

County of Lassen

Susanville, California

Basic Financial Statements

For the year ended June 30, 2010

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, 2010

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

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, 2010, 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 basic 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 basic 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, based on our audit, the basic 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the County's basic financial statements. The accompanying Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
March 24, 2011

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the 2009-2010 fiscal year by \$86,947,793 (net assets). Of this amount, \$15,114,462 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$20,248,711 is restricted for specific purpose (restricted net assets), and \$51,584,620 is invested in capital assets, net of related debt. The government's total net assets increased by \$1,632,391.
- The County governmental funds reported combined fund balances of \$36,801,359 an increase of \$1,912,662 in comparison with the prior year.
- The County's unreserved fund balance for the general fund was \$3,919,646, or 49% of total general fund expenditures.
- The County's investment in capital assets increased by \$2,310,137.
- The County's total non-current liabilities decreased by \$357,269 in comparison with the prior year. Non-current liability, for compensated absences and other post employment benefits increased. Non-current liabilities for claims and judgments payable increased due to a change in reporting. In prior years the total claims liability was reported as a non-current liability. For the period ending June 30, 2010 claims liability is reported as one-half current and one-half non-current liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

The presentation of financial statements for June 30, 2010 has changed from prior years. The new presentation will make information more meaningful and the correlation between financial statement and the county budget will be clearer. Previously, the governmental statements combined funds by function, for instance Public Safety included a combination of eight difference special revenue funds. In this report, each fund is presented individually (the only exception is General Fund which includes the general reserve and self-insurance funds).

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) Government-wide financial statements; 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

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

- The statement of net assets presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

- 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 four 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 General Fund, the Road Fund, the Health and Human Services 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 General Fund 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 \$86,861,086 at the close of the most recent fiscal year.

	Statement of Net Assets						
	June 30, 2010						
	Governmental Activities		Business-Type Activities		Total		Variance %
2010	2009	2010	2009	2010	2009		
Current and Other Assets	\$ 42,868,239	\$ 42,286,635	\$ 78,578	\$ 171,009	\$ 42,946,817	\$ 42,457,644	1.2%
Long Term Receivables	633,788	644,773	-	-	633,788	644,773	-1.7%
Capital Assets	50,576,491	48,903,405	1,008,129	996,078	51,584,620	49,899,483	3.4%
Total Assets	94,078,518	91,834,813	1,086,707	1,167,087	95,165,225	93,001,900	2.3%
Current and Other Liabilities	6,309,940	5,421,737	-	-	6,309,940	5,421,737	16.4%
Long-Term Liabilities	1,907,492	2,264,761	-	-	1,907,492	2,264,761	-15.8%
Total Liabilities	8,217,432	7,686,498	-	-	8,217,432	7,686,498	6.9%
Invested in Capital Assests, net of Related Debt	50,576,491	48,278,405	1,008,129	996,078	51,584,620	49,274,483	4.7%
Restricted	20,248,711	20,202,108	-	-	20,248,711	20,202,108	0.2%
Unrestricted	15,035,884	15,667,802	78,578	171,009	15,114,462	15,838,811	-4.6%
Total Net Assets	\$ 85,861,086	\$ 84,148,315	\$ 1,086,707	\$ 1,167,087	\$ 86,947,793	\$ 85,315,402	1.9%

A portion of the County's net assets, \$15,114,462 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, \$51,584,620, 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, 2010 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 \$1,632,391. While the investments in capital assets, net of related debt, increased by \$2,310,137, and the restricted assets increased by \$46,603, the unrestricted asset decreased by \$724,349.

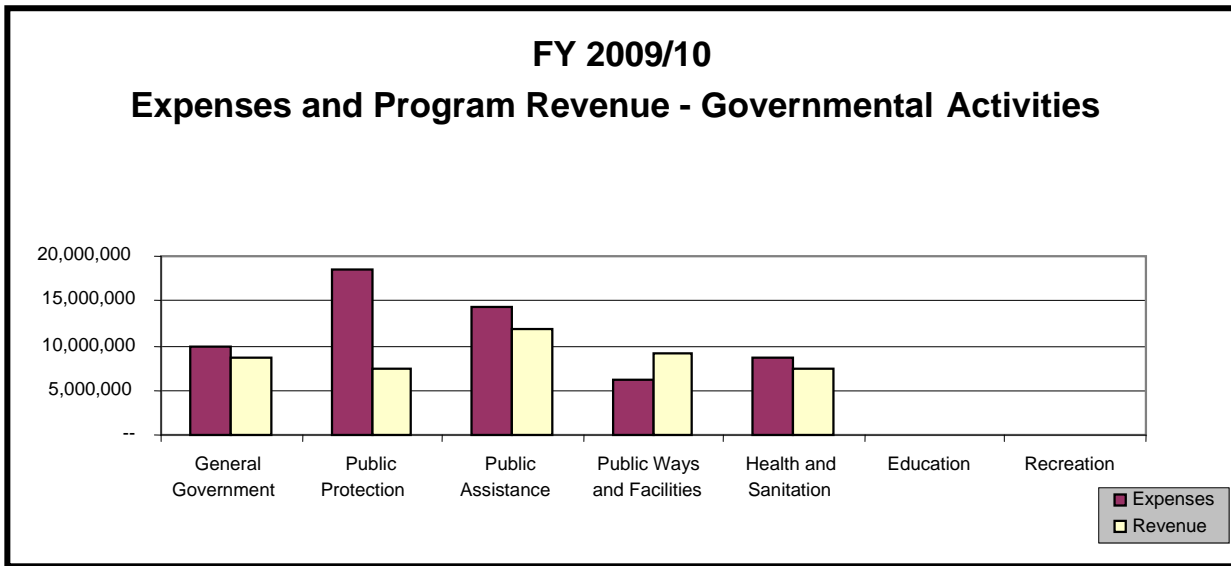
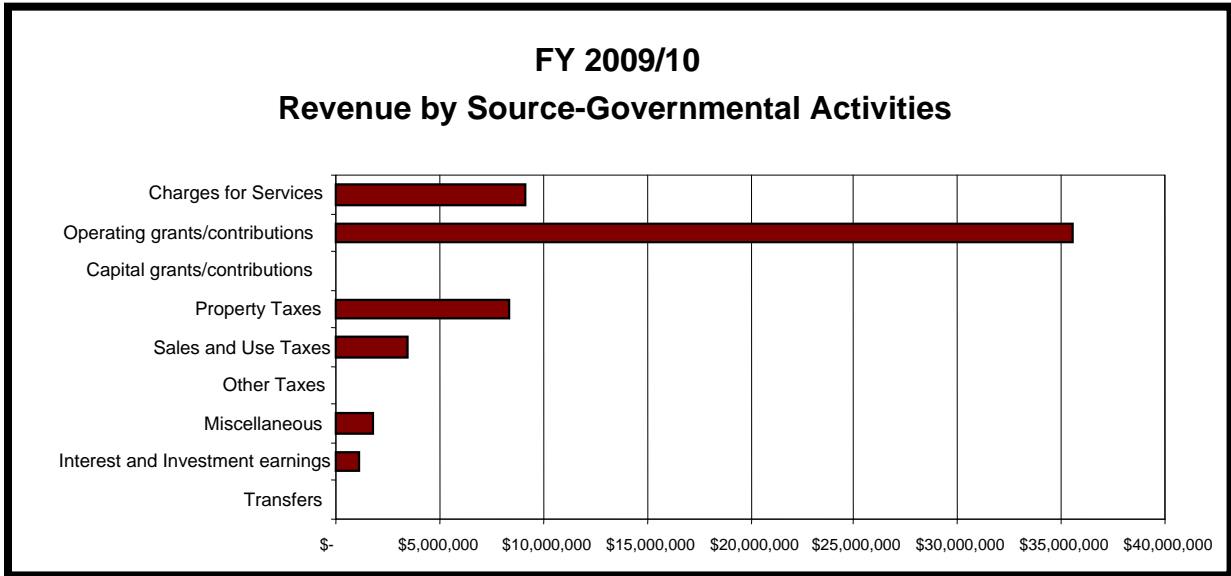
The following table indicates the changes in net assets for governmental and business-type activities:

Statement of Activities							
For the Year Ended June 30, 2010							
Revenues	Governmental Activities		Business-Type Activities		Total		Variance (%)
	2010	2009	2010	2009	2010	2009	
Program Revenues:							
Charges for Services	\$ 9,031,081	\$ 7,247,868	\$ 77,067	\$ 79,279	\$ 9,108,148	\$ 7,327,147	24.3%
Operating grants/contributions	35,584,580	38,028,269	-	-	35,584,580	38,028,269	-6.4%
Capital grants/contributions	71,571	460,609	-	-	71,571	460,609	-84.5%
Property Taxes	8,359,030	8,743,583	-	-	8,359,030	8,743,583	-4.4%
Sales and Use Taxes	3,468,095	5,183,542	-	-	3,468,095	5,183,542	-33.1%
Other Taxes	-	118,051	-	-	-	118,051	-100.0%
Miscellaneous Interest and Investment earnings	1,800,681	2,677,365	-	-	1,800,681	2,677,365	-32.7%
	<u>1,124,487</u>	<u>1,776,454</u>	<u>2,667</u>	<u>6,883</u>	<u>1,127,154</u>	<u>1,783,337</u>	<u>-36.8%</u>
Total Revenues	<u>59,439,525</u>	<u>64,235,741</u>	<u>79,734</u>	<u>86,162</u>	<u>59,519,259</u>	<u>64,321,903</u>	<u>-7.5%</u>
Expenses							
General Government	10,016,188	8,503,575	-	-	10,016,188	8,503,575	17.5%
Public Protection	18,431,841	17,857,548	-	-	18,431,841	17,857,548	3.2%
Public Assistance	14,218,043	14,600,484	-	-	14,218,043	14,600,484	-2.6%
Public Ways and Facilities	6,185,107	3,886,859	-	-	6,185,137	3,886,859	59.1%
Health and Sanitation	8,728,863	9,760,520	-	-	8,728,863	9,760,520	-10.6%
Education	74,607	85,556	-	-	74,607	85,556	-12.8%
Recreation	89,021	95,424	-	-	89,021	95,424	-6.7%
Interest and Fiscal Charges	9,343	39,147	-	-	9,346	39,147	-76.1%
County Service Area (Honey Lake TV)	-	-	79,340	80,170	79,340	80,170	-1.0%
County Business Parks	-	-	48,620	31,756	48,620	31,756	53.1%
County Water System	-	-	5,899	6,605	5,899	6,605	-10.7%
Total Expenses	<u>57,753,013</u>	<u>54,829,113</u>	<u>133,859</u>	<u>118,531</u>	<u>57,886,872</u>	<u>54,947,644</u>	<u>5.3%</u>
Excess (deficiency) of revenues over (under) expenses	1,686,512	9,406,628	(54,125)	(32,369)	1,632,394	9,374,259	-82.3%
Transfers	26,255	29,732	(26,255)	(29,732)	-	-	-
Change in Net Assets	<u>1,712,774</u>	<u>9,436,360</u>	<u>(80,380)</u>	<u>(62,101)</u>	<u>1,632,394</u>	<u>9,374,259</u>	<u>-82.3%</u>
Net Assets - Beginning	<u>84,148,315</u>	<u>74,711,955</u>	<u>1,167,087</u>	<u>1,229,188</u>	<u>85,315,402</u>	<u>75,941,143</u>	<u>12.3%</u>
Net Assets - Ending	<u>\$ 85,861,086</u>	<u>\$ 84,148,315</u>	<u>\$ 1,086,707</u>	<u>\$ 1,167,087</u>	<u>\$ 86,947,793</u>	<u>\$ 85,315,402</u>	<u>1.9%</u>

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

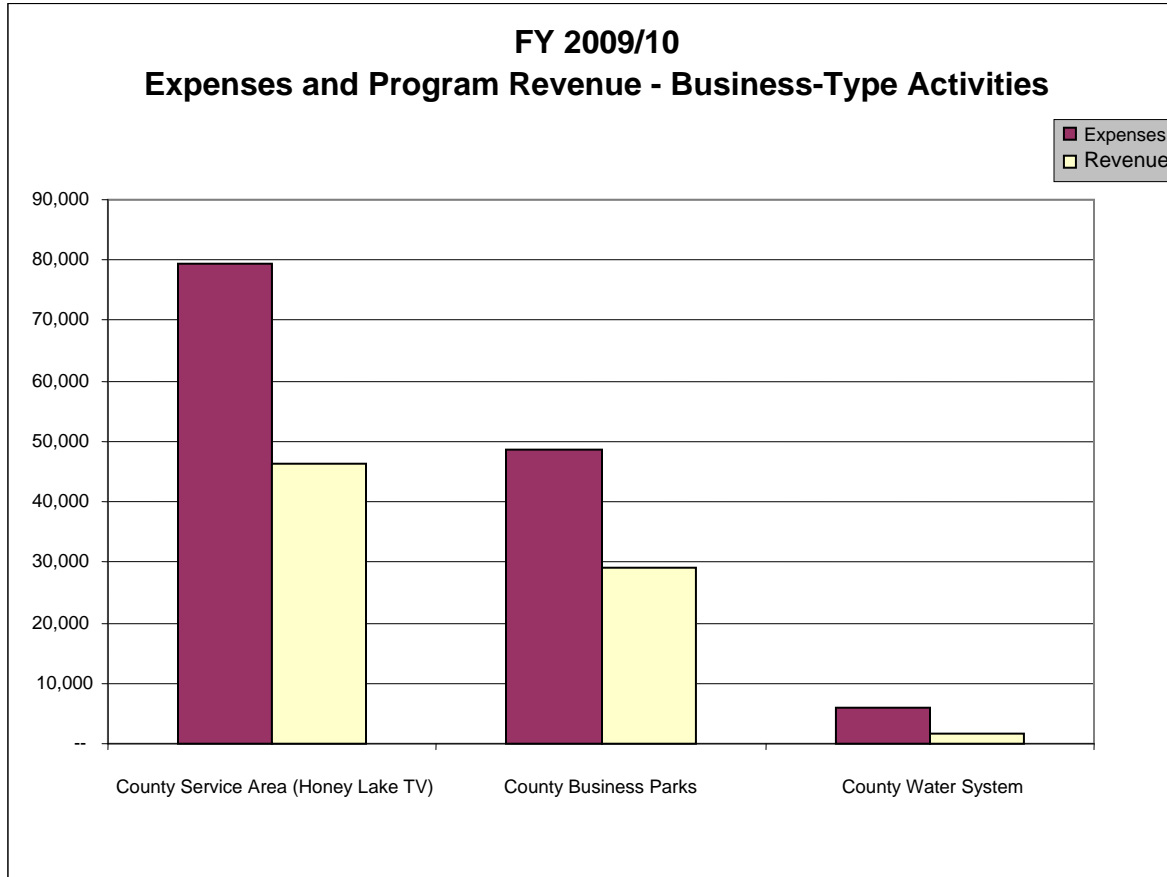
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

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	
	FY 2009/10	FY 2008/09	Increase (decrease)	
			Amount	Percent
Fund Balance - Beginning of Year	\$ 34,888,697	\$ 33,669,044	\$ 1,219,653	3.62%
Revenue	59,431,060	63,826,954	(4,395,894)	-6.89%
Expenditures	(57,554,654)	(62,654,633)	5,099,979	-8.14%
Excess (Deficiency) of revenues over (under) expenditures	1,876,406	1,172,321	704,085	60.06%
Other financing sources (uses)	36,256	47,332	(11,076)	-23.40%
Fund Balance - Ending of Year	<u>\$ 36,801,359</u>	<u>\$ 34,888,697</u>	<u>\$ 1,912,662</u>	<u>5.48%</u>

At June 30, 2010, the County's governmental funds reported combined fund balances of \$36,801,359, an increase of \$1,912,662 in comparison with the prior year. Of these combined fund balances, \$32,195,872 constitutes *unreserved fund balance of the General and Special Revenue Funds*, which is available to meet the County's current and future needs. The remainder of fund balance \$4,605,487 is *reserved* to indicate that it is *not* available for new spending because it has been committed.

The General Fund is the chief operating fund of the County. At June 30, 2010 unreserved fund balance was \$3,919,646 while total fund balance reached \$6,917,491. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved fund balance represents 49% of total General Fund expenditures, while the total fund balance represents 86% 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 designates (earmarks) unreserved fund balance to a particular function, project, or activity. Fund balance may also be designated for purposes beyond the current year. However, designated fund balance is available for appropriation at any time. Of the \$3,919,646 General Fund unreserved fund balance, 81% (or \$3,176,613) is designated.

The other major governmental funds' fund balances changed as follows: Roads \$1,186,015, Health and Human Services \$1,659,951, Public Safety \$95,514. The non-major governmental funds changed by \$(649,276).

The following non-major governmental funds had deficit fund balances at June 30, 2010; Sierra Army Depot RDA, Capital Improvements Fund, Fair, Probation Contracts Fund, Substance Abuse and Crime Prevention Fund, and Trial Court Funding/Bailiff Fund.

COUNTY OF LASSEN

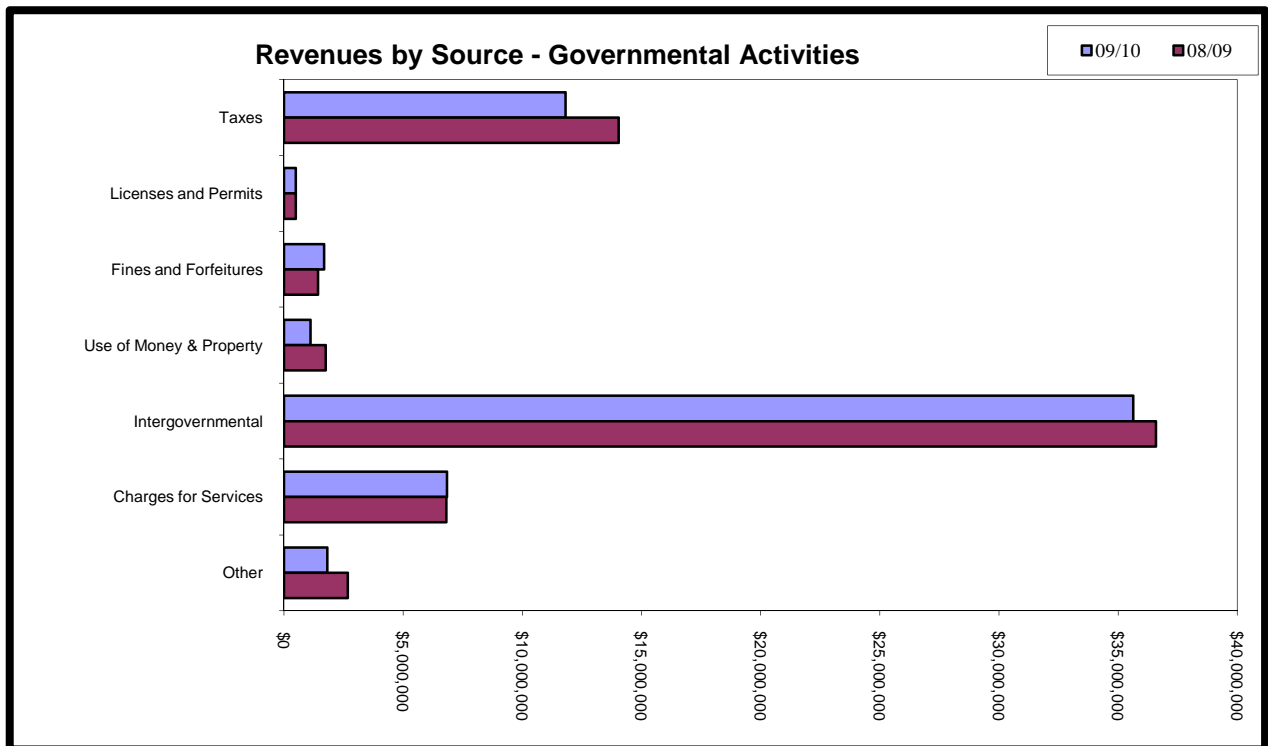
Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

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 2009/10		FY 2008/09		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Revenue by Source:						
Taxes	\$ 11,823,325	19.89%	\$ 14,045,176	22.00%	\$ (2,221,851)	-15.82%
Licenses and Permits	498,171	0.84%	506,411	0.79%	(8,240)	-1.63%
Fines and Forfeitures	1,683,640	2.83%	1,424,829	2.23%	258,811	18.16%
Use of Money & Property	1,122,626	1.89%	1,755,427	2.75%	(632,800)	-36.05%
Intergovernmental	35,637,018	59.97%	36,593,882	57.35%	(956,864)	-2.61%
Charges for Services	6,849,241	11.52%	6,823,864	10.69%	25,377	0.37%
Other	1,817,039	3.06%	2,677,365	4.19%	(860,326)	-32.13%
Total	\$ 59,431,060	100.00%	\$ 63,826,954	100.00%	\$ (4,395,894)	-6.89%

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



COUNTY OF LASSEN

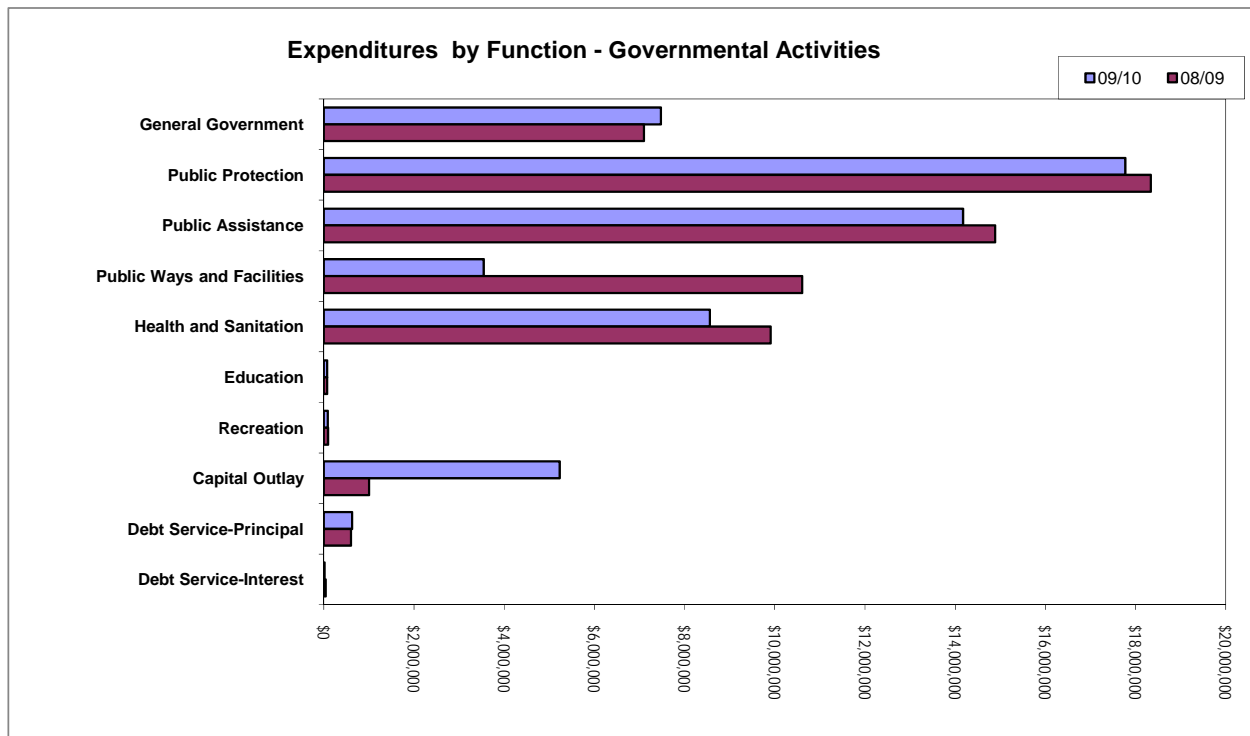
Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

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

	Expenditures Classified by Function Governmental Funds					
	FY 2009/10		FY 2008/09		Increase(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Expenditures by Function:						
General Government	\$ 7,476,312	12.99%	\$ 7,101,047	11.33%	\$ 375,265	5.28%
Public Protection	17,772,852	30.89%	18,335,895	29.27%	(563,043)	-3.07%
Public Assistance	14,172,304	24.62%	14,886,912	23.76%	(714,608)	-4.80%
Public Ways and Facilities	3,544,814	6.16%	10,609,243	16.93%	(7,064,429)	-66.59%
Health and Sanitation	8,561,091	14.87%	9,906,274	15.81%	(1,345,183)	-13.58%
Education	73,900	0.13%	76,107	0.12%	(2,207)	-2.90%
Recreation	87,040	0.15%	95,480	0.15%	(8,440)	-8.84%
Capital Outlay	5,227,467	9.08%	1,000,231	1.60%	4,227,236	422.63%
Debt Service-Principal	625,000	1.09%	600,000	0.96%	25,000	4.17%
Debt Service-Interest	13,874	0.02%	43,447	0.07%	(29,573)	-68.07%
Total	\$ 57,554,654	100.00%	\$ 62,654,636	100.00%	\$ (5,099,982)	-8.14%

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



COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

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

Other Financing Sources (Uses)				
Governmental Funds				
	FY 2009/10	FY 2008/09	Increase(Decrease)	
			Amount	Percent
Proceeds from sale of capital assets	\$ -	\$ 17,600	\$ (17,600)	-100.00%
Transfers in	15,103,058	16,027,696	(924,638)	-5.77%
Transfers out	(15,066,802)	(15,997,964)	931,162	-5.82%
Net financing sources(uses)	<u>\$ 36,256</u>	<u>\$ 47,332</u>	<u>\$ (11,076)</u>	<u>-23.40%</u>

Proceeds from sale of capital assets are the result of sale transactions involving property that was not needed for public use by the County.

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

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

Net Change in Fund Balance				
Enterprise Funds				
	FY 2009/10	FY 2008/09	Increase (Decrease)	
			Amount	Percent
Total Net Assets - Beginning	\$ 1,167,087	\$ 1,229,188	\$ (62,101)	-5.05%
Revenues	77,067	79,279	(2,212)	-2.79%
Expenditures	(133,859)	(118,531)	(15,328)	12.93%
Operating Income(Loss)	(56,792)	(39,252)	(17,540)	44.69%
Non-Operating Revenues(Expenses)	2,667	6,883	(4,216)	-61.25%
Transfers In/Out	(26,255)	(29,732)	3,477	-11.69%
Change in Net Assets	<u>(80,380)</u>	<u>(62,101)</u>	<u>(18,279)</u>	<u>29.43%</u>
Total Net Assets - Ending of Year	<u>\$ 1,086,707</u>	<u>\$ 1,167,087</u>	<u>\$ (80,380)</u>	<u>-6.89%</u>

The net assets of the enterprise funds decreased \$(80,380). Operating revenues decreased (2.79)% while operating expenses increased by 12.93%. County water systems operations had a deficit fund balance at June 30, 2010.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

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 2009/10	FY 2008/09	Increase (Decrease)	
			Amount	Percent
Total Net Assets - Beginning	\$ 1,070,911	\$ 914,700	\$ 156,211	17.08%
Revenues	1,074,065	1,162,985	(88,920)	-7.65%
Expenditures	(1,079,016)	(1,033,438)	(45,578)	4.41%
Operating Income(Loss)	(4,951)	129,547	(134,498)	-103.82%
Non-Operating Revenues(Expenses)	8,462	26,664	(18,202)	-68.26%
Transfers In/Out	(10,000)	-	(10,000)	0.00%
Change in Net Assets	(6,489)	156,211	(162,700)	-104.15%
Fund Balance - Ending of Year	<u>\$ 1,064,422</u>	<u>\$ 1,070,911</u>	<u>\$ (6,489)</u>	<u>-0.61%</u>

Unrestricted net assets of the internal service funds at June 30, 2010 were \$532,847. Investments in capital assets, net of related debt were \$531,575.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

Differences between the General Fund original budget and the final amended budget resulted in a \$218,585 increase in appropriations.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Even with these adjustments, actual expenditures were \$1,291,500 below final budgeted appropriation amounts. Resources available for appropriation were \$398,807 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	\$ 15,596,842	\$ 15,687,687	\$ 90,845	0.58%
Total Expenditures	(9,014,762)	(9,233,347)	(218,585)	2.42%
Other Financing Sources (Uses)	(8,644,827)	(8,650,737)	(5,910)	0.07%
Net Change in Fund Balances	<u>\$ (2,062,747)</u>	<u>\$ (2,196,397)</u>	<u>\$ (133,650)</u>	<u>6.48%</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	\$ 15,687,687	\$ 16,086,494	\$ 398,807	2.54%
Total Expenditures	(9,233,347)	(7,997,875)	1,235,472	13.99%
Other Financing Sources (Uses)	(8,650,737)	(8,468,161)	182,576	-1.46%
Net Change in Fund Balances	<u>\$ (2,196,397)</u>	<u>\$ (379,542)</u>	<u>\$ 1,816,855</u>	<u>-82.72%</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, 2010 amounted to \$51,584,620 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, 2010	June 30, 2009	June 30, 2010	June 30, 2009	2010	2009
Land	\$ 3,694,980	\$ 3,619,980	\$ 342,519	\$ 342,519	\$ 4,037,499	\$ 3,962,499
Structures & Improvements	24,897,942	24,787,245	800,614	800,614	25,698,556	25,587,859
Equipment	12,929,749	12,176,246	267,322	209,858	13,197,071	12,386,104
Infrastructure	49,660,131	37,369,850	-	-	49,660,131	37,369,850
Construction In Progress	2,466,123	10,211,753	-	-	2,466,123	10,211,753
Total	93,648,925	88,165,074	1,410,455	1,352,991	95,059,380	89,518,065
Accumulated Depreciation	(43,072,434)	(39,261,641)	(402,326)	(356,913)	(43,474,760)	(39,618,554)
Net Capital Assets	<u>\$ 50,576,491</u>	<u>\$ 48,903,434</u>	<u>\$ 1,008,129</u>	<u>\$ 996,078</u>	<u>\$ 51,584,620</u>	<u>\$ 49,899,512</u>

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

	Additions	Transfers	Current Year Depreciation	Net Change
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Construction in progress	1,281,565	(9,027,195)	-	(7,745,630)
Infrastructure	3,265,222	9,025,059	(2,333,300)	9,956,981
Structures & Improvements	108,560	2,136	(636,996)	(526,300)
Equipment	770,503	-	(857,497)	(86,994)
Totals	<u>\$ 5,500,850</u>	<u>\$ -</u>	<u>\$ (3,827,793)</u>	<u>\$ 1,673,057</u>

The following major projects were considered completed in 2009-10: Harston Slough Bridge, Willow Creek Bridge, Leavitt Lane Bridge, Skyline Road East, Mooney Rd Overlay, Antola Rd Repave, and Alexander Rd Overlay.

COUNTY OF LASSEN

Management's Discussion and Analysis Required Supplementary Information

LONG TERM LIABILITIES

At June 30, 2010 the County had total long-term liabilities outstanding of \$1,907,492 as compared to \$1,905,237 in the prior year. During the year, retirement of debt amounted to \$625,000, this was the final principal payment on refunding certificates of participation. Additions and adjustments to long-term liabilities amounted to an increase of \$2,255. Additions are attributed to an increase in liability for compensated absences and an increase in worker's compensation insurance claims liability.

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

	DEBT					
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Refunding Certificates of Participation (1998)	\$ -	\$ 625,000	\$ -	\$ -	\$ -	\$ 625,000
Total		625,000	-	-	-	625,000
Less Current Portion	-	(625,000)	-	-	-	(625,000)
Net Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2010

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 33,542,470	\$ 163,578	\$ 33,706,048
Impress cash	42,842	-	42,842
Deposits with others	3,123,218	-	3,123,218
Due from other governmental entities	5,185,869	-	5,185,869
Internal balances	85,000	(85,000)	-
Prepaid expense	53,830	-	53,830
Inventory	835,010	-	835,010
Total current assets	42,868,239	78,578	42,946,817
Noncurrent assets:			
Long-term receivables, net of allowances	633,788	-	633,788
Capital assets:			
Non-depreciable	6,161,103	342,519	6,503,622
Depreciable, net	44,415,388	665,610	45,080,998
Total noncurrent assets	51,210,279	1,008,129	52,218,408
Total assets	94,078,518	1,086,707	95,165,225
LIABILITIES			
Current liabilities:			
Accounts payable	666,346	-	666,346
Salaries and benefits payable	1,367,529	-	1,367,529
Due to other governmental entities	763,439	-	763,439
Unearned revenue	1,743,154	-	1,743,154
Claims and judgement payable - due within one year	786,473	-	786,473
Compensated absences - due within one year	982,999	-	982,999
Total current liabilities	6,309,940	-	6,309,940
Noncurrent liabilities:			
Claims and judgement payable - due in more than one year	786,473	-	786,473
Compensated absences - due in more than one year	339,046	-	339,046
Liability for other post-employment benefits	781,973	-	781,973
Total noncurrent liabilities	1,907,492	-	1,907,492
Total liabilities	8,217,432	-	8,217,432
NET ASSETS			
Invested in capital assets, net of related debt	50,576,491	1,008,129	51,584,620
Restricted for:			
Public safety	686,495	-	686,495
Health and public assistance	6,609,998	-	6,609,998
Community resources and facilities	9,256,328	-	9,256,328
General government and support services	2,061,161	-	2,061,161
Criminal justice and courthouse construction	1,634,729	-	1,634,729
Unrestricted	15,035,884	78,578	15,114,462
Total net assets	\$ 85,861,086	\$ 1,086,707	\$ 86,947,793

See accompanying Notes to Basic Financial Statements.

County of Lassen
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

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	\$ 10,016,188	\$ 4,430,455	\$ 4,178,856	\$ 71,571
Public protection	18,431,841	3,611,614	3,888,002	-
Public ways and facilities	6,185,107	49,596	9,014,756	-
Health and sanitation	8,728,863	537,310	6,949,364	-
Public assistance	14,218,043	402,106	11,513,602	-
Education	74,607	-	-	-
Recreation and culture	89,021	-	40,000	-
Interest on long-term debt	9,343	-	-	-
Total governmental activities	57,753,013	9,031,081	35,584,580	71,571
Business-type activities:				
County service area (Honey Lake TV)	79,340	46,442	-	-
County business park	48,620	29,048	-	-
County water system	5,899	1,577	-	-
Total business-type activities	133,859	77,067	-	-
Total primary government	\$ 57,886,872	\$ 9,108,148	\$ 35,584,580	\$ 71,571

General Revenues:

Taxes:
Property taxes
Sales and use taxes
Miscellaneous
Unrestricted interest and investment earnings
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
\$ 8,680,882	\$ (1,335,306)	\$ -	\$ (1,335,306)
7,499,616	(10,932,225)	-	(10,932,225)
9,064,352	2,879,245	-	2,879,245
7,486,674	(1,242,189)	-	(1,242,189)
11,915,708	(2,302,335)	-	(2,302,335)
-	(74,607)	-	(74,607)
40,000	(49,021)	-	(49,021)
-	(9,343)	-	(9,343)
44,687,232	(13,065,781)	-	(13,065,781)
46,442	-	(32,898)	(32,898)
29,048	-	(19,572)	(19,572)
1,577	-	(4,322)	(4,322)
77,067	-	(56,792)	(56,792)
\$ 44,764,299	(13,065,781)	(56,792)	(13,122,573)
	8,359,030	-	8,359,030
	3,468,095	-	3,468,095
	1,800,681	-	1,800,681
	1,124,487	2,667	1,127,154
	26,255	(26,255)	-
	14,778,548	(23,588)	14,754,960
	1,712,774	(80,380)	1,632,394
	84,148,315	1,167,087	85,315,402
\$	\$ 85,861,086	\$ 1,086,707	\$ 86,947,793

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FUND
FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

County of Lassen
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds				Non-Major Governmental Funds	Total Governmental Funds
	General	Road Fund	Health and Human Services	Public Safety		
ASSETS						
Cash and investments	\$ 4,979,562	\$ 7,445,160	\$ 2,873,210	\$ 411,381	\$ 17,306,604	\$ 33,015,917
Imprest cash	-	-	6,419	36,423	-	42,842
Deposits with others	2,997,845	-	-	-	125,373	3,123,218
Due from other governmental entities	189,245	1,700,836	1,737,975	399,132	1,158,681	5,185,869
Due from other funds	178,640	67,137	63,054	12,374	85,157	406,362
Advances to other funds	-	-	-	-	750,000	750,000
Prepaid expenses	-	-	-	-	22,632	22,632
Inventory	-	835,010	-	-	-	835,010
Long-term receivables	-	-	-	-	633,788	633,788
Total assets	\$ 8,345,292	\$ 10,048,143	\$ 4,680,658	\$ 859,310	\$ 20,082,235	\$ 44,015,638
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 334,166	\$ 37,397	\$ 39,308	\$ 245,475	\$ 656,346
Accrued salaries	261,712	107,619	235,938	333,324	414,032	1,352,625
Due to other governmental entities	-	18,186	735,036	-	10,217	763,439
Due to other funds	56,723	-	-	-	349,639	406,362
Advances from other funds	-	-	-	-	665,000	665,000
Deferred revenue	1,109,366	855,147	617,530	5,378	783,085	3,370,506
Total liabilities	1,427,801	1,315,118	1,625,901	378,010	2,467,448	7,214,278
Fund Balances:						
Reserved for:						
Advances and deposits	-	-	-	-	750,000	750,000
Prepaid expenses	-	-	-	-	22,632	22,632
Self insurance	2,997,845	-	-	-	-	2,997,845
Inventory	-	835,010	-	-	-	835,010
Unreserved, designated, reported in:						
General Fund	3,176,613	-	-	-	-	3,176,613
Special revenue funds	-	39,250	2,477	481,300	12,151,326	12,674,353
Capital projects funds	-	-	-	-	3,651,966	3,651,966
Unreserved, undesignated, reported in:						
General Fund	743,033	-	-	-	-	743,033
Special revenue funds	-	7,858,765	3,052,280	-	1,699,838	12,610,883
Capital projects funds	-	-	-	-	(660,976)	(660,976)
Total fund balances	6,917,491	8,733,025	3,054,757	481,300	17,614,786	36,801,359
Total liabilities and fund balances	\$ 8,345,292	\$ 10,048,143	\$ 4,680,658	\$ 859,310	\$ 20,082,235	\$ 44,015,638

See accompanying Notes to Basic Financial Statements.

County of Lassen
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

Total Fund Balances - Total Governmental Funds \$ 36,801,359

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. 1,627,352

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 \$531,575. 50,044,916

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. 1,064,422

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	(1,322,045)
Other postemployment benefits	(781,973)
Claims liability	(1,572,946)
	(3,676,964)

Net Assets of Governmental Activities **\$ 85,861,086**

County of Lassen
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Major Funds				Non-Major Governmental Funds	Total Governmental Funds
	General	Road Fund	Health and Human Services	Public Safety		
REVENUES:						
Taxes	\$ 8,653,910	\$ -	\$ -	\$ 109,078	\$ 3,060,337	\$ 11,823,325
Licenses and permits	378,527	11,426	3,542	7,513	97,163	498,171
Intergovernmental	2,881,925	9,014,755	4,570,584	1,160,735	18,009,019	35,637,018
Charges for services	2,662,552	38,170	771,202	2,696,318	680,999	6,849,241
Fines and forfeitures	628,272	-	21,957	30,342	1,003,069	1,683,640
Use of money and property	101,639	77,362	29,064	4,079	910,482	1,122,626
Other revenues	779,669	153,711	96,589	39,207	747,863	1,817,039
Total revenues	16,086,494	9,295,424	5,492,938	4,047,272	24,508,932	59,431,060
EXPENDITURES:						
Current:						
General government	5,809,549	-	-	380,384	1,286,379	7,476,312
Public protection	2,058,786	-	175,824	9,557,058	5,981,184	17,772,852
Public ways and facilities	-	3,506,250	-	-	38,564	3,544,814
Health and sanitation	-	-	5,882,868	-	2,678,223	8,561,091
Public assistance	-	-	803,529	-	13,368,775	14,172,304
Education	73,900	-	-	-	-	73,900
Recreation and culture	18,442	-	-	-	68,598	87,040
Capital outlay	37,198	4,603,159	31,243	-	555,867	5,227,467
Debt service:						
Principal	-	-	-	-	625,000	625,000
Interest	-	-	-	-	13,874	13,874
Total expenditures	7,997,875	8,109,409	6,893,464	9,937,442	24,616,464	57,554,654
REVENUES OVER (UNDER) EXPENDITURES	8,088,619	1,186,015	(1,400,526)	(5,890,170)	(107,532)	1,876,406
OTHER FINANCING SOURCES (USES):						
Transfers in	239,238	-	3,062,292	6,026,919	5,774,609	15,103,058
Transfers out	(8,707,399)	-	(1,815)	(41,235)	(6,316,353)	(15,066,802)
Total other financing sources (uses)	(8,468,161)	-	3,060,477	5,985,684	(541,744)	36,256
Net change in fund balances	(379,542)	1,186,015	1,659,951	95,514	(649,276)	1,912,662
FUND BALANCES:						
Beginning of year	7,297,033	7,547,010	1,394,806	385,786	18,264,062	34,888,697
End of year	\$ 6,917,491	\$ 8,733,025	\$ 3,054,757	\$ 481,300	\$ 17,614,786	\$ 36,801,359

See accompanying Notes to Basic Financial Statements.

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 1,912,662

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.

\$ 5,227,467

Less: current year depreciation recorded in the government-wide financial statements, net of Internal Service Funds of \$186,812.

(3,640,981)

1,586,486

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.

(1,641,175)

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

Principal repayments:

Certificates of participation

625,000

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

(34,139)

Change in accrued interest payable

4,531

Change in other postemployment benefits

(422,449)

Change in claim liabilities

(311,663)

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

(6,489)

Change in Net Assets of Governmental Activities

\$ 1,712,774

See accompanying Notes to Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

County of Lassen
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-Type Activities - Enterprise Funds Nonmajor Funds	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 163,578	\$ 526,553
Prepaid expenses	-	31,198
Total current assets	163,578	557,751
Noncurrent assets:		
Capital assets:		
Non-depreciable	342,519	-
Depreciable, net	665,610	531,575
Total noncurrent assets	1,008,129	531,575
Total assets	1,171,707	1,089,326
LIABILITIES		
Current liabilities:		
Accounts payable	-	10,000
Salaries and benefits payable	-	14,904
Total current liabilities	-	24,904
Noncurrent liabilities:		
Advances from other funds	85,000	-
Total noncurrent liabilities	85,000	-
Total liabilities	85,000	24,904
NET ASSETS		
Invested in capital assets, net of related debt	1,008,129	531,575
Unrestricted	78,578	532,847
Total net assets	\$ 1,086,707	\$ 1,064,422

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, 2010

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Nonmajor Funds	Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 77,067	\$ 1,074,065
Total operating revenues	<u>77,067</u>	<u>1,074,065</u>
OPERATING EXPENSES:		
Salaries and benefits	-	305,068
Services and supplies	88,446	587,136
Depreciation	45,413	186,812
Total operating expenses	<u>133,859</u>	<u>1,079,016</u>
OPERATING INCOME (LOSS)	<u>(56,792)</u>	<u>(4,951)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	2,667	8,462
Total nonoperating revenues (expenses)	<u>2,667</u>	<u>8,462</u>
INCOME (LOSS) BEFORE TRANSFERS	(54,125)	3,511
Transfers out	<u>(26,255)</u>	<u>(10,000)</u>
Change in net assets	(80,380)	(6,489)
NET ASSETS:		
Beginning of year	1,167,087	1,070,911
End of year	<u>\$ 1,086,707</u>	<u>\$ 1,064,422</u>

See accompanying Notes to Basic Financial Statements.

County of Lassen
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Nonmajor Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 77,067	\$ -
Cash received from interfund services provided	-	1,074,065
Cash payments to suppliers for goods and services	(88,446)	(627,606)
Cash paid to employees for services	-	(303,127)
Net cash provided (used) by operating activities	(11,379)	143,332
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers out	(26,255)	(10,000)
Net cash used in noncapital financing activities	(26,255)	(10,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments related to the acquisition of capital assets	(57,464)	(273,383)
Net cash used in capital and related financing activities	(57,464)	(273,383)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	2,667	8,435
Net cash provided by investing activities	2,667	8,435
NET DECREASE IN CASH AND CASH EQUIVALENTS	(92,431)	(131,616)
CASH AND CASH EQUIVALENTS - Beginning of year	256,009	658,169
CASH AND CASH EQUIVALENTS - End of year	\$ 163,578	\$ 526,553
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (56,792)	\$ (4,951)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	45,413	186,812
Changes in assets and liabilities:		
Prepaid expense	-	(31,198)
Accounts payable	-	(9,272)
Accrued salaries	-	1,941
Net cash provided (used) by operating activities	\$ (11,379)	\$ 143,332

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

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County of Lassen
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Investment Trust	Agency Funds
ASSETS		
Cash and investments	\$ 18,454,393	\$ 7,655,085
Taxes receivable	-	3,860,533
Total assets	18,454,393	11,515,618
LIABILITIES		
Agency obligations	-	11,515,618
Total liabilities	-	\$ 11,515,618
NET ASSETS		
Held in trust for investment pool participants	\$ 18,454,393	

County of Lassen
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2010

	Investment Trust
ADDITIONS	
Contributions	\$ 79,843,643
Revenue from use of money and property	268,604
Total additions	<u>80,112,247</u>
DEDUCTIONS	
Distributions from pooled investment	<u>82,921,997</u>
Total deductions	<u>82,921,997</u>
Change in net assets	(2,809,750)
NET ASSETS	
Beginning of year	<u>21,264,143</u>
End of year	<u>\$ 18,454,393</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

County of Lassen
Notes to Basic Financial Statements
For the year ended June 30, 2010

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 Redevelopment Agency, 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

In 2010, the County adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* - This Statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010

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 throughways 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.

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.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Basis of Accounting and Measurement Focus, Continued

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

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 for all proprietary funds. The County has no major Proprietary Funds, but does report Internal Service Funds and Enterprise Funds. Internal Service Funds are responsible for providing information technology and fleet maintenance services to County departments and Enterprise Funds that provide services relating to water management, telecommunications, and business park administration.

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 presents 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 fund financial statements include a Statement of Fiduciary Net Assets for Investment Trust Fund and all Agency Funds, and a Statement of Changes in Fiduciary Net Assets for the Investment Trust Fund. The County reports the following fiduciary funds:

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. *Basis of Accounting and Measurement Focus, Continued*

Investment Trust Fund accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.

Agency Funds account for assets held by the County as an agent for various local governments.

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 income 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 income.

F. *Deposits with Others*

Deposits with others consist of a deposit held with Trindel Insurance of \$2,997,845 and a deposit held with the California Construction Authority of \$125,373. The County follows Governmental Accounting, Auditing, and Financial Reporting when accounting for deposits outside the County Treasury.

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 a fund balance reserve, which indicates that it does not constitute "available spendable resources" even though it is a component of net current assets.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include 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.

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

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

J. Revenue Recognition - Property Taxes

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

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

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Revenue Recognition - Property Taxes, Continued

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

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

L. Interfund Transactions

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

M. 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.

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, 2010

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, 2010, total County cash and investments were as follows:

Cash:	
Cash on hand	\$ 3,928
Cash in US Bank	5,087,765
Outside Treasurer's Pool-EBT Account	252,634
Less outstanding warrants	<u>(3,265,198)</u>
 Total deposits	 <u>2,079,129</u>
Investments:	
In Treasurer's pool	<u>57,736,397</u>
Total investments	<u>57,736,397</u>
 Total cash and investments	 <u>\$ 59,815,526</u>

Total cash and investments at June 30, 2010, were presented on the County's financial statements as follows:

Cash and investments in Treasurer's pool	
Primary government	\$ 33,706,048
Investment trust fund	18,454,393
Agency funds	<u>7,655,085</u>
 Total cash and investments	 <u>\$ 59,815,526</u>

The carrying amounts of the County's cash deposits were \$2,075,201 at June 30, 2010. Bank balances as of June 30, 2010, were \$5,087,765, 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.

2. CASH AND INVESTMENTS, Continued

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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.

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
		70% or 40%	
Federal agency obligations	5 years	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. Pledged funds held by the trustees in connection with the County's debt may not be subject to the above requirements if statutory provisions related to the debt allow the funds to be invested in a different manner.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

At June 30, 2010, the County had the following investments:

	Interest Rates	Maturities	Cost	Fair Value
Investment Pool	0.35%	Cash	\$ 5,087,765	\$ 5,087,765
Federal Agency Issues - Coupon	1-2%	9/27/12-6/16/15	12,000,000	12,100,049
LAIF	Variable	On demand	45,561,455	45,636,348
Total			\$ 62,649,220	\$ 62,824,162

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
Investment Pool	\$ 5,087,765	\$ 5,087,765	\$ -	\$ -	\$ -	\$ -
Federal Agency Issued-Coupon	12,000,000	-	2,000,000	4,000,000	2,000,000	4,000,000
LAIF	45,561,455	45,561,455	-	-	-	-
Total	\$ 62,649,220	\$ 50,649,220	\$ 2,000,000	\$ 4,000,000	\$ 2,000,000	\$ 4,000,000

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.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

D. Concentration of Credit Risk

At June 30, 2010, 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, 2010, 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%
California Local Agency Investment Fund	Not Rated	Not Rated	79.15%
Total			100.00%

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, 2010, 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.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

F. Local Agency Investment Fund, Continued

As of June 30, 2010, the County had \$45,636,348 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 1.001643776 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.

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, 2010:

Statement of Net Assets:	
Net assets held for pool participants	<u>\$ 59,815,526</u>
Equity of internal investment pool participants	33,706,048
Equity of external investment pool participants	<u>26,109,478</u>
Total net assets	<u>\$ 59,815,526</u>
Statement of Changes in Net Assets:	
Investment earnings	\$ 976,310
Investment expenses	(138,304)
Net distributions to pool participants	<u>(2,953,157)</u>
Decrease in net assets	(2,115,151)
Total net assets:	
Beginning of year	<u>61,930,677</u>
End of year	<u>\$ 59,815,526</u>

3. Receivables

Management believes its receivables are fully collectible except for its long term receivables on loans recorded in the Community & Economic Development, and Economic Development & Housing Income funds, both non-major funds. At June 30, 2010, the gross amount of these receivables was \$718,714 and the allowance for uncollectible accounts was \$84,926 which resulted in a net amount of \$633,788.

<u>Loan Type</u>	<u>Balance as of June 30, 2010</u>
317 REV	\$ 63,448
HOME 93	19,590
HOME 94	87,430
89RLF	463,320
Total Loans Receivable	<u>\$ 633,788</u>

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

Capital Asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2010
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 3,619,980	\$ 75,000	\$ -	\$ -	\$ 3,694,980
Construction in progress	10,211,753	1,281,565	-	(9,027,195)	2,466,123
Total capital assets, not being depreciated	<u>13,831,733</u>	<u>1,356,565</u>	<u>-</u>	<u>(9,027,195)</u>	<u>6,161,103</u>
Capital assets, being depreciated					
Infrastructure	37,369,850	3,265,222	-	9,025,059	49,660,131
Structure and improvement (including leasehold improvements)	24,787,246	108,560	-	2,136	24,897,942
Equipment	12,176,246	770,503	(17,000)	-	12,929,749
Total capital assets, being depreciated	<u>74,333,342</u>	<u>4,144,285</u>	<u>(17,000)</u>	<u>9,027,195</u>	<u>87,487,822</u>
Less Accumulated depreciation for:					
Infrastructure	(19,987,361)	(2,333,300)	-	-	(22,320,661)
Structure and improvement (including leasehold improvements)	(9,474,694)	(636,996)	-	-	(10,111,690)
Equipment	(9,799,586)	(857,497)	17,000	-	(10,640,083)
Total accumulated depreciation	<u>(39,261,641)</u>	<u>(3,827,793)</u>	<u>17,000</u>	<u>-</u>	<u>(43,072,434)</u>
Total capital assets, being depreciated, net	<u>35,071,701</u>	<u>316,492</u>	<u>-</u>	<u>9,027,195</u>	<u>44,415,388</u>
Governmental activities capital assets, net	<u>\$ 48,903,434</u>	<u>\$ 1,673,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,576,491</u>
Business-Type Activities					
Capital assets, not being depreciated					
Land	\$ 342,519	\$ -	\$ -	\$ -	\$ 342,519
Total capital assets, not being depreciated	<u>342,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,519</u>
Capital assets, being depreciated					
Structure and improvements	800,614	-	-	-	800,614
Equipment	209,858	57,464	-	-	267,322
Total capital assets, being depreciated	<u>1,010,472</u>	<u>57,464</u>	<u>-</u>	<u>-</u>	<u>1,067,936</u>
Less accumulated depreciation for:					
Structure and improvements	(182,094)	(20,387)	-	-	(202,481)
Equipment	(174,819)	(25,026)	-	-	(199,845)
Total accumulated depreciation	<u>(356,913)</u>	<u>(45,413)</u>	<u>-</u>	<u>-</u>	<u>(402,326)</u>
Total capital assets, being depreciated, net	<u>653,559</u>	<u>12,051</u>	<u>-</u>	<u>-</u>	<u>665,610</u>
Business-type activities capital assets, net	<u>\$ 996,078</u>	<u>\$ 12,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,008,129</u>

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. CAPITAL ASSETS, Continued

B. Depreciation

Governmental Activities - Depreciation Expense

Depreciation expense was charged to governmental functions as follows:

General government	\$	523,135
Public protection		396,849
Public ways		2,602,021
Health and sanitation		72,255
Public assistance		45,739
Culture & recreation		982
Internal Service Fund		186,812
Total	\$	3,827,793

Business-Type Activities - Depreciation Expense

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

County Service Area (Honey Lake TV)	\$	25,026
County Business Park		20,387
Total	\$	45,413

5. LONG-TERM DEBT

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year	Due more than one year
Governmental Activities:						
Refunding certificates of participation (1998)	\$ 625,000	\$ -	\$ 625,000	\$ -	\$ -	\$ -
Compensated absences	1,287,906	1,091,063	(1,056,924)	1,322,045	982,999	339,046
Claims liability	1,261,284	1,886,963	(1,575,300)	1,572,946	786,473	786,473
Other post-employment benefits liability	359,524	641,343	(218,894)	781,973	-	781,973
Total long-term liabilities	\$ 3,533,714	\$ 3,619,369	\$ (2,226,118)	\$ 3,676,964	\$ 1,769,472	\$ 1,907,492

On September 1, 1998, Lassen County, through the Lassen County Public Improvement Corporation, issued debt in the form of Refunding Certificates of Participation in the amount of \$6,030,000. The purpose of the issuance was to retire prior Certificates of Participation and to fund multiple capital improvement and public works projects. Interest was paid at a graduating rate between 3.35% to 4.35%. Payments on interest were made semi-annually, a principal payment was made once each year. The total debt was retired on November 1, 2009.

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, 2010

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
2011	\$ 504,448
2012	264,096
2013	142,308
2014	133,200
Total	\$ 1,044,052

Rent expenditures were \$504,448 for the year ended June 30, 2010.

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, 2010 is as follows:

Due to/from Other Funds

Between Funds within the Governmental Activities

		Due to Other Funds		
		General Fund	Non Major Governmental Fund	Total
Due from Other Funds	General Fund	\$ -	\$ 178,640	\$ 178,640
	Roads	-	67,137	67,137
	Health and Human Services	-	63,054	63,054
	Public Safety	-	12,374	12,374
	Non-Major Governmental Funds	56,723	28,434	85,157
	Total	\$ 56,723	\$ 349,639	\$ 406,362

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. INTERFUND TRANSACTIONS, Continued

A. Interfund Receivables/Payables, Continued

Transfers In/Out

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

		Transfers In				
		Major Fund				
		Health and Human Services		Public Safety	Nonmajor Governmental Funds	Total
Transfers Out	General Fund	Fund	Fund	Fund	Funds	Total
General Fund	\$ -	\$ 244,676	\$ 5,030,000	\$ 3,432,723	\$ 8,707,399	
Health and Human Services	-	-	-	1,815	1,815	
Public Safety	-	-	-	41,235	41,235	
Non-major Governmental	239,238	2,817,616	986,919	2,272,581	6,316,353	
Non-major Enterprise	-	-	-	26,255	26,255	
Internal Service	-	-	10,000	-	10,000	
Total	\$ 239,238	\$ 3,062,292	\$ 6,026,919	\$ 5,774,609	\$ 15,103,058	

8. DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues 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, 2010, 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	\$ -	\$ 1,109,366	\$ 1,109,366
Road Fund:			
CA Department of Transportation	855,147	-	855,147
Health and Human Services:			
CA Department of Health Services	617,530	-	617,530
Public Safety:			
Shasta County for multi-agency SAFE grant	5,378	-	5,378
Non-Major Governmental Funds:			
Various state grants, and long-term receivables	149,297	633,788	783,085
Total deferred revenue	\$ 1,627,352	\$ 1,743,154	\$ 3,370,506

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. NET ASSETS/FUND BALANCES

A. Net Assets

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

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. NET ASSETS/FUND BALANCES, Continued

A. Net Assets, Continued

Restricted net assets at June 30, 2010 for governmental activities are as follows:

Restricted for public safety:	
Inmate Welfare	\$ 210,367
CCF Equipment Replacement	254,283
USDA Title III	7,919
Child Support	64,790
DNA Penalty Assessment (Co side)	<u>149,136</u>
Total restricted for public safety	<u>686,495</u>
Restricted for health and public assistance:	
Health & Human Services	13,201
Community Development - CDBG	1,423,122
Welfare	1,319,821
Mental Health Services Act	1,171,186
Mental Health Realignment	656,852
Social Service Realignment	772,897
Public Health Realignment	<u>1,252,919</u>
Total restricted for health and public assistance	<u>6,609,998</u>
Restricted for community resources and facilities:	
Road	8,733,025
Aviation	493,067
Bieber Lighting District	<u>30,236</u>
Total restricted for community resources and facilities	<u>9,256,328</u>
Restricted for general government and support services:	
Self-Insurance	1,424,898
Vital Statistics	55,422
Recorder Funds	412,675
Lassen/Modoc Flood Control District	<u>168,166</u>
Total restricted for general government and support services	<u>2,061,161</u>
Restricted for criminal justice and court construction	<u>1,634,729</u>
Total restricted net assets - governmental activities	<u><u>\$ 20,248,711</u></u>

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. NET ASSETS, Continued

A. Net Assets, Continued

Unrestricted - This amount is 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.

B. Reservations of Governmental Fund Balances

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

Reservations of fund balance for the year ended June 30, 2010, are described below:

Reserved for advances and deposits - To identify that portion of the fund balance that does not constitute a current financial resource because receipt is not expected in the near future.

Reserved for self-insurance - To indicate that a portion of the fund balance is restricted for payment of long-term self-insurance liabilities.

Reserved for inventory - To reflect the portion of assets which do not represent available spendable resources.

Reserved for Prepaid Items - To reflect the portion of the fund balance used for prepayment for the following fiscal year.

C. Designations of Governmental Fund Balances

The County has designated fund balance as follows:

Designated for capital projects - to reflect management's intent to expend certain funds solely for planned capital projects.

Designated for other purposes - to indicate that a portion of the general fund and special revenue fund balances are designated for emergency services, retiree health benefits, health and social service programs, economic development, loss prevention/risk management, and public safety programs.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 contract requires the County to pay all 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 2009-10 was 10.803 percent for miscellaneous employees and 28.300 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 2009-10, the County's annual pension cost was \$2,743,797 for both Miscellaneous and Safety members, and was equal to the County's required and actual contributions. The required contribution for fiscal year 2009-10 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The 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 liability (or excess assets) is 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, 2010

10. EMPLOYEE RETIREMENT SYSTEMS, Continued

C. Annual Pension Cost, Continued

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 2,553,563	100%	\$ -
6/30/2009	2,718,111	100%	-
6/30/2010	2,743,797	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 2010 is \$105 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 2009-10, the County contributed \$218,894, or 35%, 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, 2010

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

Annual required contribution	\$ 641,343
Contribution	<u>(218,894)</u>
Increase (decrease) in net OPEB obligation	422,449
Net OPEB obligation-beginning of year	<u>359,524</u>
Net OPEB obligation-end of year	<u><u>\$ 781,973</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 2009-10 is as follows:

Fiscal Year 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

Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of July 1, 2007, 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
6/30/2008	\$ -	\$ 6,337,920	\$ 6,337,920	0%	\$ 18,494,341	34%

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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

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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return, an inflation rate of 3.25% per year, and assumed medical inflation of 9.5% graded down to 5% over 9 years. 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, 2010, was 29 years.

12. COMMITMENTS AND CONTINGENCIES

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.

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.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

13. JOINT POWERS AGREEMENT

A. Lassen Regional Solid Waste Management Authority

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

Condensed statements for the Authority as of June 30, 2009 are presented below:

	<u>Amount</u>
Statement of Net Assets	
Assets	\$ 4,274,190
Liabilities	<u>(4,506,763)</u>
Net assets	<u>\$ (232,573)</u>
Revenues and Expenses	
Revenues	\$ 1,633,722
Expenses	<u>(2,356,513)</u>
Net income (loss)	<u>\$ (722,791)</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. 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 Agency receives Local Transportation Fund and State Transit Assistance allocations from the Lassen County Local Transportation Commission to operate and provide public transit services to the County and the City of Susanville. The Agency has financial statements prepared and they can be obtained from management of the Agency.

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

13. JOINT POWERS AGREEMENT, Continued

Condensed statements for the Agency as of June 30, 2009 are presented below:

	<u>Amount</u>
Statement of Net Assets	
Assets	\$ 963,415
Liabilities	<u>(6,750)</u>
Net assets	<u><u>\$ 956,665</u></u>
Revenues and Expenses	
Revenues	\$ 840,886
Expenses	<u>(960,652)</u>
Net income (loss)	<u><u>\$ (119,766)</u></u>

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, 2010, 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>2010</u>	<u>2009</u>
Unpaid claims July 1	\$ 1,261,284	\$ 611,240
Incurred claims (including IBNRs) and changes in estimates	1,886,963	1,020,772
Current year payments	<u>(1,575,300)</u>	<u>(370,728)</u>
Unpaid claims June 30	<u><u>\$ 1,572,947</u></u>	<u><u>\$ 1,261,284</u></u>

County of Lassen
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

15. FUND BALANCE/NET ASSETS DEFICIT

The following funds had a deficit fund balance at June 30, 2010:

	<u>Amount</u>
Governmental Funds:	
Sierra Army Depot RDA	\$ 660,975
Capital Improvements	25,998
Fair	22,484
Probation Contracts	11,948
Substance Abuse & Crime Prevention	3,194
Trial Court Funding/Bailiff	2,627
Proprietary Fund:	
County Water Systems	38,009

The Sierra Army Depot deficit fund balance is planned to be restored with future property tax increment revenue. The County is researching ways to eliminate the deficit fund balances 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, 2010

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 Principals. 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, 2010

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, 2010 for the miscellaneous plan:

<u>Miscellaneous Plan</u>						
	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial			Actuarial
Actuarial Valuation Date*	Actuarial Asset Value	Actuarial Accrued Liability	Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Liability as 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.

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, 2010

3. POSTEMPLOYMENT HEALTH PLAN

A. Schedule of Funding Progress

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

In future years, three year trend information will be presented. Fiscal year 2008-09 was the first year of implementation of GASB Statement 45, and the County elected to implement prospectively; therefore, prior year comparative data is not available.

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Actuarial Liability as Percentage of 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%

County of Lassen

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

General Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 8,623,118	\$ 8,623,118	\$ 8,653,910	\$ 30,792
Licenses and permits	411,360	411,360	378,527	(32,833)
Intergovernmental	3,044,814	3,135,659	2,881,925	(253,734)
Charges for services	2,413,600	2,413,600	2,662,552	248,952
Fines and forfeitures	634,450	634,450	628,272	(6,178)
Use of money and property	232,000	232,000	101,639	(130,361)
Other	237,500	237,500	779,669	542,169
Total revenues	15,596,842	15,687,687	16,086,494	398,807
EXPENDITURES:				
Current:				
General government	6,697,631	6,667,404	5,809,549	857,855
Public protection	2,136,446	2,360,941	2,058,786	302,155
Education	80,215	80,215	73,900	6,315
Recreation and culture	25,470	25,470	18,442	7,028
Capital outlay	75,000	99,317	37,198	62,119
Total expenditures	9,014,762	9,233,347	7,997,875	1,235,472
REVENUES OVER (UNDER) EXPENDITURES	6,582,080	6,454,340	8,088,619	(1,634,279)
OTHER FINANCING SOURCES (USES):				
Transfers in	358,406	358,406	239,238	(119,168)
Transfers out	(9,003,233)	(9,009,143)	(8,707,399)	301,744
Total other financing sources (uses)	(8,644,827)	(8,650,737)	(8,468,161)	182,576
Net change in fund balance	\$ (2,062,747)	\$ (2,196,397)	(379,542)	\$ (1,816,855)
FUND BALANCE:				
Beginning of year			7,297,033	
End of year			<u>\$ 6,917,491</u>	

County of Lassen

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

Road Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 11,426	\$ (3,574)
Intergovernmental	14,142,064	14,142,064	9,014,755	(5,127,309)
Use of money and property	140,000	140,000	77,362	(62,638)
Charges for services	38,500	38,500	38,170	(330)
Other revenues	-	-	153,711	153,711
Total revenues	14,335,564	14,335,564	9,295,424	(5,040,140)
EXPENDITURES:				
Current:				
Public ways and facilities	10,672,865	10,672,865	3,506,250	7,166,615
Capital outlay	6,230,170	6,230,170	4,603,159	1,627,011
Total expenditures	16,903,035	16,903,035	8,109,409	8,793,626
REVENUES OVER (UNDER) EXPENDITURES	\$ (2,567,471)	\$ (2,567,471)	1,186,015	\$ 3,753,486
FUND BALANCE:				
Beginning of year			7,547,010	
End of year			\$ 8,733,025	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 3,600	\$ 3,600	\$ 3,542	\$ (58)
Fines, forfeitures and penalties	20,150	20,150	21,957	1,807
Use of money and property	-	-	29,064	29,064
Intergovernmental	4,153,927	4,415,582	4,570,584	155,002
Charges for services	782,901	778,868	771,202	(7,666)
Other revenues	66,128	46,128	96,589	50,461
Total revenues	5,026,706	5,264,328	5,492,938	228,610
EXPENDITURES:				
Current:				
Public protection	218,541	218,541	175,824	42,717
Health and sanitation	7,576,072	7,851,270	5,882,868	1,968,402
Public assistance	828,690	829,979	803,529	26,450
Capital outlay	78,893	78,893	31,243	47,650
Total expenditures	8,702,196	8,978,683	6,893,464	2,085,219
REVENUES OVER (UNDER) EXPENDITURES	(3,675,490)	(3,714,355)	(1,400,526)	2,313,829
OTHER FINANCING SOURCES (USES):				
Transfers in	3,571,873	3,657,828	3,062,292	(595,536)
Transfers out	(21,349)	(20,060)	(1,815)	18,245
Total other financing sources (uses)	3,550,524	3,637,768	3,060,477	(577,291)
Net change in fund balance	\$ (124,966)	\$ (76,587)	1,659,951	\$ 1,736,538
FUND BALANCE:				
Beginning of year			1,394,806	
End of year			\$ 3,054,757	

County of Lassen

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

Public Safety Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 80,000	\$ 80,000	\$ 109,078	\$ 29,078
Licenses and permits	5,735	5,735	7,513	1,778
Fines, forfeitures and pentalties	8,000	8,000	30,342	22,342
Use of money and property	1,000	1,000	4,079	3,079
Intergovernmental	1,290,865	1,290,865	1,160,735	(130,130)
Charges for services	2,647,211	2,668,211	2,696,318	28,107
Other revenues	21,000	-	39,207	39,207
Total revenues	4,053,811	4,053,811	4,047,272	(6,539)
EXPENDITURES:				
Current:				
General government	424,900	424,900	380,384	44,516
Public protection	9,689,145	9,689,145	9,557,058	132,087
Total expenditures	10,114,045	10,114,045	9,937,442	176,603
REVENUES OVER (UNDER) EXPENDITURES	(6,060,234)	(6,060,234)	(5,890,170)	170,064
OTHER FINANCING SOURCES (USES):				
Transfers in	6,026,919	6,234,383	6,026,919	(207,464)
Transfers out	(46,279)	(46,279)	(41,235)	5,044
Total other financing sources (uses)	5,980,640	6,188,104	5,985,684	(202,420)
Net change in fund balance	\$ (79,594)	\$ 127,870	95,514	\$ (32,356)
FUND BALANCE:				
Beginning of year			385,786	
End of year			<u>\$ 481,300</u>	

SUPPLEMENTAL INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

County of Lassen
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue					
	Retiree Health Benefits	Prison Trial Program Fund	DA Contracts Fund	Sheriff Contracts Fund	Community and Economic Development	HHS Contracts Fund
ASSETS						
Cash and investments	\$ 3,199,814	\$ 166,508	\$ -	\$ 163,606	\$ 1,329,951	\$ 13,201
Deposits with others	-	-	-	-	-	-
Due from other governmental entities	-	120,422	63,985	45,000	106,618	-
Due from other funds	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Long term receivables	-	-	-	-	570,339	-
Total assets	\$ 3,199,814	\$ 286,930	\$ 63,985	\$ 208,606	\$ 2,006,908	\$ 13,201
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 178,814	\$ 32,088	\$ -	\$ -	\$ -	\$ -
Accrued salaries	-	8,493	8,655	6,464	13,447	-
Due to other governmental entities	-	-	-	-	-	-
Due to other funds	-	-	13,024	-	-	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	45,000	570,339	-
Total liabilities	178,814	40,581	21,679	51,464	583,786	-
Fund Balances:						
Reserved:						
Prepaid expenses	-	-	-	-	-	-
Advances and deposits	-	-	-	-	-	-
Unreserved:						
Designated	3,021,000	246,349	42,306	157,142	1,423,122	13,201
Undesignated	-	-	-	-	-	-
Total fund balances	3,021,000	246,349	42,306	157,142	1,423,122	13,201
Total liabilities and fund balances	\$ 3,199,814	\$ 286,930	\$ 63,985	\$ 208,606	\$ 2,006,908	\$ 13,201

Special Revenue

Air Pollution Fund	Fish & Game Fund	Welfare Fund	Welfare Assistance	Mental Health Services Act	General Contract	Cemetery Fund	Aviation Fund	TCF/Bailiff Fund
\$ 91,837	\$ 3,888	\$ 224,022	\$ 1,018,373	\$ 1,206,357	\$ 526,919	\$ 61,037	\$ 493,584	\$ 1,423
-	-	-	-	-	-	-	-	-
-	-	246,704	18,104	-	-	-	40,000	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 91,837</u>	<u>\$ 3,888</u>	<u>\$ 470,726</u>	<u>\$ 1,036,477</u>	<u>\$ 1,206,357</u>	<u>\$ 526,919</u>	<u>\$ 61,037</u>	<u>\$ 533,584</u>	<u>\$ 1,423</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,669	-	164,290	-	35,171	1,754	3,231	517	4,051
-	-	-	-	-	-	-	-	-
67,137	-	-	23,092	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	40,000	-
<u>70,806</u>	<u>-</u>	<u>164,290</u>	<u>23,092</u>	<u>35,171</u>	<u>1,754</u>	<u>3,231</u>	<u>40,517</u>	<u>4,051</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
21,031	3,888	-	-	1,171,186	525,165	57,806	493,067	(2,628)
-	-	306,436	1,013,385	-	-	-	-	-
<u>21,031</u>	<u>3,888</u>	<u>306,436</u>	<u>1,013,385</u>	<u>1,171,186</u>	<u>525,165</u>	<u>57,806</u>	<u>493,067</u>	<u>(2,628)</u>
<u>\$ 91,837</u>	<u>\$ 3,888</u>	<u>\$ 470,726</u>	<u>\$ 1,036,477</u>	<u>\$ 1,206,357</u>	<u>\$ 526,919</u>	<u>\$ 61,037</u>	<u>\$ 533,584</u>	<u>\$ 1,423</u>

(Continued)

County of Lassen
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010

	Special Revenue					
	Supplemental					Inmate
	Law	Vital	Recorder	Recorder	Recorder	Welfare
Enforcement	Statistics	Micrographics	Modernization	AB130	State	
Fund						
ASSETS						
Cash and investments	\$ 384,824	\$ 55,422	\$ 185,229	\$ 185,399	\$ 42,047	\$ 53,533
Deposits with others	-	-	-	-	-	-
Due from other governmental entities	152,634	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Long term receivables	-	-	-	-	-	-
Total assets	\$ 537,458	\$ 55,422	\$ 185,229	\$ 185,399	\$ 42,047	\$ 53,533
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries	-	-	-	-	-	2,810
Due to other governmental entities	10,217	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	10,217	-	-	-	-	2,810
Fund Balances:						
Reserved:						
Prepaid expenses	-	-	-	-	-	-
Advances and deposits	-	-	-	-	-	-
Unreserved:						
Designated	527,241	55,422	185,229	185,399	42,047	50,723
Undesignated	-	-	-	-	-	-
Total fund balances	527,241	55,422	185,229	185,399	42,047	50,723
Total liabilities and fund balances	\$ 537,458	\$ 55,422	\$ 185,229	\$ 185,399	\$ 42,047	\$ 53,533

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	Geothermal	
\$ 162,831	\$ 85,075	\$ -	\$ 138,299	\$ 89,244	\$ 30,236	\$ 168,166	\$ 59,509	\$ 137,621	
-	-	-	-	-	-	-	-	-	-
-	-	109,492	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
\$ 162,831	\$ 85,075	\$ 109,492	\$ 138,299	\$ 89,244	\$ 30,236	\$ 168,166	\$ 59,509	\$ 137,621	
\$ -	\$ -	\$ 33,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,187	-	11,148	-	-	-	-	3,262	-	-
-	-	-	-	-	-	-	-	-	-
-	-	51,804	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3,187	-	96,164	-	-	-	-	3,262	-	-
159,644	85,075	13,328	138,299	89,244	30,236	168,166	56,247	137,621	
-	-	-	-	-	-	-	-	-	-
159,644	85,075	13,328	138,299	89,244	30,236	168,166	56,247	137,621	
\$ 162,831	\$ 85,075	\$ 109,492	\$ 138,299	\$ 89,244	\$ 30,236	\$ 168,166	\$ 59,509	\$ 137,621	

(Continued)

County of Lassen
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010

	Special Revenue					
	Mental Health Realignment	Social Services Realignment	Public Health Realignment	Substance Abuse & Crime Prevention	County Children's Fund	Tobacco Settlement Fund
ASSETS						
Cash and investments	\$ 614,430	\$ 805,844	\$ 1,207,509	\$ -	\$ 73,751	\$ 219,085
Deposits with others	-	-	-	-	-	-
Due from other governmental entities	32,800	-	-	91,655	-	-
Due from other funds	9,622	1,691	45,410	-	-	-
Advances to other funds	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Long term receivables	-	-	-	-	-	-
Total assets	\$ 656,852	\$ 807,535	\$ 1,252,919	\$ 91,655	\$ 73,751	\$ 219,085
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries	-	-	-	3,253	-	-
Due to other governmental entities	-	-	-	-	-	-
Due to other funds	-	34,638	-	91,595	-	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	34,638	-	94,848	-	-
Fund Balances:						
Reserved:						
Prepaid expenses	-	-	-	-	-	-
Advances and deposits	-	-	-	-	-	-
Unreserved:						
Designated	656,852	772,897	1,252,919	(3,193)	73,751	-
Undesignated	-	-	-	-	-	219,085
Total fund balances	656,852	772,897	1,252,919	(3,193)	73,751	219,085
Total liabilities and fund balances	\$ 656,852	\$ 807,535	\$ 1,252,919	\$ 91,655	\$ 73,751	\$ 219,085

Special Revenue								Capital Projects
Fair	Economic Development & Housing Income	Loss Prevention Fund	USDA Title III	Probation Fund	Probation Contracts	Child Support	Special Revenue Total	Criminal Justice Facility Construction
\$ 76	\$ 72,845	\$ 150,591	\$ 7,919	\$ 151,954	\$ -	\$ 78,532	\$ 13,660,491	\$ 1,634,729
-	-	-	-	-	-	-	-	-
-	-	-	-	47,882	30,243	-	1,105,539	-
-	-	-	-	28,434	-	-	85,157	-
-	400,000	-	-	-	-	-	400,000	-
-	-	-	-	-	-	22,632	22,632	-
-	63,449	-	-	-	-	-	633,788	-
<u>\$ 76</u>	<u>\$ 536,294</u>	<u>\$ 150,591</u>	<u>\$ 7,919</u>	<u>\$ 228,270</u>	<u>\$ 30,243</u>	<u>\$ 101,164</u>	<u>\$ 15,907,607</u>	<u>\$ 1,634,729</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	244,114	\$ -
16,057	-	-	-	81,806	6,393	36,374	414,032	-
-	-	-	-	-	-	-	10,217	-
6,504	-	-	-	-	35,798	-	323,592	-
-	-	-	-	-	-	-	-	-
-	63,449	-	-	11,155	-	-	729,943	-
<u>22,561</u>	<u>63,449</u>	<u>-</u>	<u>-</u>	<u>92,961</u>	<u>42,191</u>	<u>36,374</u>	<u>1,721,898</u>	<u>-</u>
-	-	-	-	-	-	22,632	22,632	-
-	400,000	-	-	-	-	-	400,000	-
(22,485)	-	150,591	7,919	135,309	(11,948)	42,158	12,151,326	1,634,729
-	72,845	-	-	-	-	-	1,611,751	-
<u>(22,485)</u>	<u>472,845</u>	<u>150,591</u>	<u>7,919</u>	<u>135,309</u>	<u>(11,948)</u>	<u>64,790</u>	<u>14,185,709</u>	<u>1,634,729</u>
<u>\$ 76</u>	<u>\$ 536,294</u>	<u>\$ 150,591</u>	<u>\$ 7,919</u>	<u>\$ 228,270</u>	<u>\$ 30,243</u>	<u>\$ 101,164</u>	<u>\$ 15,907,607</u>	<u>\$ 1,634,729</u>

(Continued)

County of Lassen
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010

	Capital Projects					
	Capital	CCC Mitigation	Accumulated	Courthouse	Fair	CCF Equipment
	Improvements	Capital Improvements	Capital Outlay	Construction	Improvement	Replacement Fund
ASSETS						
Cash and investments	\$ 49	\$ 602,466	\$ 916,126	\$ 64	\$ 144,923	\$ 255,644
Deposits with others	-	-	-	-	125,373	-
Due from other governmental entities	47,292	-	-	-	-	5,850
Due from other funds	-	-	-	-	-	-
Advances to other funds	-	350,000	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Long term receivables	-	-	-	-	-	-
Total assets	\$ 47,341	\$ 952,466	\$ 916,126	\$ 64	\$ 270,296	\$ 261,494
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,361
Accrued salaries	-	-	-	-	-	-
Due to other governmental entities	-	-	-	-	-	-
Due to other funds	26,047	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	47,292	-	-	-	-	5,850
Total liabilities	73,339	-	-	-	-	7,211
Fund Balances:						
Reserved:						
Prepaid expenses	-	-	-	-	-	-
Advances and deposits	-	350,000	-	-	-	-
Unreserved:						
Designated	(25,998)	602,466	916,126	64	270,296	254,283
Undesignated	-	-	-	-	-	-
Total fund balances	(25,998)	952,466	916,126	64	270,296	254,283
Total liabilities and fund balances	\$ 47,341	\$ 952,466	\$ 916,126	\$ 64	\$ 270,296	\$ 261,494

Capital Projects

			Total
Sierra Army	Total	Debt	Non Major
Depot	Capital	Service	Governmental
RDA	Projects	Fund	Funds
\$ 4,024	\$ 3,558,025	\$ 88,088	\$ 17,306,604
-	125,373	-	125,373
-	53,142	-	1,158,681
-	-	-	85,157
-	350,000	-	750,000
-	-	-	22,632
-	-	-	633,788
<u>\$ 4,024</u>	<u>\$ 4,086,540</u>	<u>\$ 88,088</u>	<u>\$ 20,082,235</u>

\$ -	1,361	\$ -	245,475
-	-	-	414,032
-	-	-	10,217
-	26,047	-	349,639
665,000	665,000	-	665,000
-	53,142	-	783,085
<u>665,000</u>	<u>745,550</u>	<u>-</u>	<u>2,467,448</u>

-	-	-	22,632
-	350,000	-	750,000
-	3,651,966	-	15,803,292
(660,976)	(660,976)	88,087	1,038,862
<u>(660,976)</u>	<u>3,340,990</u>	<u>88,087</u>	<u>17,614,786</u>
<u>\$ 4,024</u>	<u>\$ 4,086,540</u>	<u>\$ 88,088</u>	<u>\$ 20,082,235</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, 2010

	Special Revenue					
	Retiree Health Benefits	Prison Trial Program Fund	DA Contracts Fund	Sheriff Contracts Fund	Community and Economic Development	HHS Contracts Fund
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	798,853	188,523	112,543	668,969	150,000
Charges for services	-	-	-	-	21,944	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	33,432	2,658	-	2,384	22,347	250
Other	26,401	-	300	-	-	-
Total revenues	59,833	801,511	188,823	114,927	713,260	150,250
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public protection	-	925,212	194,266	54,357	-	-
Public ways and facilities	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	147,346
Public Assistance	-	-	-	-	383,946	-
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	-	15,263	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	925,212	194,266	69,620	383,946	147,346
REVENUES OVER (UNDER) EXPENDITURES	59,833	(123,701)	(5,443)	45,307	329,314	2,904
OTHER FINANCING SOURCES (USES):						
Transfers in	350,000	-	-	-	65,255	-
Transfers out	-	-	-	(95,080)	-	-
Total other financing sources (uses)	350,000	-	-	(95,080)	65,255	-
Net change in fund balances	409,833	(123,701)	(5,443)	(49,773)	394,569	2,904
FUND BALANCES:						
Beginning of year	2,611,167	370,050	47,749	206,915	1,028,553	10,297
End of year	\$ 3,021,000	\$ 246,349	\$ 42,306	\$ 157,142	\$ 1,423,122	\$ 13,201

Special Revenue

Air Pollution Fund	Fish & Game Fund	Welfare Fund	Welfare Assistance	Mental Health Services Act	General Contract	Cemetery Fund	Aviation Fund	TCF/Bailiff Fund
\$ 13,714	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,913	\$ -	\$ -
96,103	-	-	-	-	-	1,060	-	-
242,010	-	5,198,665	5,631,610	1,841,179	-	2,002	-	-
-	-	480	-	59,901	171,884	-	-	111,714
-	1,815	-	-	-	-	-	-	-
1,622	10	14,029	1,955	21,144	5,697	670	6,444	-
4,884	-	70,388	153,573	20	-	3,550	-	-
<u>358,333</u>	<u>1,825</u>	<u>5,283,562</u>	<u>5,787,138</u>	<u>1,922,244</u>	<u>177,581</u>	<u>120,195</u>	<u>6,444</u>	<u>111,714</u>
-	-	-	-	-	59,051	-	-	-
-	1,575	-	-	-	-	123,613	-	151,790
-	-	-	-	-	-	-	35,642	-
374,837	-	-	-	1,278,715	-	-	-	-
-	-	6,395,672	6,586,835	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	75,456	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>374,837</u>	<u>1,575</u>	<u>6,471,128</u>	<u>6,586,835</u>	<u>1,278,715</u>	<u>59,051</u>	<u>123,613</u>	<u>35,642</u>	<u>151,790</u>
<u>(16,504)</u>	<u>250</u>	<u>(1,187,566)</u>	<u>(799,697)</u>	<u>643,529</u>	<u>118,530</u>	<u>(3,418)</u>	<u>(29,198)</u>	<u>(40,076)</u>
-	-	1,320,983	820,000	-	-	-	-	41,235
-	-	-	(41,454)	(495,409)	-	-	-	-
-	-	1,320,983	778,546	(495,409)	-	-	-	41,235
<u>(16,504)</u>	<u>250</u>	<u>133,417</u>	<u>(21,151)</u>	<u>148,120</u>	<u>118,530</u>	<u>(3,418)</u>	<u>(29,198)</u>	<u>1,159</u>
<u>37,535</u>	<u>3,638</u>	<u>173,019</u>	<u>1,034,536</u>	<u>1,023,066</u>	<u>406,635</u>	<u>61,224</u>	<u>522,265</u>	<u>(3,787)</u>
<u>\$ 21,031</u>	<u>\$ 3,888</u>	<u>\$ 306,436</u>	<u>\$ 1,013,385</u>	<u>\$ 1,171,186</u>	<u>\$ 525,165</u>	<u>\$ 57,806</u>	<u>\$ 493,067</u>	<u>\$ (2,628)</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, 2010

	Special Revenue					
	Supplemental Law Enforcement Fund	Vital Statistics	Recorder Micrographics	Recorder Modernization	Recorder AB130	Inmate Welfare State
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	647,032	-	-	-	-	-
Charges for services	-	5,191	8,042	29,106	14,738	30,104
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	2,918	662	2,293	2,361	530	850
Other	200	-	-	-	-	45,667
Total revenues	650,150	5,853	10,335	31,467	15,268	76,621
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public protection	98,767	(254)	836	22,429	(189)	106,011
Public ways and facilities	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Public Assistance	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	98,767	(254)	836	22,429	(189)	106,011
REVENUES OVER (UNDER) EXPENDITURES	551,383	6,107	9,499	9,038	15,457	(29,390)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	(99,238)	-	-	-	(15,000)	-
Total other financing sources (uses)	(99,238)	-	-	-	(15,000)	-
Net change in fund balances	452,145	6,107	9,499	9,038	457	(29,390)
FUND BALANCES:						
Beginning of year	75,096	49,315	175,730	176,361	41,590	80,113
End of year	\$ 527,241	\$ 55,422	\$ 185,229	\$ 185,399	\$ 42,047	\$ 50,723

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	Geothermal
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,721	\$ 8,466	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	255,668	-	-	51	159	40,000	16,223
30,104	-	-	-	10,517	-	-	-	-
-	28,063	-	-	-	-	-	-	-
2,337	859	-	1,915	1,217	330	1,918	617	1,631
70,745	1,289	-	-	-	-	-	2,013	-
<u>103,186</u>	<u>30,211</u>	<u>255,668</u>	<u>1,915</u>	<u>11,734</u>	<u>3,102</u>	<u>10,543</u>	<u>42,630</u>	<u>17,854</u>
-	-	-	-	2,536	-	-	-	-
117,976	17,170	207,093	16,051	-	-	25,744	-	137
-	-	-	-	-	2,922	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	68,598	-
22,515	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>140,491</u>	<u>17,170</u>	<u>207,093</u>	<u>16,051</u>	<u>2,536</u>	<u>2,922</u>	<u>25,744</u>	<u>68,598</u>	<u>137</u>
<u>(37,305)</u>	<u>13,041</u>	<u>48,575</u>	<u>(14,136)</u>	<u>9,198</u>	<u>180</u>	<u>(15,201)</u>	<u>(25,968)</u>	<u>17,717</u>
-	-	-	-	-	-	-	20,000	-
-	-	(46,552)	-	(20,000)	-	-	-	-
-	-	(46,552)	-	(20,000)	-	-	20,000	-
<u>(37,305)</u>	<u>13,041</u>	<u>2,023</u>	<u>(14,136)</u>	<u>(10,802)</u>	<u>180</u>	<u>(15,201)</u>	<u>(5,968)</u>	<u>17,717</u>
<u>196,949</u>	<u>72,034</u>	<u>11,305</u>	<u>152,435</u>	<u>100,046</u>	<u>30,056</u>	<u>183,367</u>	<u>62,215</u>	<u>119,904</u>
<u>\$ 159,644</u>	<u>\$ 85,075</u>	<u>\$ 13,328</u>	<u>\$ 138,299</u>	<u>\$ 89,244</u>	<u>\$ 30,236</u>	<u>\$ 168,166</u>	<u>\$ 56,247</u>	<u>\$ 137,621</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, 2010

	Special Revenue					
	Mental Health Realignment	Social Services Realignment	Public Health Realignment	Substance Abuse & Crime Prevention	County Children's Fund	Tobacco Settlement Fund
REVENUES:						
Taxes	\$ 669,502	\$ 1,610,700	\$ 406,896	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	139,711	896	-
Charges for services	-	-	-	2,465	4,234	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	9,377	10,959	21,647	-	190	4,740
Other	-	-	-	6,328	727	342,649
Total revenues	678,879	1,621,659	428,543	148,504	6,047	347,389
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	59,968
Public protection	-	-	-	-	-	-
Public ways and facilities	-	-	-	-	-	-
Health and sanitation	37,452	-	687,113	152,760	-	-
Public Assistance	-	-	-	-	2,322	-
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	37,452	-	687,113	152,760	2,322	59,968
REVENUES OVER (UNDER) EXPENDITURES	641,427	1,621,659	(258,570)	(4,256)	3,725	287,421
OTHER FINANCING SOURCES (USES):						
Transfers in	327,339	53,423	1,434,748	1,815	-	-
Transfers out	(983,507)	(1,589,551)	(1,683,558)	-	-	(372,000)
Total other financing sources (uses)	(656,168)	(1,536,128)	(248,810)	1,815	-	(372,000)
Net change in fund balances	(14,741)	85,531	(507,380)	(2,441)	3,725	(84,579)
FUND BALANCES:						
Beginning of year	671,593	687,366	1,760,299	(752)	70,026	303,664
End of year	\$ 656,852	\$ 772,897	\$ 1,252,919	\$ (3,193)	\$ 73,751	\$ 219,085

Special Revenue								Capital Projects
Fair	Economic Development & Housing Income	Loss Prevention Fund	USDA Title III	Probation Fund	Probation Contracts	Child Support	Special Revenue Total	Criminal Justice Facility Construction
\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 2,824,912	\$ -
-	-	-	-		-	-	97,163	-
165,000	-	-	227,094	398,179	81,722	935,199	17,741,288	-
-	-	-	-	118,575	62,000	-	680,999	-
-	-	-	-	707,661	-	-	737,539	79,828
475,562	105,937	1,914	2,106	16,207	-	-	781,719	20,207
1,410	-	-	-	111	-	50	730,305	-
641,972	105,937	1,914	229,200	1,240,733	143,722	935,249	23,593,925	100,035
726,154	-	2,352	227,094	-	-	-	1,077,155	1,165
-	2,374	-	128,832	2,638,559	171,333	970,411	5,974,093	-
-	-	-	-	-	-	-	38,564	-
-	-	-	-	-	-	-	2,678,223	-
-	-	-	-	-	-	-	13,368,775	-
-	-	-	-	-	-	-	68,598	-
-	75,000	-	-	-	-	-	188,234	9,549
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
726,154	77,374	2,352	355,926	2,638,559	171,333	970,411	23,393,642	10,714
(84,182)	28,563	(438)	(126,726)	(1,397,826)	(27,611)	(35,162)	200,283	89,321
45,000	-	-	-	1,108,807	-	-	5,588,605	186,004
-	(20,000)	-	-	-	-	-	(5,461,349)	(605,000)
45,000	(20,000)	-	-	1,108,807	-	-	127,256	(418,996)
(39,182)	8,563	(438)	(126,726)	(289,019)	(27,611)	(35,162)	327,539	(329,675)
16,697	464,282	151,029	134,645	424,328	15,663	99,952	13,858,170	1,964,404
\$ (22,485)	\$ 472,845	\$ 150,591	\$ 7,919	\$ 135,309	\$ (11,948)	\$ 64,790	14,185,709	\$ 1,634,729

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County of Lassen
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2010

	Capital Projects					
	Capital Improvements	CCC Mitigation Capital Improvements	Accumulated Capital Outlay	Courthouse Construction	Fair Improvement	CCF Equipment Replacement Fund
REVENUES:						
Taxes	\$ -	\$ -	\$ 235,425	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	26,286	45,285	4,175	-	162,735	29,250
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	185,702	-	-
Use of money and property	600	7,549	2,380	366	2,867	3,483
Other	2,518	-	-	-	15,000	-
Total revenues	29,404	52,834	241,980	186,068	180,602	32,733
EXPENDITURES:						
Current:						
General government	-	-	23,506	-	30,883	-
Public protection	-	-	-	-	-	7,091
Public ways and facilities	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Public Assistance	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Capital outlay	134,776	42,730	31,415	-	122,476	26,687
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	134,776	42,730	54,921	-	153,359	33,778
REVENUES OVER (UNDER) EXPENDITURES	(105,372)	10,104	187,059	186,068	27,243	(1,045)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(186,004)	(45,000)	-
Total other financing sources (uses)	-	-	-	(186,004)	(45,000)	-
Net change in fund balances	(105,372)	10,104	187,059	64	(17,757)	(1,045)
FUND BALANCES:						
Beginning of year	79,374	942,362	729,067	-	288,053	255,328
End of year	\$ (25,998)	\$ 952,466	\$ 916,126	\$ 64	\$ 270,296	\$ 254,283

Capital Projects

Sierra Army Depot RDA	Total Capital Projects	Debt Service Fund	Total Non Major Governmental Funds
\$ -	\$ 235,425	\$ -	\$ 3,060,337
-	-	-	97,163
-	267,731	-	18,009,019
-	-	-	680,999
-	265,530	-	1,003,069
75,407	112,859	15,904	910,482
-	17,518	40	747,863
<u>75,407</u>	<u>899,063</u>	<u>15,944</u>	<u>24,508,932</u>
153,670	209,224	-	1,286,379
-	7,091	-	5,981,184
-	-	-	38,564
-	-	-	2,678,223
-	-	-	13,368,775
-	-	-	68,598
-	367,633	-	555,867
-	-	625,000	625,000
-	-	13,874	13,874
<u>153,670</u>	<u>583,948</u>	<u>638,874</u>	<u>24,616,464</u>
<u>(78,263)</u>	<u>315,115</u>	<u>(622,930)</u>	<u>(107,532)</u>
-	186,004	-	5,774,609
<u>(19,000)</u>	<u>(855,004)</u>	<u>-</u>	<u>(6,316,353)</u>
<u>(19,000)</u>	<u>(669,000)</u>	<u>-</u>	<u>(541,744)</u>
(97,263)	(353,885)	(622,930)	(649,276)
<u>(563,713)</u>	<u>3,694,875</u>	<u>711,017</u>	<u>18,264,062</u>
<u>\$ (660,976)</u>	<u>\$ 3,340,990</u>	<u>\$ 88,087</u>	<u>17,614,786</u>

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NON-MAJOR ENTERPRISE FUNDS

County of Lassen
Combining Statement of Net Assets
Non-Major Enterprise Funds
June 30, 2010

	County Service Area (Honey Lake TV)	County Business Parks	County Water Systems	Total
ASSETS				
Current assets:				
Cash and investments	\$ 135,984	\$ 25,603	\$ 1,991	\$ 163,578
Total current assets	135,984	25,603	1,991	163,578
Noncurrent assets:				
Capital assets:				
Nondepreciable	-	317,519	25,000	342,519
Depreciable, net	67,478	598,132	-	665,610
Total noncurrent assets	67,478	915,651	25,000	1,008,129
Total assets	203,462	941,254	26,991	1,171,707
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	67,478	915,651	25,000	1,008,129
Unrestricted	135,984	5,603	(63,009)	78,578
Total net assets	\$ 203,462	\$ 921,254	\$ (38,009)	\$ 1,086,707

County of Lassen
Combining Statement of Activities and Changes in Net Assets
Non-Major Enterprise Funds
For the year ended June 30, 2010

	County Service Area (Honey Lake TV)	County Business Parks	County Water Systems	Total
OPERATING REVENUES				
Charges for sales and services	\$ 46,442	\$ -	\$ 1,577	\$ 48,019
Other Revenue	-	29,048	-	29,048
Total operating revenues	46,442	29,048	1,577	77,067
OPERATING EXPENSES				
Services and supplies	54,314	28,233	5,899	88,446
Depreciation	25,026	20,387	-	45,413
Total operating expenses	79,340	48,620	5,899	133,859
OPERATING INCOME (LOSS)	(32,898)	(19,572)	(4,322)	(56,792)
NONOPERATING INCOME (EXPENSES)				
Interest income	2,424	105	138	2,667
Total nonoperating income (expenses)	2,424	105	138	2,667
INCOME (LOSS) BEFORE TRANSFERS	(30,474)	(19,467)	(4,184)	(54,125)
Transfers in / (out)	-	(19,623)	(6,632)	(26,255)
Change in net assets	(30,474)	(39,090)	(10,816)	(80,380)
NET ASSETS				
Beginning of year	233,936	960,344	(27,193)	1,167,087
End of year	<u>\$ 203,462</u>	<u>\$ 921,254</u>	<u>\$ (38,009)</u>	<u>\$ 1,086,707</u>

County of Lassen
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the year ended June 30, 2010

	County Service Area (Honey Lake TV)	County Business Parks	County Water Systems	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 46,442	\$ 29,048	\$ 1,577	\$ 77,067
Cash paid to suppliers for goods and services	(54,314)	(28,233)	(5,899)	(88,446)
Net cash provided (used) by operating activities	(7,872)	815	(4,322)	(11,379)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in / (out)	-	(19,623)	(6,632)	(26,255)
Net cash used in noncapital financing activities	-	(19,623)	(6,632)	(26,255)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payment for the acquisition of capital assets	(57,464)	-	-	(57,464)
Net cash used in capital and related financing activities	(57,464)	-	-	(57,464)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	2,424	105	138	2,667
Net cash provided by investing activities	2,424	105	138	2,667
Net decrease in cash and cash equivalents	(62,912)	(18,703)	(10,816)	(92,431)
CASH AND CASH EQUIVALENTS:				
Beginning of year	198,896	44,306	12,807	256,009
End of year	\$ 135,984	\$ 25,603	\$ 1,991	\$ 163,578
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (32,898)	\$ (19,572)	\$ (4,322)	\$ (56,792)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	25,026	20,387	-	45,413
Net cash provided (used) by operating activities	\$ (7,872)	\$ 815	\$ (4,322)	\$ (11,379)

INTERNAL SERVICE FUNDS

County of Lassen
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010

	Information Services	Fleet Maintenance	Total
ASSETS			
Current assets:			
Cash and investments	\$ 13,109	\$ 513,444	\$ 526,553
Prepaid expenses	-	31,198	31,198
Total current assets	<u>13,109</u>	<u>544,642</u>	<u>557,751</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net	33,330	498,245	531,575
Total capital assets	<u>33,330</u>	<u>498,245</u>	<u>531,575</u>
Total assets	<u>46,439</u>	<u>1,042,887</u>	<u>1,089,326</u>
LIABILITIES			
Liabilities:			
Current liabilities:			
Accounts payable	-	10,000	10,000
Salaries and benefits payable	11,294	3,610	14,904
Total liabilities	<u>11,294</u>	<u>13,610</u>	<u>24,904</u>
NET ASSETS			
Invested in capital assets, net of related debt	33,330	498,245	531,575
Unrestricted	1,815	531,032	532,847
Total net assets	<u>\$ 35,145</u>	<u>\$ 1,029,277</u>	<u>\$ 1,064,422</u>

County of Lassen
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2010

	Information Services	Fleet Maintenance	Total
OPERATING REVENUES:			
Charges for services	\$ 417,717	\$ 656,348	\$ 1,074,065
Total operating revenues	417,717	656,348	1,074,065
OPERATING EXPENSES:			
Salaries and benefits	226,121	78,947	305,068
Services and supplies	173,554	406,234	579,788
Non Internal Service Funds capital purchase	-	7,348	7,348
Depreciation	12,714	174,098	186,812
Total operating expenses	412,389	666,627	1,079,016
OPERATING INCOME (LOSS)	5,328	(10,279)	(4,951)
NONOPERATING REVENUES EXPENSES:			
Interest income	180	8,282	8,462
Total nonoperating revenues (expenses)	180	8,282	8,462
INCOME (LOSS) BEFORE TRANSFERS	5,508	(1,997)	3,511
Transfer out	-	(10,000)	(10,000)
Change in net assets	5,508	(11,997)	(6,489)
NET ASSETS:			
Beginning of year	29,637	1,041,274	1,070,911
End of year	\$ 35,145	\$ 1,029,277	\$ 1,064,422

County of Lassen
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2010

	Information Services	Fleet Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 417,717	\$ 656,348	\$ 1,074,065
Cash paid to suppliers for goods and services	(173,554)	(454,052)	(627,606)
Cash paid to employees for services	(224,439)	(78,688)	(303,127)
Net cash provided by operating activities	19,724	123,608	143,332
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:			
Payment for the acquisition of capital assets	(15,620)	(257,763)	(273,383)
Net cash used in capital and related financing activities	(15,620)	(257,763)	(273,383)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income received (paid)	153	8,282	8,435
Net cash provided by investing activities	153	8,282	8,435
Net increase (decrease) in cash and cash equivalents	4,257	(135,873)	(131,616)
CASH AND CASH EQUIVALENTS:			
Beginning of year	8,852	649,317	658,169
End of year	<u>\$ 13,109</u>	<u>\$ 513,444</u>	<u>\$ 526,553</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 5,328	\$ (10,279)	\$ (4,951)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	12,714	174,098	186,812
Changes in assets and liabilities:			
Increase (decrease) in:			
Prepaid expense	-	(31,198)	(31,198)
Accounts payable	-	(9,272)	(9,272)
Accrued salaries	1,682	259	1,941
Net cash provided by operating activities	\$ 19,724	\$ 123,608	\$ 143,332



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 (County) as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 24, 2011. 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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 County'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 County management, the Members of the Board of Supervisors, others within the County, 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
March 24, 2011