				
Economic Development & Housing Income	\$ 315,000	\$ 65,000	\$ 20,000	\$ 400,000
CCC Mitigation Capital Improvements	350,000			350,000
Total	\$ 665,000	\$ 65,000	\$ 20,000	\$ 750,000

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. INTERFUND TRANSACTIONS, Continued

A. Interfund Receivables/Payables, Continued

Due to/from Other Funds

Between Funds within the Governmental Activities

Current interfund balances arise in the normal course of operations and are expected to be repaid shortly after the end of the fiscal year.

	Due from Other Funds		Due to Other Funds					Total
			Non-Major Governmental Funds					
	General	Redevelopment Agency	DA Contracts Fund	Substance Abuse & Crime Prevention	Probation Fund	Probation Contracts		
General	\$ -	\$ 50,836	\$ 42,181	\$ 3,529		\$ 17,205	\$ 113,751	
Health and Human Services					5,578		5,578	
Non-Major Governmental Funds								
Mental Health Realignment	6,715						6,715	
Social Services Realignment	1,180						1,180	
Public Health Realignment	31,693						31,693	
Total	\$ 39,588	\$ 50,836	\$ 42,181	\$ 3,529	\$ 5,578	\$ 17,205	\$ 158,917	

Transfers In/Out

Between Governmental and Business-Type Activities

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

	Transfers Out		Transfers In						Total
			Major Funds			Non-Major Governmental	Non-Major Enterprise		
	General	Community Development	Welfare Administration	Welfare Assistance	Health and Human Services	Public Safety			
General	\$		\$ 630,467	\$ 160,000	\$ 205,762	\$ 5,030,000	\$ 2,696,048	\$ -	\$ 8,722,277
Redevelopment Agency		29,191							29,191
Welfare Administration							1,083		1,083
Welfare Assistance					131,647				131,647
Health and Human Services							1,779		1,779
Public Safety						46,588			46,588
Non-Major Governmental	1,157,770		812,213	729,780	2,905,543	722,304	768,997	10,000	7,106,607
Non-Major Enterprise		28,685							28,685
Internal Service Funds						10,000			10,000
Total	\$ 1,157,770	\$ 57,876	\$ 1,442,680	\$ 889,780	\$ 3,242,952	\$ 5,762,304	\$ 3,514,495	\$ 10,000	\$ 16,077,857

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. DEFERRED REVENUE/UNEARNED REVENUE

Governmental funds report deferred revenue in connection with receivables not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2011, the various components of unavailable deferred revenue and unearned revenue reported were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Activities:			
General Fund:			
Federal Payment In-Lieu of Taxes		\$1,043,634	\$1,043,634
Road Fund			
CALEMA FEMA 05/06	54,788		54,788
Health and Human Services			
CA Department of Health Services	7,094		7,094
Community Development			
Long Term Receivables	565,493		565,493
Non Major Funds:			
Trail Coordinators funds 11-12		21,000	21,000
Long Term Receivables	59,001		59,001
Total	<u>\$ 686,376</u>	<u>\$1,064,634</u>	<u>\$1,751,010</u>

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. NET ASSETS/FUND BALANCES

A. Net Assets

Restricted net assets at June 30, 2011 for governmental activities are as follows:

Restricted for Public Safety:	
Inmate Welfare	\$ 224,242
Correctional Facility Equipment Replacement	281,997
USDA Title III	5,623
Child Support	78,072
DNA Penalty Assessment (Co side)	250,874
Sheriff-DOJ Fingerprints Trust	26,386
	<u>867,194</u>
Restricted for Health & Public Assistance	
Health & Human Services	14,608
County Children's Fund	69,923
Community Dev - CDBG	1,468,924
Welfare	890,880
Mental Health Services Act	2,621,290
Mental Health Realignment	493,172
Social Services Realignment	700,898
Health & Social Services Realignment	959,880
	<u>7,219,575</u>
Restricted for Community Resources & Facilities:	
Road	8,995,098
Aviation	230,859
Bieber Lighting District	30,640
	<u>9,256,597</u>
Restricted for General Government & Support Services:	
Self-Insurance	1,707,690
Recorder Funds	443,406
Lassen/Modoc Flood Control District	161,858
	<u>2,312,954</u>
Restricted for Criminal Justice Facility Construction	<u>1,765,422</u>
Total Restricted Net Assets - Governmental Activities	<u><u>\$ 21,421,742</u></u>

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. NET ASSETS/FUND BALANCES, Continued

B. Fund Balances

A detailed schedule of fund balances a June 30, 2011 is as follows:

	General	Roads	Comm Devlp	Sierra Army Depot RDA	Welfare Admin	Welfare Assistance	HHS	Public Safety	Non-Major Govtl	Total Govtl
Nonspendable:										
Receivables	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ -
Advances & Deposits									750,000	750,000
Prepaid Expenses					25,714					25,714
Self-Insurance	3,698,045									3,698,045
Inventory		708,794								708,794
Total nonspendable fund balance	3,698,045	708,794	-	-	25,714	-	-	-	750,000	5,182,553
Restricted:										
Purpose of Fund		8,286,304	1,468,923		472,119	393,047	3,704,835			14,325,228
Imprest Cash										-
Air Pollution									287,737	287,737
Mental Health Services Act									2,621,290	2,621,290
Aviation									230,859	230,859
Supplemental Law Enforcement									553,404	553,404
Vital Statistics									57,855	57,855
Recorder Micrographics									189,935	189,935
Recorder Modernization									155,491	155,491
Recorder AB130									40,125	40,125
Property Tax Delinquent Costs									77,314	77,314
Inmate Welfare - State									59,991	59,991
Inmate Welfare - County									164,251	164,251
Narcotics Asset Forfeitures									59,484	59,484
Narcotics Task Force									60,503	60,503
Bieber Lighting District									30,640	30,640
Lassen-Modoc Flood Control									161,858	161,858
Fish & Game									4,281	4,281
Geothermal									164,918	164,918
Mental Health Realignment									493,172	493,172
Social Services Realignment									700,898	700,898
Public Health Realignment									959,880	959,880
County Children's Fund									69,923	69,923
Fair									37,131	37,131
USDA Title III									5,623	5,623
Child Support									78,072	78,072
Criminal Justice Facility Const									1,765,422	1,765,422
Courthouse Construction									175	175
Fairgrounds Improvements									213,285	213,285
CCF Equipment Replacement									281,997	281,997
Total restricted fund balance	-	8,286,304	1,468,923	-	472,119	393,047	3,704,835	-	9,525,514	23,850,742
Committed:										
Assigned to purpose of fund:	286,648							721,038		1,007,686
Retiree Health Premiums									2,875,282	2,875,282
Prison Trial Program									239,942	239,942
Sheriff Contracts									200,709	200,709
HHS Contracts									14,608	14,608
General Contract - PTA									605,375	605,375
Cemetery									64,270	64,270
Emergency Services									152,784	152,784
Natural Resources									57,684	57,684
Tobacco Settlement Fund									218,991	218,991
ED/H Income									80,184	80,184
Loss Prevention Fund									151,174	151,174
Probation Contracts									615	615
Capital Improvements									76,093	76,093
CCC Mitigation Capital Impvmt									600,792	600,792
Accumulated Capital Outlay									871,250	871,250
Debt Service									77	77
Total assigned fund balance	286,648	-	-	-	-	-	-	721,038	6,209,830	7,217,516
Unassigned	599,260		(235,287)	(715,836)						(351,863)
General Reserve	3,174,766									3,174,766
DA Contract									(4,887)	(4,887)
Probation									(331)	(331)
Total unassigned fund balance	3,774,026	-	(235,287)	(715,836)	-	-	-	-	(5,218)	2,817,685
Total fund balances	\$ 7,758,719	\$ 8,995,098	\$ 1,233,636	\$ (715,836)	\$ 497,833	\$ 393,047	\$ 3,704,835	\$ 721,038	\$ 16,480,126	\$ 39,068,496

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

10. EMPLOYEE RETIREMENT SYSTEMS

A. *Plan Description*

The County'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 selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' Annual Financial Report may be obtained from the CalPERS Executive Office - 400 P Street, Sacramento, 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's labor contracts require the County to pay all or a portion of the retirement plan contributions. In addition to the member contribution rate that is actuarially determined is 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 2010-11 was 10.578 percent for miscellaneous employees and 29.033 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 2010-11, the County's annual pension cost was \$2,621,768 for both Miscellaneous and Safety members, and was equal to the County's required and actual contributions. The required contribution for fiscal year 2010-11 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The 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.

The actuarial value of the Miscellaneous Employee Plan and Safety Employee Plan assets were 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 unfunded actuarial accrued liabilities (or excess assets) are being amortized as a level percentage of projected payroll on a closed basis.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

10. EMPLOYEE RETIREMENT SYSTEMS, Continued

C. Annual Pension Cost, Continued

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Pension Cost (APC)</u>	<u>of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	2,718,111	100%	-
6/30/2010	2,743,797	100%	-
6/30/2011	2,621,768	100%	-

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description and Funding Policy

Employees that meet the following requirements are eligible for coverage under the County's CalPERS Health Program: 1) has 5 or more years of service with the County; 2) is at least 50 at the date of retirement; and 3) is currently employed by the County at the time of retirement. The County has elected to contribute toward the cost of premiums, for the retiree and spouse, up to a maximum monthly amount which is specified in the County's bargaining agreements with its employee groups. The minimum employer contribution specified by CalPERS for 2011 is \$108 per month and is currently less than the County's paid contribution.

The contribution requirements of the plan members and the County are established and may be amended by the County. The contribution is based on pay-as-you-go financing requirements. For fiscal year 2010-11, the County contributed \$275,850, or 36%, of the actuarially required contributions, to the Retiree Health Plan.

Annual OPEB Costs and Net OPEB Obligation

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension. The County's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Retiree Health Plan:

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

Annual required contribution	\$ 759,576
Contribution	<u>(275,850)</u>
Increase in net OPEB obligation	483,726
Net OPEB obligation beginning of year	<u>781,973</u>
Net OPEB obligation end of year	<u><u>\$ 1,265,699</u></u>

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the Plan (as described in the funding policy above), and the Net OPEB Obligation for fiscal year 2010-11 is as follows:

FY Ended	Annual OPEB Cost	Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 641,343	\$ 281,819	43.9%	\$ 359,524
6/30/2010	641,343	218,894	34.1%	781,973
6/30/2011	759,576	275,850	36.3%	1,265,699

Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of July 1, 2009, the plan's most recent actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
6/30/2009	\$	\$ 6,763,047	\$ 6,763,047	0%	\$ 19,865,000	34%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents additional, multi-year, trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

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

In the July 1, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, an inflation rate of 3.25% per year. The OPEB plan's unfunded actuarial liability is being amortized by level percent of payroll contributions over 30 years. The remaining amortization period at June 30, 2011, was 28 years.

12. COMMITMENTS AND CONTINGENCIES

A. Grant 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. 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.

B. General Litigation

The County is at times involved as a defendant in various legal proceedings. There are no current cases, in the opinion of the County, for which the outcomes will have a material adverse effect on the financial position of the County.

C. Recent Changes in Legislation Affecting California Redevelopment Agencies

On December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolution of California redevelopment agencies, but struck down the Assembly Bill X1 27 which would have provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

Assembly Bill X1 26 signed into law as part of the State's budget package on June 29, 2011, requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

12. COMMITMENTS AND CONTINGENCIES, Continued

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Enforceable Obligation Payment Schedule will be allocated to the successor agencies.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency as defined in Assembly Bill X1 26.

The full impacts of this most recent development and its impact on other funds of the County are not known at this time. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

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. The Authority has a Board of Directors, which consists of five persons, two from the County and two from the City, and one public member at-large who is appointed by the City and County members. 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 County has no ongoing financial interest or responsibility as of June 30, 2011.

Pursuant to a contract between the County and the Authority, the County provides services to the Authority, including personnel and related benefits, and accounting services. During the year ended June 30, 2010, the Authority paid the County \$697,544 for personnel services and related benefits and \$33,469 for accounting and administrative services. The Authority has financial statements prepared and they can be obtained from management at the Authority.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

13. JOINT POWERS AGREEMENT, Continued

Condensed financial information for the Authority as of June 30, 2010, (the most recent year-end financial information available) is presented below:

	<u>Amount</u>
Statement of Net Assets	
Assets	\$ 3,993,451
Liabilities	<u>(5,240,338)</u>
Net assets (deficit)	<u><u>\$ (1,246,887)</u></u>
Revenues and Expenses	
Revenues	\$ 1,284,642
Expenses	<u>(2,298,957)</u>
Net loss	<u><u>\$ (1,014,315)</u></u>

B. Lassen Transit Service Agency

The Lassen Transit Service Agency (Agency) was created as a joint powers agreement (JPA) between the County 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. The Agency is charged with the administration and operation of the Lassen Rural Bus (LRB) public transportation services within Lassen County under the jurisdiction of the Lassen County Transportation Commission (Commission), the Regional Transportation Planning Agency for the County. The Commission is comprised of three members of the Lassen County Board of Supervisors and three members of the City of Susanville City Council, and allocates and distributes the Transportation Development Act (TDA) funding for the LRB service operations. In addition to TDA funds, the Agency receives funding through several resources including the federal government and the State of California. Formerly, all of the transactions of the Agency were reported in the Rural Bus Fund of the County. Effective July 1, 2002, the Agency became a separate legal entity and is no longer considered a part of the County. The County has no ongoing financial interest or responsibility as of June 30, 2011. The Agency has financial statements prepared and they can be obtained from management of the Agency.

Condensed financial information for the Agency as of June 30, 2010, (the most recent year-end financial information available) is presented below:

	<u>Amount</u>
Statement of Net Assets	
Assets	\$ 2,268,838
Liabilities	<u>(817,000)</u>
Net assets	<u><u>\$ 1,451,838</u></u>
Revenues and Expenses	
Revenues	\$ 1,626,949
Expenses	<u>(1,131,526)</u>
Net income	<u><u>\$ 495,423</u></u>

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

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 JPA named 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, \$25,000 for property, and \$125,000 for workers compensation. 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 past three fiscal years. At June 30, 2011, 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 and workers compensation. 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.

	<u>2011</u>	<u>2010</u>
Unpaid claims July 1	\$ 1,572,947	\$ 1,261,284
Incurred claims (including IBNRs) and changes in estimates	1,178,230	1,886,963
Current year payments	<u>(613,166)</u>	<u>(1,575,300)</u>
Unpaid claims June 30	<u>\$ 2,138,011</u>	<u>\$ 1,572,947</u>

15. FUND BALANCE/NET DEFICIT

The following funds had a deficit fund balance at June 30, 2011:

	<u>Amount</u>
Governmental Funds:	
Sierra Army Depot RDA	\$ 715,836
Probation	\$ 331
District Attorney Contracts	\$ 4,887
Proprietary Fund:	
County Water Systems	\$ 38,364

The Sierra Army Depot RDA deficit fund balance is planned to be restored with future property tax increment revenue and the sale of property. The County is researching ways to eliminate the fund balances and net deficit in the other funds but it may ultimately be the responsibility of the County's General Fund to restore the fund balances of these other funds.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

County of Lassen
Required Supplementary Information
For the year ended June 30, 2011

1. BUDGETS AND BUDGETARY 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. Budgets are prepared in accordance with Generally Accepted Accounting Principles. 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 the end of the year are liquidated and are appropriated in the next 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.

County of Lassen
Required Supplementary Information, Continued
For the year ended June 30, 2011

2. DEFINED BENEFIT PENSION PLAN

A. Schedule of Funding Progress

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30 for the miscellaneous plan:

<u>Miscellaneous Plan</u>						
	(A)	(B)	(C)	(D)	(E)	(F)
		Entry Age	Unfunded			Unfunded
Actuarial	Actuarial	Actuarial	(Overfunded)	Funded	Covered	(Overfunded)
Valuation	Asset	Accrued	Actuarial	Ratio	Payroll	Actuarial
Date*	Value	Liability	Liability	(A/B)		Liability as
			(B-A)			Percentage of
						Covered
						Payroll
						(C/E)
6/30/2007	\$ 62,874,912	\$ 68,657,992	\$ 5,783,080	91.6%	\$ 16,201,802	35.7%
6/30/2008	67,842,215	73,926,763	6,084,548	91.8%	17,685,685	34.4%
6/30/2009	71,519,052	79,602,988	8,083,936	89.8%	18,625,853	43.4%

*Latest information available dated October 2010.

Safety Plan

The County Safety Plan is part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not available.

County of Lassen
Required Supplementary Information, Continued
For the year ended June 30, 2011

3. POSTEMPLOYMENT HEALTH PLAN

A. Schedule of Funding Progress

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30.

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial	Funded		Actuarial
Actuarial	Actuarial	Actuarial	Accrued	Ratio	Covered	Liability as
Valuation	Asset	Accrued	Liability	(A/B)	Payroll	Percentage of
Date*	Value	Liability	(B-A)			Covered
						Payroll
						(C/E)
6/30/2007	\$ -	\$ 6,337,920	\$ 6,337,920	0.0%	\$ 18,023,635	35.2%
6/30/2008	-	6,337,920	6,337,920	0.0%	18,494,341	34.3%
6/30/2009	-	6,763,047	6,763,047	0.0%	19,865,000	34.0%

County of Lassen

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

General Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 8,419,000	\$ 8,419,000	\$ 8,608,291	\$ 189,291
Licenses and permits	359,360	359,360	360,921	1,561
Intergovernmental	3,945,655	3,934,551	3,635,460	(299,091)
Charges for services	2,230,715	2,230,715	2,379,755	149,040
Fines and forfeitures	438,700	438,700	441,094	2,394
Use of money and property	53,578	53,578	45,434	(8,144)
Other	236,927	236,927	787,221	550,294
Total revenues	15,683,935	15,672,831	16,258,176	585,345
EXPENDITURES:				
Current:				
General government	6,367,626	6,335,730	5,963,370	(372,360)
Public protection	2,127,770	2,126,270	1,774,344	(351,926)
Education	78,816	78,816	71,797	(7,019)
Recreation and culture	20,600	20,600	19,347	(1,253)
Capital outlay	128,000	128,000	23,583	(104,417)
Total expenditures	8,722,812	8,689,416	7,852,441	(836,975)
REVENUES OVER (UNDER) EXPENDITURES	6,961,123	6,983,415	8,405,735	1,422,320
OTHER FINANCING SOURCES (USES):				
Transfers in	1,486,809	1,486,809	1,157,770	(329,039)
Transfers out	(8,862,476)	(8,894,372)	(8,722,277)	172,095
Total other financing sources (uses)	(7,375,667)	(7,407,563)	(7,564,507)	(156,944)
Net change in fund balance	\$ (414,544)	\$ (424,148)	841,228	\$ 1,265,376
FUND BALANCE:				
Beginning of year			6,917,491	
End of year			<u>\$ 7,758,719</u>	

County of Lassen

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Road Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 10,000	\$ 10,000	\$ 9,680	\$ (320)
Intergovernmental	16,530,700	16,455,700	6,976,174	(9,479,526)
Use of money and property	50,000	50,000	34,430	(15,570)
Charges for services	33,000	33,000	83,854	50,854
Other revenues	135,000	135,000	318,425	183,425
Sale of capital assets			5,514	5,514
Total revenues	16,758,700	16,683,700	7,428,077	(9,255,623)
EXPENDITURES:				
Current:				
Public ways and facilities	20,528,011	20,610,944	2,932,799	(17,678,145)
Capital outlay			4,233,205	4,233,205
Total expenditures	20,528,011	20,610,944	7,166,004	(13,444,940)
REVENUES OVER (UNDER) EXPENDITURES	\$ (3,769,311)	\$ (3,927,244)	262,073	\$ 4,189,317
Net change in fund balance				
Beginning of year			8,733,025	
End of year			<u>\$ 8,995,098</u>	

County of Lassen

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Community Development Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$	\$	\$ 11,955	\$ 11,955
Intergovernmental	1,226,012	1,226,012	601,308	(624,704)
Charges for services			6,615	6,615
Other revenues			298	298
Total revenues	1,226,012	1,226,012	620,176	(605,836)
EXPENDITURES:				
Current:				
Public assistance	1,877,124	1,877,124	867,538	(1,009,586)
Total expenditures	1,877,124	1,877,124	867,538	(1,009,586)
REVENUES OVER (UNDER) EXPENDITURES	(651,112)	(651,112)	(247,362)	403,750
OTHER FINANCING SOURCES (USES):				
Transfers in	57,876	57,876	57,876	-
Transfers out				-
Total other financing sources (uses)	57,876	57,876	57,876	-
Net change in fund balance	\$ (593,236)	\$ (593,236)	(189,486)	\$ 403,750
FUND BALANCE:				
Beginning of year			1,423,122	
End of year			\$ 1,233,636	

County of Lassen

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Sierra Army Depot Fund (Redevelopment Agency)

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 73,143	\$ 73,143	\$ 64,145	\$ (8,998)
Other revenues			18,455	18,455
Total revenues	73,143	73,143	82,600	9,457
EXPENDITURES:				
Current:				
General government	138,532	138,532	108,269	(30,263)
Total expenditures	138,532	138,532	108,269	(30,263)
REVENUES OVER (UNDER) EXPENDITURES	(65,389)	(65,389)	(25,669)	39,720
OTHER FINANCING SOURCES (USES):				
Transfers in	94,602	94,602		(94,602)
Transfers out	(29,191)	(29,191)	(29,191)	-
Total other financing sources (uses)	65,411	65,411	(29,191)	(94,602)
Net change in fund balance	\$ 22	\$ 22	(54,860)	\$ (54,882)
FUND BALANCE:				
Beginning of year			(660,976)	
End of year			<u>\$ (715,836)</u>	

County of Lassen

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Welfare Admin

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$	\$	\$ 3,328	\$ 3,328
Intergovernmental	5,989,222	6,148,853	5,227,166	(921,687)
Charges for services			160	160
Other revenues	75,000	75,000	76,277	1,277
Total revenues	6,064,222	6,223,853	5,306,931	(916,922)
EXPENDITURES:				
Current:				
Public Assistance	7,642,228	7,801,859	6,495,096	(1,306,763)
Capital outlay			62,035	62,035
Total expenditures	7,642,228	7,801,859	6,557,131	(1,244,728)
REVENUES OVER (UNDER) EXPENDITURES	(1,578,006)	(1,578,006)	(1,250,200)	327,806
OTHER FINANCING SOURCES (USES):				
Transfers in	1,519,902	1,519,902	1,442,680	(77,222)
Transfers out			(1,083)	(1,083)
Total other financing sources (uses)	1,519,902	1,519,902	1,441,597	(78,305)
Net change in fund balance	\$ (58,104)	\$ (58,104)	191,397	\$ 249,501
FUND BALANCE:				
Beginning of year			306,436	
End of year			\$ 497,833	

County of Lassen

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Welfare Assistance For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 6,437,202	\$ 6,887,202	\$ 5,908,606	\$ (978,596)
Other revenues	185,000	185,000	148,119	(36,881)
Total revenues	6,622,202	7,072,202	6,056,725	(1,015,477)
EXPENDITURES:				
Current:				
Public assistance	7,563,972	8,063,972	7,566,843	(497,129)
Total expenditures	7,563,972	8,063,972	7,566,843	(497,129)
REVENUES OVER (UNDER) EXPENDITURES	(941,770)	(991,770)	(1,510,118)	(518,348)
OTHER FINANCING SOURCES (USES):				
Transfers in	931,770	981,770	889,780	(91,990)
Transfers out				-
Total other financing sources (uses)	931,770	981,770	889,780	(91,990)
Net change in fund balance	\$ (10,000)	\$ (10,000)	(620,338)	\$ (610,338)
FUND BALANCE:				
Beginning of year			1,013,385	
End of year			\$ 393,047	

County of Lassen

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Health and Human Services Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 3,500	\$ 3,500	\$ 3,496	\$ (4)
Fines, forfeitures and penalties	19,300	19,100	21,158	2,058
Use of money and property	37,359	37,359	44,406	7,047
Intergovernmental	4,445,389	3,693,089	3,396,278	(296,811)
Charges for services	770,222	783,991	834,060	50,069
Other revenues	44,444	48,500	47,989	(511)
Total revenues	5,320,214	4,585,539	4,347,386	(238,153)
EXPENDITURES:				
Current:				
Public protection	232,000	232,000	207,445	(24,555)
Health and sanitation	7,336,864	7,398,023	5,875,611	(1,522,412)
Public assistance	880,077	880,077	828,316	(51,761)
Capital outlay			27,109	27,109
Total expenditures	8,448,941	8,510,100	6,938,481	(1,571,619)
REVENUES OVER (UNDER) EXPENDITURES	(3,128,727)	(3,924,561)	(2,591,094)	1,333,467
OTHER FINANCING SOURCES (USES):				
Transfers in	3,290,203	4,062,892	3,242,952	(819,940)
Transfers out			(1,780)	(1,780)
Total other financing sources (uses)	3,290,203	4,062,892	3,241,173	(821,719)
Net change in fund balance	\$ 161,476	\$ 138,331	650,078	\$ 511,747
FUND BALANCE:				
Beginning of year			3,054,757	
End of year			<u>\$ 3,704,835</u>	

County of Lassen
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Public Safety Fund
For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 80,000	\$ 80,000	\$ 75,197	\$ (4,803)
Licenses and permits	235	235	590	355
Fines, forfeitures and penalties	9,000	9,000	118,389	109,389
Use of money and property	1,000	1,000	1,919	919
Intergovernmental	1,318,211	1,318,211	1,346,297	28,086
Charges for services	2,556,507	2,556,507	2,567,374	10,867
Other revenues	155,300	155,300	168,584	13,284
Total revenues	4,120,253	4,120,253	4,278,350	158,097
EXPENDITURES:				
Current:				
General government	401,410	401,410	358,173	(43,237)
Public protection	9,995,704	10,115,704	9,396,155	(719,549)
Total expenditures	10,397,114	10,517,114	9,754,328	(762,786)
REVENUES OVER (UNDER) EXPENDITURES	(6,276,861)	(6,396,861)	(5,475,978)	920,883
OTHER FINANCING SOURCES (USES):				
Transfers in	6,254,831	6,374,831	5,762,304	(612,527)
Transfers out			(46,588)	(46,588)
Total other financing sources (uses)	6,254,831	6,374,831	5,715,716	(659,115)
Net change in fund balance	\$ (22,030)	\$ (22,030)	239,738	\$ 261,768
FUND BALANCE:				
Beginning of year			481,300	
End of year			<u>\$ 721,038</u>	

SUPPLEMENTAL INFORMATION

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NON-MAJOR GOVERNMENTAL FUND

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

	Special Revenue					
	Retiree	Prison		Sheriff	HHS	
	Health	Trial Program	DA Contracts	Contracts	Contracts	Air Pollution
	Benefits	Fund	Fund	Fund	Fund	Fund
ASSETS						
Cash and investments	\$ 2,875,282	\$ 184,396	\$	\$ 180,459	\$ 14,608	\$ 331,398
Due from other governmental entities		82,046	51,862	24,385		
Due from other funds						
Advances to other funds						
Long term receivables						
Total assets	\$ 2,875,282	\$ 266,442	\$ 51,862	\$ 204,844	\$ 14,608	\$ 331,398
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$ 16,295	\$ 5,201	\$ 4,135	\$	\$ 38,322
Accrued salaries		10,205	9,367			5,339
Due to other governmental entities						
Due to other funds			42,181			
Deferred revenue						
Unearned revenue						
Total liabilities	-	26,500	56,749	4,135	-	43,661
Fund Balances:						
Non Spendable:						
Advances and deposits						
Restricted						287,737
Assigned	2,875,282	239,942		200,709	14,608	
Unassigned			(4,887)			
Total fund balances	2,875,282	239,942	(4,887)	200,709	14,608	287,737
Total liabilities and fund balances	\$ 2,875,282	\$ 266,442	\$ 51,862	\$ 204,844	\$ 14,608	\$ 331,398

Special Revenue

Fish & Game Fund	Mental Health Services Act	General Contract	Cemetery Fund	Aviation Fund	TCF/Bailiff Fund
\$ 4,281	\$ 2,648,788 6,833	\$ 607,215	\$ 67,655	\$ 497,963	\$ 3,748
<u>\$ 4,281</u>	<u>\$ 2,655,621</u>	<u>\$ 607,215</u>	<u>\$ 67,655</u>	<u>\$ 497,963</u>	<u>\$ 3,748</u>
\$	\$ 34,331	\$ 1,840	\$ 3,385	\$ 266,562 542	\$ 3,748
<u>-</u>	<u>34,331</u>	<u>1,840</u>	<u>3,385</u>	<u>267,104</u>	<u>3,748</u>
4,281	2,621,290	605,375	64,270	230,859	
<u>4,281</u>	<u>2,621,290</u>	<u>605,375</u>	<u>64,270</u>	<u>230,859</u>	<u>-</u>
<u>\$ 4,281</u>	<u>\$ 2,655,621</u>	<u>\$ 607,215</u>	<u>\$ 67,655</u>	<u>\$ 497,963</u>	<u>\$ 3,748</u>

(Continued)

County of Lassen
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Special Revenue					
	Supplemental					Inmate
	Law	Vital	Recorder	Recorder	Recorder	Welfare
Enforcement	Statistics	Micrographics	Modernization	AB130	State	
Fund						
ASSETS						
Cash and investments	\$ 406,390	\$ 57,855	\$ 189,935	\$ 170,648	\$ 40,125	\$ 59,991
Due from other governmental entities	158,330					
Due from other funds						
Advances to other funds						
Long term receivables						
Total assets	\$ 564,720	\$ 57,855	\$ 189,935	\$ 170,648	\$ 40,125	\$ 59,991
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$	\$	\$ 15,157	\$	\$
Accrued salaries						
Due to other governmental entities	11,316					
Due to other funds						
Deferred revenue						
Unearned revenue						
Total liabilities	11,316	-	-	15,157	-	-
Fund Balances:						
Non Spendable:						
Advances and deposits						
Restricted	553,404	57,855	189,935	155,491	40,125	59,991
Assigned						
Unassigned						
Total fund balances	553,404	57,855	189,935	155,491	40,125	59,991
Total liabilities and fund balances	\$ 564,720	\$ 57,855	\$ 189,935	\$ 170,648	\$ 40,125	\$ 59,991

Special Revenue							
Inmate Welfare County	Narcotics Asset Forfeiture Fund	Narcotics Task Force Fund	Emergency Services Fund	Property Tax Delinquent Costs Fund	Bieber Lighting District	Lassen-Modoc Flood Fund	Natural Resources
\$ 164,251	\$ 59,484	\$ 14,064	\$ 141,001	\$ 77,314	\$ 30,640	\$ 161,858	\$ 82,085
		50,387	11,783				
<u>\$ 164,251</u>	<u>\$ 59,484</u>	<u>\$ 64,451</u>	<u>\$ 152,784</u>	<u>\$ 77,314</u>	<u>\$ 30,640</u>	<u>\$ 161,858</u>	<u>\$ 82,085</u>
\$	\$	\$	\$	\$	\$	\$	\$ 3,401
		3,948					
							21,000
-	-	3,948	-	-	-	-	24,401
164,251	59,484	60,503	152,784	77,314	30,640	161,858	57,684
<u>164,251</u>	<u>59,484</u>	<u>60,503</u>	<u>152,784</u>	<u>77,314</u>	<u>30,640</u>	<u>161,858</u>	<u>57,684</u>
<u>\$ 164,251</u>	<u>\$ 59,484</u>	<u>\$ 64,451</u>	<u>\$ 152,784</u>	<u>\$ 77,314</u>	<u>\$ 30,640</u>	<u>\$ 161,858</u>	<u>\$ 82,085</u>

(Continued)

County of Lassen
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Special Revenue					
		Mental	Social	Public	Substance	County
	Geothermal	Health	Services	Health	Abuse & Crime	Children's
	Realignment	Realignment	Realignment	Prevention	Fund	
ASSETS						
Cash and investments	\$ 164,918	\$ 452,797	\$ 614,720	\$ 906,653	\$	\$ 69,923
Due from other governmental entities		33,660	84,998	21,534	3,529	
Due from other funds		6,715	1,180	31,693		
Advances to other funds						
Long term receivables						
Total assets	\$ 164,918	\$ 493,172	\$ 700,898	\$ 959,880	\$ 3,529	\$ 69,923
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$	\$	\$	\$	\$
Accrued salaries						
Due to other governmental entities						
Due to other funds					3,529	
Deferred revenue						
Unearned revenue						
Total liabilities	-	-	-	-	3,529	-
Fund Balances:						
Non Spendable:						
Advances and deposits						
Restricted	164,918	493,172	700,898	959,880		69,923
Assigned						
Unassigned						
Total fund balances	164,918	493,172	700,898	959,880	-	69,923
Total liabilities and fund balances	\$ 164,918	\$ 493,172	\$ 700,898	\$ 959,880	\$ 3,529	\$ 69,923

Special Revenue

Tobacco Settlement Fund	Fair	Economic Development & Housing Income	Loss Prevention Fund	USDA Title III	Probation Fund	Probation Contracts	Child Support	Special Revenue Total
\$ 218,991	\$ 52,142	\$ 80,184	\$ 151,174	\$ 5,623	\$ 26,148	\$	\$ 111,392	\$ 11,926,099
					87,450	24,890		641,687
								39,588
		400,000						400,000
		59,001						59,001
<u>\$ 218,991</u>	<u>\$ 52,142</u>	<u>\$ 539,185</u>	<u>\$ 151,174</u>	<u>\$ 5,623</u>	<u>\$ 113,598</u>	<u>\$ 24,890</u>	<u>\$ 111,392</u>	<u>\$ 13,066,375</u>
\$	\$	\$	\$	\$	\$ 8,188	\$	\$	\$ 391,592
	15,011				95,030	7,070	33,320	188,805
					5,133			16,449
					5,578	17,205		68,493
		59,001						59,001
								21,000
-	15,011	59,001	-	-	113,929	24,275	33,320	745,340
		400,000						400,000
	37,131			5,623			78,072	7,264,635
218,991		80,184	151,174			615		4,661,618
					(331)			(5,218)
<u>218,991</u>	<u>37,131</u>	<u>480,184</u>	<u>151,174</u>	<u>5,623</u>	<u>(331)</u>	<u>615</u>	<u>78,072</u>	<u>12,321,035</u>
<u>\$ 218,991</u>	<u>\$ 52,142</u>	<u>\$ 539,185</u>	<u>\$ 151,174</u>	<u>\$ 5,623</u>	<u>\$ 113,598</u>	<u>\$ 24,890</u>	<u>\$ 111,392</u>	<u>\$ 13,066,375</u>

(Continued)

County of Lassen
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Capital Projects					
	Criminal Justice		CCC Mitigation	Accumulated		
	Facility Construction	Capital Improvements	Capital Improvements	Capital Outlay	Courthouse Construction	Fair Improvement
ASSETS						
Cash and investments	\$ 1,765,422	\$ 76,093	\$ 600,792	\$ 871,250	\$ 175	\$ 213,285
Due from other governmental entities						
Due from other funds						
Advances to other funds			350,000			
Long term receivables						
Total assets	\$ 1,765,422	\$ 76,093	\$ 950,792	\$ 871,250	\$ 175	\$ 213,285
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$	\$	\$	\$	\$
Accrued salaries						
Due to other governmental entities						
Due to other funds						
Deferred revenue						
Deferred revenue						
Total liabilities	-	-	-	-	-	-
Fund Balances:						
Non Spendable:						
Advances and deposits			350,000			
Restricted	1,765,422				175	213,285
Assigned		76,093	600,792	871,250		
Unassigned						
Total fund balances	1,765,422	76,093	950,792	871,250	175	213,285
Total liabilities and fund balances	\$ 1,765,422	\$ 76,093	\$ 950,792	\$ 871,250	\$ 175	\$ 213,285

<u>Capital Projects</u>			
CCF Equipment Replacement Fund	Total Capital Projects	Debt Service Fund	Total Non Major Governmental Funds
\$ 276,147	\$ 3,803,164	\$ 77	\$ 15,729,340
5,850	5,850		647,537
			39,588
	350,000		750,000
			59,001
<u>\$ 281,997</u>	<u>\$ 4,159,014</u>	<u>\$ 77</u>	<u>\$ 17,225,466</u>

\$	\$	\$	\$ 391,592
			188,805
			16,449
			68,493
			59,001
			21,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>745,340</u>

	350,000		750,000
281,997	2,260,879		9,525,514
	1,548,135	77	6,209,830
			(5,218)
<u>281,997</u>	<u>4,159,014</u>	<u>77</u>	<u>16,480,126</u>
<u>\$ 281,997</u>	<u>\$ 4,159,014</u>	<u>\$ 77</u>	<u>\$ 17,225,466</u>

(Concluded)

County of Lassen
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

	Special Revenue					
	Retiree Health Benefits	Prison Trial Program Fund	DA Contracts Fund	Sheriff Contracts Fund	HHS Contracts Fund	Air Pollution Fund
REVENUES:						
Taxes	\$	\$	\$	\$	\$	\$ 13,554.00
Licenses and permits						69,945
Intergovernmental		874,587	128,367	151,208	150,000	528,368
Charges for services						
Fines and forfeitures						
Use of money and property	14,283	715		892	152	1,260
Other	27,527				914	
Total revenues	41,810	875,302	128,367	152,100	151,066	613,127
EXPENDITURES:						
Current:						
General government						
Public protection		881,709	209,375	39,889		
Public ways and facilities						
Health and sanitation					149,659	346,421
Public assistance						
Recreation and culture						
Capital outlay						
Total expenditures	-	881,709	209,375	39,889	149,659	346,421
REVENUES OVER (UNDER) EXPENDITURES	41,810	(6,407)	(81,008)	112,211	1,407	266,706
OTHER FINANCING SOURCES (USES):						
Transfers in			33,815			
Transfers out	(187,528)			(68,644)		
Total other financing sources (uses)	(187,528)	-	33,815	(68,644)	-	-
Net change in fund balances	(145,718)	(6,407)	(47,193)	43,567	1,407	266,706
FUND BALANCES:						
Beginning of year	3,021,000	246,349	42,306	157,142	13,201	21,031
End of year	\$ 2,875,282	\$ 239,942	\$ (4,887)	\$ 200,709	\$ 14,608	\$ 287,737

Special Revenue

Fish & Game Fund	Mental Health Services Act	General Contract	Cemetery Fund	Aviation Fund	TCF/Bailiff Fund
\$ 2,967	\$ 3,231,162 30,877	\$ 190,859	\$ 111,601.00 916 1,978	\$ 80,000	\$ 111,745
1	40,654	2,687 75	308 11,000	2,240 6	32
<u>2,968</u>	<u>3,302,693</u>	<u>193,621</u>	<u>125,803</u>	<u>82,246</u>	<u>111,777</u>
2,575	1,418,949	56,411	107,676	77,892	130,737
<u>2,575</u>	<u>1,468,627</u>	<u>56,411</u>	<u>119,339</u>	<u>344,454</u>	<u>130,737</u>
393	1,834,066	137,210	6,464	(262,208)	(18,960)
<u>-</u>	<u>(383,962)</u>	<u>(57,000)</u>	<u>-</u>	<u>-</u>	<u>21,588</u>
393	1,450,104	80,210	6,464	(262,208)	2,628
<u>3,888</u>	<u>1,171,186</u>	<u>525,165</u>	<u>57,806</u>	<u>493,067</u>	<u>(2,628)</u>
<u>\$ 4,281</u>	<u>\$ 2,621,290</u>	<u>\$ 605,375</u>	<u>\$ 64,270</u>	<u>\$ 230,859</u>	<u>\$ -</u>

(Continued)

County of Lassen
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2011

	Special Revenue					
	Supplemental					Inmate
	Law	Vital	Recorder	Recorder	Recorder	Welfare
Enforcement	Statistics	Micrographics	Modernization	AB130	State	
Fund						
REVENUES:						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits						
Intergovernmental	640,944					
Charges for services		4,542	8,435	26,697	12,714	32,055
Fines and forfeitures						
Use of money and property	1,852	266	858	794	188	259
Other					176	48,697
Total revenues	642,796	4,808	9,293	27,491	13,078	81,011
EXPENDITURES:						
Current:						
General government						
Public protection	102,180	2,375	4,587	57,399		71,743
Public ways and facilities						
Health and sanitation						
Public assistance						
Recreation and culture						
Capital outlay						
Total expenditures	102,180	2,375	4,587	57,399	-	71,743
REVENUES OVER						
(UNDER) EXPENDITURES	540,616	2,433	4,706	(29,908)	13,078	9,268
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	(514,453)				(15,000)	
Total other financing sources (uses)	(514,453)	-	-	-	(15,000)	-
Net change in fund balances	26,163	2,433	4,706	(29,908)	(1,922)	9,268
FUND BALANCES:						
Beginning of year	527,241	55,422	185,229	185,399	42,047	50,723
End of year	\$ 553,404	\$ 57,855	\$ 189,935	\$ 155,491	\$ 40,125	\$ 59,991

Special Revenue

Inmate Welfare County	Narcotics		Property				
	Asset Forfeiture Fund	Narcotics Task Force Fund	Emergency Services Fund	Tax Delinquent Costs Fund	Bieber Lighting District	Lassen-Modoc Flood Fund	Natural Resources
\$	\$	\$	\$	\$	\$ 2,827	\$ 8,883	\$
31,831		260,406	45,397	28,484	48	163	46,486
698	1,058						
44,180	328	26	651	363	191	1,093	294
76,709	45						505
	1,431	260,432	46,048	28,847	3,066	10,139	47,285
72,102	27,022	205,626	31,563	20,777		16,447	
					2,662		
							65,848
72,102	27,022	205,626	31,563	20,777	2,662	16,447	65,848
4,607	(25,591)	54,806	14,485	8,070	404	(6,308)	(18,563)
							20,000
		(7,631)		(20,000)			
-	-	(7,631)	-	(20,000)	-	-	20,000
4,607	(25,591)	47,175	14,485	(11,930)	404	(6,308)	1,437
159,644	85,075	13,328	138,299	89,244	30,236	168,166	56,247
\$ 164,251	\$ 59,484	\$ 60,503	\$ 152,784	\$ 77,314	\$ 30,640	\$ 161,858	\$ 57,684

(Continued)

County of Lassen
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2011

	Special Revenue					County Children's Fund
	Geothermal	Mental Health Realignment	Social Services Realignment	Public Health Realignment	Substance Abuse & Crime Prevention	
REVENUES:						
Taxes	\$	\$ 700,213	\$ 1,853,912	\$ 468,468	\$	\$
Licenses and permits						
Intergovernmental	26,630				109,605	879
Charges for services					3,224	3,377
Fines and forfeitures						
Use of money and property	719	3,403	3,897	5,701		355
Other					1,007	9,319
Total revenues	27,349	703,616	1,857,809	474,169	113,836	13,930
EXPENDITURES:						
Current:						
General government						
Public protection	52					
Public ways and facilities						
Health and sanitation		44,047		687,113	110,643	
Public assistance						17,758
Recreation and culture						
Capital outlay						
Total expenditures	52	44,047	-	687,113	110,643	17,758
REVENUES OVER (UNDER) EXPENDITURES	27,297	659,569	1,857,809	(212,944)	3,193	(3,828)
OTHER FINANCING SOURCES (USES):						
Transfers in		667,721	49,975	1,342,168		
Transfers out		(1,490,970)	(1,979,783)	(1,422,263)		
Total other financing sources (uses)	-	(823,249)	(1,929,808)	(80,095)	-	-
Net change in fund balances	27,297	(163,680)	(71,999)	(293,039)	3,193	(3,828)
FUND BALANCES:						
Beginning of year	137,621	656,852	772,897	1,252,919	(3,193)	73,751
End of year	\$ 164,918	\$ 493,172	\$ 700,898	\$ 959,880	\$ -	\$ 69,923

Special Revenue

Tobacco Settlement Fund	Economic Development & Housing Income Fair	Loss Prevention Fund	USDA Title III	Probation Fund	Probation Contracts	Child Support	Special Revenue Total
\$	\$	\$	\$	\$	\$	\$	3,159,458
	222,265		204,619	632,177	80,624	958,499	73,828
				89,520	55,800		8,374,412
				687,968			630,160
1,120	485,438	17,405	683	15,730			689,026
304,115	453			5,104		329	605,536
<u>305,235</u>	<u>708,156</u>	<u>17,405</u>	<u>683</u>	<u>1,430,499</u>	<u>136,424</u>	<u>958,828</u>	<u>13,985,872</u>
	684,052		100				761,340
		66	206,915	2,698,952	143,861	945,546	5,958,397
							80,554
							2,756,832
							17,758
							65,848
							<u>327,903</u>
-	684,052	66	100	206,915	2,698,952	143,861	9,968,632
305,235	24,104	17,339	583	(2,296)	(1,268,453)	(7,437)	4,017,240
	35,512				1,152,813	20,000	3,343,592
(305,329)		(10,000)			(20,000)		(6,482,563)
<u>(305,329)</u>	<u>35,512</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>1,132,813</u>	<u>20,000</u>	<u>(3,138,971)</u>
(94)	59,616	7,339	583	(2,296)	(135,640)	12,563	878,269
219,085	(22,485)	472,845	150,591	7,919	135,309	(11,948)	64,790
<u>\$ 218,991</u>	<u>\$ 37,131</u>	<u>\$ 480,184</u>	<u>\$ 151,174</u>	<u>\$ 5,623</u>	<u>\$ (331)</u>	<u>\$ 615</u>	<u>\$ 78,072</u>
							<u>12,321,035</u>

(Continued)

County of Lassen
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2011

	Capital Projects					
	Criminal Justice		CCC Mitigation	Accumulated	Courthouse	Fair
	Facility Construction	Capital Improvements	Capital Improvements	Capital Outlay	Construction	Improvement
REVENUES:						
Taxes	\$	\$	\$	\$ 232,692	\$	\$
Licenses and permits						
Intergovernmental		259,590		4,124		35,000
Charges for services						
Fines and forfeitures	71,390				167,829	
Use of money and property	7,895		2,691	155	322	881
Other		3,284		4,600		
Total revenues	79,285	262,874	2,691	241,571	168,151	35,881
EXPENDITURES:						
Current:						
General government	7,147	1,954		5,401		36,971
Public protection						
Public ways and facilities						
Health and sanitation						
Public assistance						
Recreation and culture						
Capital outlay	7,250	158,829	4,365	53,909		20,409
Total expenditures	14,397	160,783	4,365	59,310	-	57,380
REVENUES OVER (UNDER) EXPENDITURES	64,888	102,091	(1,674)	182,261	168,151	(21,499)
OTHER FINANCING SOURCES (USES):						
Transfers in	168,040			2,863		
Transfers out	(102,235)			(230,000)	(168,040)	(35,512)
Total other financing sources (uses)	65,805	-	-	(227,137)	(168,040)	(35,512)
Net change in fund balances	130,693	102,091	(1,674)	(44,876)	111	(57,011)
FUND BALANCES:						
Beginning of year	1,634,729	(25,998)	952,466	916,126	64	270,296
End of year	<u>\$ 1,765,422</u>	<u>\$ 76,093</u>	<u>\$ 950,792</u>	<u>\$ 871,250</u>	<u>\$ 175</u>	<u>\$ 213,285</u>

<u>Capital Projects</u>			
CCF Equipment Replacement Fund	Total Capital Projects	Debt Service Fund	Total Non Major Governmental Funds
\$	\$ 232,692	\$	\$ 3,392,150
			73,828
40,950	339,664		8,714,076
			630,160
	239,219		928,245
1,110	13,054	225	618,815
	7,884	22	461,358
<u>42,060</u>	<u>832,513</u>	<u>247</u>	<u>14,818,632</u>
	51,473		812,813
7,096	7,096		5,965,493
			80,554
			2,756,832
			17,758
			65,848
7,250	252,012		579,915
<u>14,346</u>	<u>310,581</u>	<u>-</u>	<u>10,279,213</u>
<u>27,714</u>	<u>521,932</u>	<u>247</u>	<u>4,539,419</u>
	170,903		3,514,495
	(535,787)	(88,257)	(7,106,607)
-	(364,884)	(88,257)	(3,592,112)
27,714	157,048	(88,010)	947,307
254,283	4,001,966	88,087	15,532,819
<u>\$ 281,997</u>	<u>\$ 4,159,014</u>	<u>\$ 77</u>	<u>16,480,126</u>

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NON-MAJOR ENTERPRISE FUND

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

	County Service Area (Honey Lake TV)	County Business Parks	County Water Systems	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 33,067	\$ 2,499	\$ 1,637	\$ 37,203
Total current assets	33,067	2,499	1,637	37,203
Noncurrent assets:				
Capital assets:				
Nondepreciable		317,519	25,000	342,519
Depreciable, net	104,389	577,745		682,134
Total noncurrent assets	104,389	895,264	25,000	1,024,653
Total assets	137,456	897,763	26,637	1,061,856
LIABILITIES				
Noncurrent liabilities:				
Advances from other funds		20,000	65,000	85,000
Total liabilities	-	20,000	65,000	85,000
NET ASSETS				
Investment in capital assets, net of related debt	104,389	895,264	25,000	1,024,653
Unrestricted	33,067	(17,501)	(63,363)	(47,797)
Total net assets	\$ 137,456	\$ 877,763	\$ (38,363)	\$ 976,856

County of Lassen
Combining Statement of Activities and Changes in Net Assets
Non-Major Enterprise Funds
For the year ended June 30, 2011

	County Service Area (Honey Lake TV)	County Business Parks	County Water Systems	Total
OPERATING REVENUES				
Charges for sales and services	\$ 9,302	\$ 25,068	\$ 1,081	\$ 35,451
Total operating revenues	9,302	25,068	1,081	35,451
OPERATING EXPENSES				
Services and supplies	47,593	25,760	5,163	78,516
Depreciation	27,905	20,387		48,292
Total operating expenses	75,498	46,147	5,163	126,808
OPERATING INCOME (LOSS)	(66,196)	(21,079)	(4,082)	(91,357)
NONOPERATING INCOME (EXPENSES)				
Interest income	191			191
Total nonoperating income (expenses)	191	-	-	191
INCOME (LOSS) BEFORE TRANSFERS	(66,005)	(21,079)	(4,082)	(91,166)
Transfers in / (out)		(22,412)	3,727	(18,685)
Change in net assets	(66,005)	(43,491)	(355)	(109,851)
NET ASSETS				
Beginning of year	203,462	921,254	(38,009)	1,086,707
End of year	<u>\$ 137,457</u>	<u>\$ 877,763</u>	<u>\$ (38,364)</u>	<u>\$ 976,856</u>

County of Lassen
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the year ended June 30, 2011

	County Service Area (Honey Lake TV)	County Business Parks	County Water Systems	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 9,302	\$ 25,068	\$ 1,081	\$ 35,451
Cash paid to suppliers for goods and services	(47,593)	(25,760)	(5,163)	(78,516)
Net cash (used in) operating activities	(38,291)	(692)	(4,082)	(43,065)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in / (out)		(22,412)	3,727	(18,685)
Net cash provided by (used in) noncapital financing activities	-	(22,412)	3,727	(18,685)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payment for the acquisition of capital assets	(64,816)			(64,816)
Net cash (used in) capital and related financing activities	(64,816)	-	-	(64,816)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	191			191
Net cash provided by investing activities	191	-	-	191
Net decrease in cash and cash equivalents	(102,916)	(23,104)	(355)	(126,375)
CASH AND CASH EQUIVALENTS:				
Beginning of year	135,984	25,603	1,991	163,578
End of year	\$ 33,068	\$ 2,499	\$ 1,636	\$ 37,203
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (66,196)	\$ (21,079)	\$ (4,082)	\$ (91,357)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) by operating activities:				
Depreciation	27,905	20,387		48,292
Net cash used in operating activities	\$ (38,291)	\$ (692)	\$ (4,082)	\$ (43,065)

INTERNAL SERVICES FUND

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

	Information Services	Fleet Maintenance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 35,267	\$ 768,626	\$ 803,893
Total current assets	<u>35,267</u>	<u>768,626</u>	<u>803,893</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net	<u>34,269</u>	<u>355,784</u>	<u>390,053</u>
Total capital assets	<u>34,269</u>	<u>355,784</u>	<u>390,053</u>
Total assets	<u>69,536</u>	<u>1,124,410</u>	<u>1,193,946</u>
LIABILITIES			
Liabilities:			
Current liabilities:			
Accounts payable		11,715	11,715
Salaries and benefits payable	<u>11,773</u>	<u>4,061</u>	<u>15,834</u>
Total liabilities	<u>11,773</u>	<u>15,776</u>	<u>27,549</u>
NET ASSETS			
Invested in capital assets, net of related debt	34,269	355,784	390,053
Unrestricted	<u>23,494</u>	<u>752,850</u>	<u>776,344</u>
Total net assets	<u>\$ 57,763</u>	<u>\$ 1,108,634</u>	<u>\$ 1,166,397</u>

County of Lassen
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2011

	Information Services	Fleet Maintenance	Total
OPERATING REVENUES:			
Charges for services	\$ 415,720	\$ 718,243	\$ 1,133,963
Other revenue	86	1,150	1,236
Total operating revenues	415,806	719,393	1,135,199
OPERATING EXPENSES:			
Salaries and benefits	216,609	78,763	295,372
Services and supplies	162,951	399,742	562,693
Depreciation	13,852	173,659	187,511
Total operating expenses	393,412	652,164	1,045,576
OPERATING INCOME (LOSS)	22,394	67,229	89,623
NONOPERATING REVENUES EXPENSES:			
Sale of capital assets		19,556	19,556
Interest income	224	2,572	2,796
Total nonoperating revenues (expenses)	224	22,128	22,352
INCOME BEFORE TRANSFERS	22,618	89,357	111,975
Transfer out		(10,000)	(10,000)
Change in net assets	22,618	79,357	101,975
NET ASSETS:			
Beginning of year	35,145	1,029,277	1,064,422
End of year	\$ 57,763	\$ 1,108,634	\$ 1,166,397

County of Lassen
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2011

	Information Services	Fleet Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 415,805	\$ 719,394	\$ 1,135,199
Cash paid to suppliers for goods and services	(162,951)	(366,830)	(529,781)
Cash paid to employees for services	(216,130)	(78,312)	(294,442)
Net cash provided by operating activities	36,724	274,252	310,976
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer out		(10,000)	(10,000)
Net cash used in noncapital financing activities	-	(10,000)	(10,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Sale of capital assets		19,556	19,556
Payment for the acquisition of capital assets	(14,790)	(31,198)	(45,988)
Net cash used in capital and related financing activities	(14,790)	(11,642)	(26,432)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income received	224	2,572	2,796
Net cash provided by investing activities	224	2,572	2,796
Net increase in cash and cash equivalents	22,158	255,182	277,340
CASH AND CASH EQUIVALENTS:			
Beginning of year	13,109	513,444	526,553
End of year	<u>\$ 35,267</u>	<u>\$ 768,626</u>	<u>\$ 803,893</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 22,394	\$ 67,229	\$ 89,623
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	13,852	173,659	187,511
Changes in assets and liabilities:			
Increase (decrease) in:			
Prepaid expense		31,198	31,198
Accounts payable		1,715	1,715
Accrued salaries	478	451	929
Net cash provided by operating activities	\$ 36,724	\$ 274,252	\$ 310,976



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
of the County of Lassen
Susanville, California

We have audited the 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 (County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 18, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Supervisors
of the County of Lassen
Susanville, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
January 18, 2012