

COUNTY OF LAKE

AUDIT REPORT

JUNE 30, 2011

COUNTY OF LAKE

Table of Contents

	<u>Page</u>
Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis (M D & A)	3-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets – Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities.....	16
Proprietary Funds:	
Statement of Fund Net Assets	17
Statement of Revenues, Expenses and Changes in Fund Net Assets	18
Statement of Cash Flows	19-20
Fiduciary Funds:	
Statement of Fiduciary Net Assets	21
Statement of Changes in Fiduciary Net Assets	22
Notes to Financial Statements	23-63
Required Supplementary Information:	
Schedule of Funding Progress	64
Budgetary Comparison Schedules:	
General Fund.....	65-66
Housing Programs.....	67
Social Services	68
Note to Required Supplementary Information.....	69-70

COUNTY OF LAKE

Table of Contents

	<u>Page</u>
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	72
Special Revenue Funds:	
Combining Balance Sheet.....	73-79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	80-86
Debt Service Funds:	
Combining Balance Sheet.....	87
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	88
Capital Projects Funds:	
Combining Balance Sheet.....	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	90
Internal Service Funds:	
Combining Statement of Net Assets	91-92
Combining Statement of Revenues, Expenditures and Changes in Net Assets.....	93-94
Combining Statement of Cash Flows.....	95-98



INDEPENDENT AUDITOR'S REPORT

Board of Supervisors and Grand Jury
County of Lake
Lakeport, 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 Lake, California, (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Supervisors and Grand Jury
County of Lake

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated March 23, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Gallina LLP

Roseville, California
March 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE INTENTIONALLY LEFT BLANK

Management's Discussion and Analysis

As management of the County of Lake, California, (County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information in our financial statements.

County Budget Overview

The sluggish national and state economies continue to present extraordinary challenges to local governments throughout California, and the County of Lake is no exception. Important discretionary revenues such as property taxes are in decline while the demand for public services continues to increase. Nevertheless, the County's general fund budget remains structurally balanced and without debt.

The County's annual budget is prepared with the following goals in mind:

1. Develop a responsible, sustainable budget and budget plan that will enable the County to maintain its fiscal solvency during both the short-term and over the long-term.
2. Minimize and/or completely avoid any negative impacts on service levels provided to the public; improve services when possible.
3. Preserve the County's general reserve and, if possible, increase reserves and assigned/obligated fund balance set asides to help prepare for the County's future budgetary needs.
4. Avoid negatively impacting the County's employees and local economy by not imposing a large number of layoffs, any work furloughs or other forms of compensation reductions in order to balance the budget.

All of these goals were achieved during the fiscal year ending June 30, 2011.

The County has traditionally used one-time general fund revenues for one-time purposes. This has enabled reserves and/or assigned/obligated fund balances to be increased and finance several special projects.

Funding set aside for several capital projects undertaken by the County will result in long-term benefits to the public. A few examples, along with other measures that will result in long-term benefits, are provided below:

A new library and senior center project in Middletown was funded over a period of several years and is now under construction in Fiscal Year 2011-12.

After setting aside one-time funding for several years toward constructing a much needed new senior center in Clearlake Oaks, bids will be solicited for construction of this project during the coming year. This project, like others in the budget, should have a positive impact on the local economy.

During the year ending June 30, 2011, actions were taken to reduce office rental costs in the Mental Health Department budget by entering into an agreement to rent a new office and commercial building being constructed on 13th Avenue in Lucerne. This will not only free-up money in the Mental Health budget, it will also benefit local businesses in the community of Lucerne and result in increased revenues to County government and other local governmental entities.

Significant capital improvements have been undertaken in the County's water and wastewater systems, along with numerous County road improvement projects. Additionally, in the year ending June 30, 2011, a \$750,000 general fund contribution was appropriated to supplement road maintenance projects in the unincorporated area of the county.

One of the County's highest priorities, the protection and management of Clear Lake and the County's water resources in general, has received high priority funding in the County's budget. The FY 2010-11 budget included a special appropriation of \$1 million for water quality improvement projects to combat algae, aquatic weeds and invasive species.

The merging of the Water Resources and Public Works Departments during Fiscal Year 2010-11 resulted in a significant amount of salary and operational savings that will be available to supplement future years' funding for lake improvement projects.

Funding for extending infrastructure improvements to Lampson Field continues to be planned and funded, as is funding for the establishment of a new Visitor Center in the Clearlake or Lower Lake area. A partnership with the City of Clearlake on this project is being pursued.

The County obtained grant funding in FY 2010-11 to assist in financing preparation of a new County Tourism Strategic Marketing Plan. The Plan, which includes several aggressive measures, has recently been adopted by the Board of Supervisors and is being implemented in order to increase tourism and commerce in Lake County. With the need to increase the number of private sector jobs in Lake County, the current budget climate has provided an incentive to review and improve County practices and procedures in order to better assist and facilitate the creation of new locally-based and locally-owned small businesses and the jobs that will come with those businesses.

Although department heads and employees continue to closely monitor and control their expenditures in order to live within tight budget appropriations, the County has benefitted from having a very workable budget in FY 2010-11 that has enabled progress to continue being made in many areas. The County has not been required to impose massive layoffs, employee furloughs, reductions in employee compensation or elimination of high priority services to the public. The County lives within its financial means and does not borrow money from outside sources to cover general fund operating expenses. The County also has not had the need to issue tax revenue anticipate notes for interim financing purposes.

The County has operated with a very solid budget which many other counties would envy during these challenging times.

Financial Highlights

The assets of the County exceeded its liabilities at the close of fiscal year June 30, 2011 by \$206,829,382 (*net assets*):

- \$134,715,525 is invested in capital assets, net of related debt.
- \$45,931,205 is restricted for specific purposes (*restricted net assets*)
- \$26,182,652 in unrestricted net assets will be used to meet the government's ongoing obligations to citizens and creditors.

The County's total net assets increased by \$ 9,345,456:

- This total net asset increase is comprised of a \$751,119 increase in unrestricted net assets, \$6,934,168 increase in restricted net assets and a \$1,660,169 increase in capital assets net of related debt.
- Revenues exceeded expenses by \$9,115,252.

As of June 30, 2011, the County's governmental funds reported combined fund balances of \$73,892,952, an increase of \$10,235,121. Approximately 33% of the combined fund balances, \$25,053,295, is available to meet the County's current and future needs (committed, assigned, and unassigned).

- At the end of the current fiscal year, the assigned/unassigned fund balance for the general fund was \$25,647,051, or 63% of total general fund expenditures. The entire \$25,647,051 is considered assigned and has been designated for specific purposes per the County Board of Supervisors and is intended for those purposes only

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private sector business.

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

The *statement of activities* presents information showing how the County's 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 a future fiscal period (e.g. long-term notes loans and earned but unused vacation leave).

The 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 a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include the General Fund, Housing and CDBG Programs, Criminal Justice and Sheriff Programs, Mental Health and Health Administration, and Social Services. The business-type activities of the County are Solid Waste Management.

Component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same governing board as the County. Component units for the County include the Lake County Redevelopment Agency, the Air Quality District, the Lake County Housing Commission, the Watershed Protection Districts, the County Service Areas, the Lighting Districts, and the Sanitation Districts. Separate financial statements are prepared for the Lake County Housing Authority and the Lake County Redevelopment Agency. The financial statements of which can be obtained by writing to the Auditor-Controller's Office, 255 North Forbes Street, Lakeport, CA 95453.

The government-wide financial statements can be found on pages 11 – 12 of this report.

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

Governmental 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 fund 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 the 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 County'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 reconciliation to the government-wide financial statement in order to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains governmental funds organized according to their type—special revenue, debt service and capital projects. The County segregates from the General Fund a number of significant functions in major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Housing Programs, Social Services and County Redevelopment Agency, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* located in the *Combining and Individual Fund Statements and Schedules* section of this report.

The County adopts an annual appropriated budget for all of its operating funds. A budgetary comparison statement has been provided for the General Fund and major special revenue funds to demonstrate performance against this budget.

The governmental funds financial statements can be found on pages 13 – 16 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses an enterprise fund to account for Solid Waste Management. *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 Unemployment Insurance, Public Liability Insurance, Workers' Compensation Insurance, Self Funded Dental/Vision, Heavy Equipment Rental, Fleet Maintenance, and Central Garage. 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 proprietary fund financial statements provide separate information for Solid Waste Management, which is considered to be a major fund of the County. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the nonmajor internal service funds is provided in the form of *combining statements* elsewhere in this report.

The proprietary funds financial statements can be found on pages 17 – 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. 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.

The fiduciary funds financial statements can be found on pages 21 – 22 of this report.

Notes to the basic financial statements. The 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.

The notes to the basic financial statements can be found on pages 23 – 63 of this report.

Required Supplementary Information. The Required Supplementary Information follows the Notes to the basic financial statements and contains budgetary comparison schedules for the General Fund by function along with major special revenue funds. Further information relative to this information is contained in the notes to required supplementary information.

The required supplementary information can be found on pages 64 – 70 of this report.

Supplementary Section. The Supplementary section contains the combining and individual fund statements and schedules for all nonmajor funds.

The supplementary section can be found on pages 71 – 98 of this report.

Government-Wide Financial Analysis

The following comparative analysis is provided as required under Governmental Accounting Standards Board (GASB)

	Governmental Activities		Business-Type Activities		Total		Total	
	2010	2011	2010	2011	2010	2011	Dollar Change	Percent Change
Assets:								
Current and other assets	\$ 90,797,214	\$ 98,945,924	\$ 6,844,935	\$ 6,520,330	\$ 97,642,149	\$ 105,466,254	\$ 7,824,105	8%
Capital assets	145,600,179	146,615,305	5,290,950	4,955,759	150,891,129	151,571,064	679,935	0%
Total assets	236,397,393	245,561,229	12,135,885	11,476,089	248,533,278	257,037,318	8,504,040	3%
Liabilities:								
Current and other liabilities	21,773,654	19,793,600	118,753	100,983	21,892,407	19,894,583	(1,997,824)	-9%
Long-term liabilities	24,278,546	25,249,306	4,878,399	5,064,047	29,156,945	30,313,353	1,156,408	4%
Total liabilities	46,052,200	45,042,906	4,997,152	5,165,030	51,049,352	50,207,936	(841,416)	-2%
Net Assets:								
Invested in capital assets, net of related debt	127,764,406	129,759,766	5,290,950	4,955,759	133,055,356	134,715,525	1,660,169	1%
Restricted net assets	34,348,436	41,329,661	4,648,601	4,601,544	38,997,037	45,931,205	6,934,168	18%
Unrestricted net assets	28,232,351	29,428,896	(2,800,818)	(3,246,244)	25,431,533	26,182,652	751,119	3%
Total net assets	\$ 190,345,193	\$ 200,518,323	\$ 7,138,733	\$ 6,311,059	\$ 197,483,926	\$ 206,829,382	\$ 9,345,456	5%

Statement No. 34.

Analysis of Net Assets

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 \$206,829,382 the close of the most recent fiscal year.

The largest portion of the County's net assets \$134,715,525 or 65% is its investment in capital assets (e.g. land, building, improvements, equipment, park facilities and infrastructure—roads, bridges, water and sewer systems), which is shown less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens. These assets are *not* available for future spending.

Restricted net assets of \$45,931,205 or 22% represents resources that are subject to external restrictions on how they may be used. The remaining \$26,182,652 or 13%, unrestricted net assets, may be used to meet the County's ongoing obligations to citizens and creditors.

At the conclusion of the fiscal year June 30, 2011 the County is able to report positive balances in all three categories of net assets, for the government as a whole.

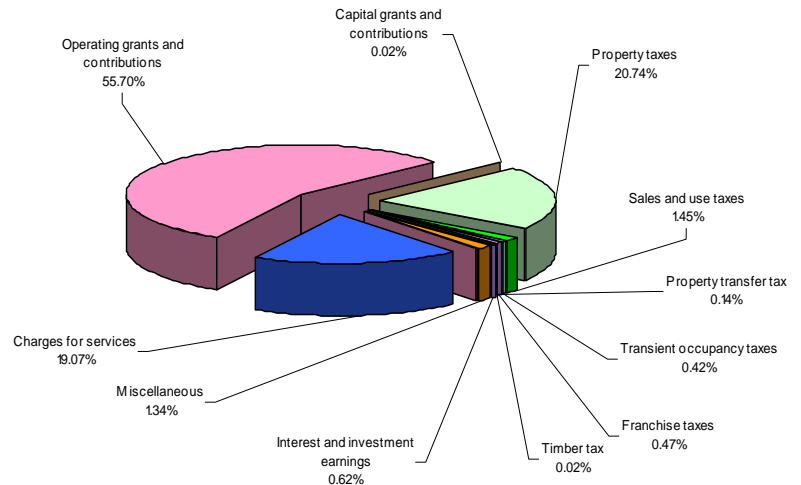
	Governmental Activities		Business-Type Activities		Total		Total	
	2010	2011	2010	2011	2010	2011	Dollar Change	Percent Change
Revenues								
Program Revenues:								
Charges for Services	\$ 25,665,330	\$ 26,684,206	\$ 1,560,729	\$ 1,422,835	\$ 27,226,059	\$ 28,107,041	\$ 880,982	3%
Operating grants and contributions	61,741,466	77,928,429	29,296	117,700	61,770,762	78,046,129	16,275,367	26%
Capital grants and contributions	4,216,888	33,146	-	-	4,216,888	33,146	(4,183,742)	-99%
General Revenues:								
Property taxes	29,263,637	29,018,335	-	-	29,263,637	29,018,335	(245,302)	-1%
Sales and use taxes	4,062,900	2,031,078	-	-	4,062,900	2,031,078	(2,031,822)	-50%
Transient occupancy taxes	676,696	589,880	-	-	676,696	589,880	(86,816)	-13%
Property transfer taxes	224,239	198,620	-	-	224,239	198,620	(25,619)	-11%
Franchise taxes	817,420	651,036	-	37,036	817,420	688,072	(129,348)	-16%
Aircraft taxes	23,113	21,486	-	-	23,113	21,486	(1,627)	-7%
Timber yield taxes	38	1,454	-	-	38	1,454	1,416	3726%
Tobacco settlement	590,621	-	-	-	590,621	-	(590,621)	-100%
Interest and investment earnings	1,683,059	872,240	61,166	56,490	1,744,225	928,730	(815,495)	-47%
Miscellaneous	1,942,098	1,868,131	8,431	7,508	1,950,529	1,875,639	(74,890)	-4%
Total revenues	130,907,505	139,898,041	1,659,622	1,641,569	132,567,127	141,539,610	8,972,483	7%
Expenses								
General government	14,123,720	11,993,533	-	-	14,123,720	11,993,533	(2,130,187)	-15%
Public safety	36,406,853	35,912,625	-	-	36,406,853	35,912,625	(494,228)	-1%
Public ways and facilities	37,990,878	15,922,559	-	-	37,990,878	15,922,559	(22,068,319)	-58%
Health and sanitation	15,710,332	22,820,937	-	-	15,710,332	22,820,937	7,110,605	45%
Public assistance	24,636,130	39,943,808	-	-	24,636,130	39,943,808	15,307,678	62%
Education	1,259,325	1,255,839	-	-	1,259,325	1,255,839	(3,486)	0%
Culture and recreation	1,419,818	1,473,657	-	-	1,419,818	1,473,657	53,839	4%
Solid Waste Management	-	-	2,536,356	2,469,243	2,536,356	2,469,243	(67,113)	-3%
Interest on long-term debt	691,874	632,157	-	-	691,874	632,157	(59,717)	-9%
Total expenses	132,238,930	129,955,115	2,536,356	2,469,243	134,775,286	132,424,358	(2,350,928)	-2%
Change in net assets	(1,331,425)	9,942,926	(876,734)	(827,674)	(2,208,159)	9,115,252	11,323,411	-513%
Net assets - July 1	191,676,618	190,345,193	8,015,467	7,138,733	199,692,085	197,483,926	(2,208,159)	-1%
Prior period adjustment	-	230,204	-	-	-	230,204	230,204	0%
Net assets - July 1, restated	191,676,618	190,575,397	8,015,467	7,138,733	199,692,085	197,714,130	(1,977,955)	(0)
Net assets - June 30	\$ 190,345,193	\$ 200,518,323	\$ 7,138,733	\$ 6,311,059	\$ 197,483,926	\$ 206,829,382	\$ 9,345,456	5%

As listed in Financial Highlights, the County's net assets increased by \$9,345,456 during the June 30, 2011 fiscal year.

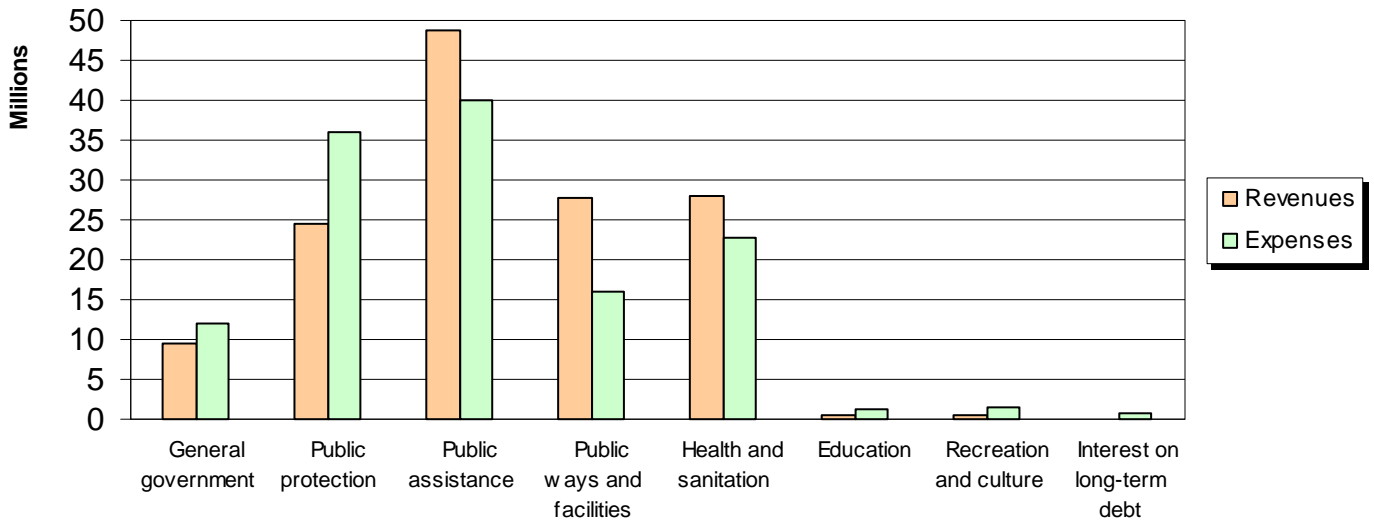
Governmental activities. Governmental activities increased the County's net assets by \$9,942,926, or approximately 5%. Total revenues increased by \$8,990,536 or approximately 7%, while total expenses also decreased by \$2,283,815, or approximately 2%.

Revenues. The total revenue increase of \$8,990,536 is primarily within program revenues, while general revenue tax categories decreased. Increasing revenue categories were charges for services at \$1,018,876, operating grants and contributions at \$16,186,963, and timber yield taxes at \$1,416. Decreasing revenues were seen in property taxes at \$245,302, capital grants and contributions at \$4,183,742, sales and use taxes at \$2,031,822 (which includes a reclassification of proposition 172 monies from general revenues, sales and use to operating grants and contributions), transient occupancy taxes at \$86,816, property transfer taxes at \$25,619, franchise taxes at \$166,384, aircraft taxes at \$1,627, interest and investment earnings at \$810,819, miscellaneous revenue at \$664,588 (which includes a consolidation of tobacco settlement monies now reported as miscellaneous revenue).

Revenues by Source-Governmental Activities



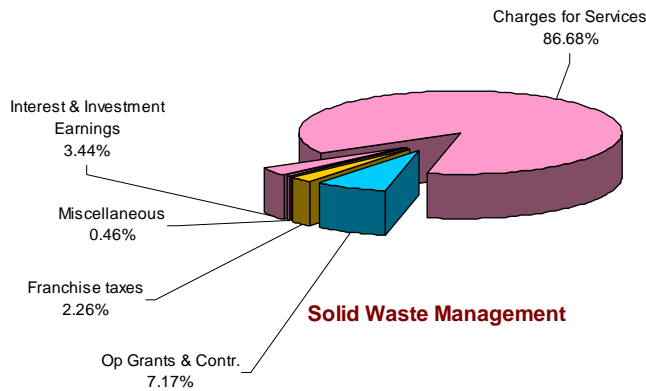
Expenses and Program Revenues-Governmental Activities



Expenses. The \$2,283,815 decrease was within categories within general government at \$2,130,187, public protection at \$494,228, public ways and facilities at \$22,068,319, education at \$3,486 and interest on long term debt at \$59,717. Increases in general government expenditures were seen in health and sanitation at \$7,110,605 and public assistance at \$15,307,678 and culture and recreation at \$53,839.

Business-type activities. Business-type activities decreased the County's net business-type assets by \$827,674 or 12%. Total revenues decreased by \$18,053 or 1%, total expenses decreased by \$67,113 or 3%.

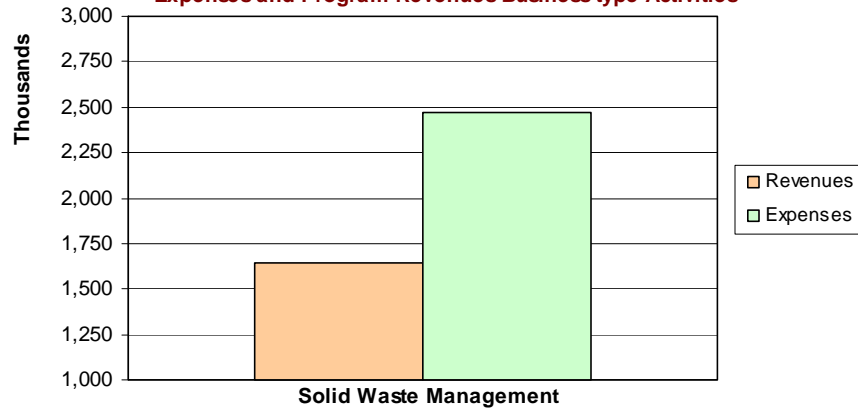
Revenues by Source-Business-Type Activities



Revenues. Total program revenues decreased by \$49,490. This consists of a decrease in charges for services of \$137,894 and an increase in operating grants and contributions of \$88,404. General revenues increased by \$31,437. Franchise taxes increased by \$37,036, interest and investment earnings decreased by \$4,676 and miscellaneous revenue decreased by \$923.

Expenses. Total expenses were \$67,113 less than the previous fiscal year. This decrease in expenses was greater than reduced revenues. As noted, the Solid Waste Management activity continued a declining net asset trend with an additional \$827,674 decrease in net assets from the previous fiscal year.

Expenses and Program Revenues-Business-type Activities



Financial Analysis of the County's Funds

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

Governmental funds. 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.

As listed in the *Financial Highlights*, at June 30, 2011 the County's governmental funds reported combined ending fund balances of \$73,892,952 an increase of \$10,235,121 in comparison with the prior year. Approximately 34% of the combined fund balance, \$25,024,999 constitutes assigned and unassigned fund balance, which is available to meet the County's current and future needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has been committed to the following:

- Nonspendable, advances receivable and inventory - \$7,067,031
- Restricted, external constraints (grants, laws) - \$41,772,626
- Committed, BOS - \$28,296

The increase in fund balances for the County's governmental funds reflects a combination of the County's continued prudent spending practices, as well as greater than anticipated revenues.

The General Fund is the primary operating fund of the County. At June 30, 2011, assigned fund balance of the General Fund was \$25,647,051 while total fund balance reached \$32,563,291. The \$25,647,051 assigned fund balance is designated by the governing body for encumbrances, infrastructure and reserve projects, while \$6,916,240 in nonspendable fund balance constitutes advances and inventory. The general fund contains no restricted, committed or unassigned fund balance. The Board remains committed to utilizing one time funding sources for one time projects. As a measure of the general fund's liquidity, it may be useful to compare both assigned fund balance and total fund balance to total fund expenditures. Assigned fund balance represents 63% of total general fund expenditures, while total fund balance represents 80% of that same amount. The general fund balance increased by \$2,156,811 during the fiscal year.

Other major funds include the Housing Programs, Social Services and the County Redevelopment Agency. The Housing Programs, Social Services and County Redevelopment Agency had total fund balances of \$64,219 (deficit), \$2,226,279 and \$3,413,946 (deficit) respectively; an decrease in deficit fund balance of \$121,238 an increase of \$118,767 and an increase in deficit fund balance of \$1,248,245, respectively.

The Housing Programs continue to have a deficit fund balance of \$64,219. This deficit is due to a interim financing from Social Services Realignment monies during the June 30, 2009 fiscal year that is partially unpaid.

The County Redevelopment Agency (RDA) fund has a deficit fund balance of \$3,413,946. This is typical for a Redevelopment Agency since an RDA is required to incur debt in order to receive tax increment revenues. The RDA's debt consists primarily of money borrowed from the County General Fund and property acquisition financing.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the enterprise fund decreased from \$7,108,441 to \$6,311,059, a 11% decrease from the previous fiscal year.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget revenues were an decrease of \$1,156,154. This represents approximately a 3% decrease. The differences between the original budget and the final amended budget appropriations were an increase of \$851,339. This increase of approximately 2% net over all functions is summarized below:

- General government – net increase of \$88,600. This is a negligible decrease compared to total category budget.
- Public Protection – net decrease \$123,239. This is also a negligible decrease compared to total category budget.
- Public Assistance – no change.
- Education – net increase \$325.
- Recreation and Culture – net decrease of \$3,588.
- Total Capital Outlay – net increase of \$262,058.
- Appropriation for contingency -- net increase of \$627,183.

During the year, actual revenues were \$999,920 less than budgetary estimates. During the year, actual expenditures were less than budgetary estimates by \$13,556,105. The net effect of under-realization of revenues and under-utilization of appropriations resulted in a positive variance of \$12,556,185 prior to consideration of interfund transfers. This variance is due to less than anticipated intergovernmental revenues, offset by both an underutilization of general government and public protection appropriations with fiscally responsible spending practices; and unused capital outlay appropriations at year end potentially available for carry forward.

Specific categories and their associated variances can be found in the Required Supplementary Information section of this report (pages 65 – 66).

Capital assets

The County's investment in capital assets for its governmental and business type activities as of June 20, 2011 was \$151,571,064 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, park facilities and infrastructure (roads, bridges, water and sewer systems). The total increase in the County's investment in capital assets for the current fiscal year of \$679,935 and represented the completion of \$9,476,018 in construction in progress, with a corresponding increase in infrastructure and buildings and improvements.

**County of Lake
Capital Assets as of June 30 (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total		Total	
	2010	2011	2010	2011	2010	2011	Dollar Change	Percent Change
Land	\$ 20,923,406	\$ 21,264,456	\$ 767,970	\$ 767,970	\$ 21,691,376	\$ 22,032,426	\$ 341,050	2%
Construction in progress	14,446,767	4,970,749	-	-	14,446,767	4,970,749	(9,476,018)	-66%
Buildings and improvements	40,048,840	44,223,294	1,107,161	1,076,618	41,156,001	45,299,912	4,143,911	10%
Equipment	5,588,089	5,456,891	1,541,946	1,280,879	7,130,035	6,737,770	(392,265)	-6%
Infrastructure	64,593,077	70,699,915	1,873,873	1,830,292	66,466,950	72,530,207	6,063,257	9%
Net assets - June 30	\$ 145,600,179	\$ 146,615,305	\$ 5,290,950	\$ 4,955,759	\$ 150,891,129	\$ 151,571,064	\$ 679,935	0%

Detailed information on the County's capital assets can be found in the Notes to the Financial Statements, Note 4 pages 42-43.

Long-Term Liabilities

As of June 30, 2011, the County had total long-term obligations outstanding of \$25,207,942. The largest obligations were Loans Payable of \$13,334,843 primarily for water and wastewater projects, Closure/Post Closure for Solid Waste of \$4,919,966, compensated absences of \$3,432,437, and Kelseyville/Finley Water Project Certificates of Participation of \$2,664,696. The remaining includes special assessment bonds, \$451,000, and general obligation bonds, \$405,000.

During the fiscal year, the County's total long-term liabilities decreased by \$648,405. This change was the result of loans paid off during the reporting period.

The majority of County long-term liabilities consist of general obligation and special assessment bonds, and County Service Area loans. Accordingly, this is primarily paid for by bonds and special assessments for those within the areas of service.

Detailed information on the County's long-term debt can be found in the Notes to the Financial Statements, Note 6 page 45-50.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning the information contained within this report or requests for additional information should be addressed to the County of Lake, Auditor-Controller, 255 North Forbes Street, Lakeport, CA 95453. This report, along with the County Budget, is also available via the internet at:

http://www.co.lake.ca.us/Government/Directory/AuditorController/Financial_Reporting.htm

BASIC FINANCIAL STATEMENTS
Government Wide Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF LAKE

Statement of Net Assets June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and investments	\$ 83,570,228	\$ 1,710,257	\$ 85,280,485
Imprest cash	9,320	500	9,820
Cash with fiscal agent	74,744	--	74,744
Restricted cash	--	4,601,544	4,601,544
Accounts receivable	1,268,837	172,041	1,440,878
Due from other governments	5,061,668	25,489	5,087,157
Taxes receivable	292,226	--	292,226
Interest receivable	73,693	10,499	84,192
Inventories	144,261	--	144,261
Loans receivable	8,450,947	--	8,450,947
Capital assets:			
Nondepreciable	26,235,205	767,970	27,003,175
Depreciable, net	120,380,100	4,187,789	124,567,889
Total assets	<u>\$ 245,561,229</u>	<u>\$ 11,476,089</u>	<u>\$ 257,037,318</u>
Liabilities			
Accounts payable	\$ 2,415,474	\$ 4,171	\$ 2,419,645
Accrued interest payable	52,503	--	52,503
Accrued salaries and benefits	5,885,762	96,812	5,982,574
Unearned revenue	10,599,896	--	10,599,896
Deposits and other liabilities	102,782	--	102,782
Due to external parties	167,191	--	167,191
Estimated claims liability	569,992	--	569,992
Long-term liabilities			
Due within one year	1,949,933	7,826	1,957,759
Due in more than one year	18,274,627	4,975,556	23,250,183
Liability for post-employment benefits	5,024,746	80,665	5,105,411
Total liabilities	<u>45,042,906</u>	<u>5,165,030</u>	<u>50,207,936</u>
Net Assets			
Invested in capital assets, net of related debt	129,759,766	4,955,759	134,715,525
Restricted for:			
Debt service	2,841,375	--	2,841,375
Capital projects	8,556,161	--	8,556,161
Grants, taxes, and fees	29,932,125	--	29,932,125
Closure maintenance	--	4,601,544	4,601,544
Unrestricted	29,428,896	(3,246,244)	26,182,652
Total net assets	<u>200,518,323</u>	<u>6,311,059</u>	<u>206,829,382</u>
Total liabilities and net assets	<u>\$ 245,561,229</u>	<u>\$ 11,476,089</u>	<u>\$ 257,037,318</u>

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

COUNTY OF LAKE

Statement of Activities For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 11,993,533	\$ 3,024,021	\$ 3,202,754	\$ 33,146
Public protection	35,912,625	4,173,442	10,606,620	--
Public ways and facilities	15,922,559	9,788,016	13,633,521	--
Health and sanitation	22,820,937	6,885,409	14,875,039	--
Public assistance	39,943,808	2,755,571	35,196,811	--
Education	1,255,839	22,965	259,254	--
Culture and recreation	1,473,657	34,782	154,430	--
Interest on long-term debt	632,157	--	--	--
Total governmental activities	<u>129,955,115</u>	<u>26,684,206</u>	<u>77,928,429</u>	<u>33,146</u>
Business-Type Activities:				
Solid Waste Management	2,469,243	1,422,835	117,700	--
Total business-type activities	<u>2,469,243</u>	<u>1,422,835</u>	<u>117,700</u>	<u>--</u>
Total primary government	<u>\$ 132,424,358</u>	<u>\$ 28,107,041</u>	<u>\$ 78,046,129</u>	<u>\$ 33,146</u>

General Revenues:

 Taxes:

 Property taxes

 Franchise taxes

 Sales and use taxes

 Transient occupancy taxes

 Transfer taxes

 Other taxes

 Unrestricted interest and investment earnings

 Miscellaneous

 Total general revenues

Change in net assets

Net assets, beginning of year, restated

Net assets, end of year

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (5,733,612)	\$ --	\$ (5,733,612)
(21,132,563)	--	(21,132,563)
7,498,978	--	7,498,978
(1,060,489)	--	(1,060,489)
(1,991,426)	--	(1,991,426)
(973,620)	--	(973,620)
(1,284,445)	--	(1,284,445)
(632,157)	--	(632,157)
<u>(25,309,334)</u>	<u>--</u>	<u>(25,309,334)</u>
--	(928,708)	(928,708)
<u>--</u>	<u>(928,708)</u>	<u>(928,708)</u>
<u>(25,309,334)</u>	<u>(928,708)</u>	<u>(26,238,042)</u>
29,018,335	--	29,018,335
651,036	37,036	688,072
2,031,078	--	2,031,078
589,880	--	589,880
198,620	--	198,620
22,940	--	22,940
872,240	56,490	928,730
1,868,131	7,508	1,875,639
<u>35,252,260</u>	<u>101,034</u>	<u>35,353,294</u>
9,942,926	(827,674)	9,115,252
<u>190,575,397</u>	<u>7,138,733</u>	<u>197,714,130</u>
<u>\$ 200,518,323</u>	<u>\$ 6,311,059</u>	<u>\$ 206,829,382</u>

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF LAKE

Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Housing Programs	Social Services	County Redevelopment Agency	Other Governmental Funds	Total
ASSETS						
Cash and investments	\$ 28,253,052	\$ 67,980	\$ 2,536,370	\$ 1,572,429	\$ 47,931,969	\$ 80,361,800
Imprest cash	7,360	--	600	--	1,360	9,320
Cash with fiscal agent	--	--	--	74,744	--	74,744
Accounts receivable	300,609	--	664,580	--	59,450	1,024,639
Due from other governments	417,657	68,531	369,777	36,153	1,740,638	2,632,756
Interest receivable	54,795	--	--	--	18,898	73,693
Taxes and assessments receivable	292,226	--	--	--	--	292,226
Advances to other funds	6,916,240	--	--	--	35,055	6,951,295
Inventory	--	--	--	--	115,736	115,736
Loans receivable	--	6,660,590	--	713,569	1,076,788	8,450,947
	<u>\$ 36,241,939</u>	<u>\$ 6,797,101</u>	<u>\$ 3,571,327</u>	<u>\$ 2,396,895</u>	<u>\$ 50,979,894</u>	<u>\$ 99,987,156</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 572,607	\$ --	\$ 215,996	\$ 189,206	\$ 1,437,665	\$ 2,415,474
Accrued salaries and benefits	3,106,041	28,539	1,078,964	17,165	1,626,857	5,857,566
Deposits payable	--	--	--	--	102,782	102,782
Deferred revenues	--	6,660,590	50,088	713,569	3,175,649	10,599,896
Advances from other funds	--	172,191	--	4,890,901	2,055,394	7,118,486
Total liabilities	<u>3,678,648</u>	<u>6,861,320</u>	<u>1,345,048</u>	<u>5,810,841</u>	<u>8,398,347</u>	<u>26,094,204</u>
Fund balances:						
Nonspendable	6,916,240	--	--	--	150,791	7,067,031
Restricted	--	--	2,226,279	1,298,111	38,248,236	41,772,626
Committed	--	--	--	--	28,296	28,296
Assigned	25,647,051	--	--	--	4,248,478	29,895,529
Unassigned	--	(64,219)	--	(4,712,057)	(94,254)	(4,870,530)
Total fund balances	<u>32,563,291</u>	<u>(64,219)</u>	<u>2,226,279</u>	<u>(3,413,946)</u>	<u>42,581,547</u>	<u>73,892,952</u>
Total liabilities and fund balances	<u>\$ 36,241,939</u>	<u>\$ 6,797,101</u>	<u>\$ 3,571,327</u>	<u>\$ 2,396,895</u>	<u>\$ 50,979,894</u>	<u>\$ 99,987,156</u>

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

COUNTY OF LAKE

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

Fund Balance - total governmental funds	\$ 73,892,952
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	145,764,946
Other long-term assets are not available to pay for current period expenditures and therefore, are not reported in the funds or are reported as deferred in the governmental funds	
Accounts receivable	244,198
Due from other governments	2,428,912
Interest payable on long-term debt does not require the use of current financial resources and therefore is not accrued as a liability in the governmental funds	(52,503)
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds.	
General obligation bonds	(405,000)
Special assessment bonds with County commitment	(451,000)
Loans payable	(13,334,843)
Certificate of participation	(2,664,696)
Compensated absences	(3,346,895)
Liability for post-employment benefits	(5,001,799)
Internal service funds are used by management to charge the cost of self-insurance risk management and management of fleet maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:	<u>3,444,051</u>
Net assets of governmental activities	<u><u>\$ 200,518,323</u></u>

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

COUNTY OF LAKE

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

	General Fund	Housing Programs	Social Services	County Redevelopment Agency	Other Governmental Funds	Total
Revenues						
Taxes	\$ 26,934,221	\$ --	\$ --	\$ 2,410,588	\$ 2,670,544	\$ 32,015,353
Licenses and permits	768,736	--	--	--	1,389,699	2,158,435
Fines, forfeitures and penalties	1,169,587	--	--	10,500	341,767	1,521,854
Use of money and property	465,020	635	--	72,279	315,250	853,184
Intergovernmental	8,014,876	469,906	31,775,026	154,403	38,196,996	78,611,207
Charges for services	4,991,889	--	2,433,976	--	16,346,621	23,772,486
Other revenues	899,882	47,527	369,160	8,475	520,480	1,845,524
Total revenues	<u>43,244,211</u>	<u>518,068</u>	<u>34,578,162</u>	<u>2,656,245</u>	<u>59,781,357</u>	<u>\$ 140,778,043</u>
Expenditures						
Current:						
General government	9,029,940	--	--	1,380,053	709,080	11,119,073
Public protection	28,390,793	--	--	--	6,029,350	34,420,143
Public ways and facilities	--	--	--	--	13,634,029	13,634,029
Health and sanitation	--	--	--	--	18,868,614	18,868,614
Public assistance	300,565	419,421	34,682,678	--	4,166,574	39,569,238
Education	164,499	--	--	--	1,036,734	1,201,233
Culture and recreation	1,259,031	--	--	--	2,216	1,261,247
Debt Service:						
Principal	--	--	--	--	1,844,738	1,844,738
Interest	--	--	--	104,019	560,634	664,653
Capital outlay	1,095,643	--	213,630	2,420,418	5,600,659	9,330,350
Total expenditures	<u>40,240,471</u>	<u>419,421</u>	<u>34,896,308</u>	<u>3,904,490</u>	<u>52,452,628</u>	<u>131,913,318</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,003,740</u>	<u>98,647</u>	<u>(318,146)</u>	<u>(1,248,245)</u>	<u>7,328,729</u>	<u>8,864,725</u>
Other Financing Sources (Uses)						
Transfers in	773,458	22,591	628,803	--	2,308,637	3,733,489
Transfers out	(1,621,722)	--	(262,445)	--	(1,849,322)	(3,733,489)
Proceeds from sale of capital assets	1,335	--	1,275	--	273,078	275,688
Issuance of debt	--	--	--	--	864,504	864,504
Total other financing sources (uses)	<u>(846,929)</u>	<u>22,591</u>	<u>367,633</u>	<u>--</u>	<u>1,596,897</u>	<u>1,140,192</u>
Net change in fund balances	2,156,811	121,238	49,487	(1,248,245)	8,925,626	10,004,917
Fund balances, beginning of year, restated	<u>30,406,480</u>	<u>(185,457)</u>	<u>2,176,792</u>	<u>(2,165,701)</u>	<u>33,655,921</u>	<u>63,888,035</u>
Fund balances, end of year	<u>\$ 32,563,291</u>	<u>\$ (64,219)</u>	<u>\$ 2,226,279</u>	<u>\$ (3,413,946)</u>	<u>\$ 42,581,547</u>	<u>\$ 73,892,952</u>

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

COUNTY OF LAKE

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2011

Net change to fund balance - total governmental funds		\$ 10,004,917
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the change in unavailable revenues.		
		(960,794)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets and infrastructure	\$ 9,580,200	
Transfer of capital assets from internal service fund, sales, retirements, trade-ins and donations	(223,055)	
Less: current year depreciation	<u>(7,894,300)</u>	1,462,845
Long-term debt proceeds provide current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Proceeds from debt	(864,504)	
Principal retirements	<u>1,844,738</u>	980,234
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accounts payable	517,195	
Change in interfund receivables/payables	73,953	
Change in accrued interest on long-term debt	32,496	
Change in compensated absences	(233,379)	
Change in OPEB liability	<u>(1,716,174)</u>	(1,325,909)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net revenues (expense) of the internal service funds is reported with governmental activities.		
		<u>(218,367)</u>
Change in net assets of governmental activities		<u><u>\$ 9,942,926</u></u>

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

COUNTY OF LAKE

Statement of Fund Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities Enterprise Funds		Governmental Activities
	Solid Waste Management	Totals	Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 6,312,301	\$ 6,312,301	\$ 3,208,428
Accounts receivable (net of allowance)	172,041	172,041	--
Due from other governments	25,489	25,489	--
Interest receivable	10,499	10,499	--
Inventory	--	--	28,525
Total current assets	<u>6,520,330</u>	<u>6,520,330</u>	<u>3,236,953</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	767,970	767,970	48,233
Depreciable, net	4,187,789	4,187,789	802,126
Total noncurrent assets	<u>4,955,759</u>	<u>4,955,759</u>	<u>850,359</u>
Total assets	<u>11,476,089</u>	<u>11,476,089</u>	<u>4,087,312</u>
Liabilities			
Current liabilities:			
Accounts payable	4,171	4,171	--
Salaries & benefits payable	96,812	96,812	28,196
Compensated absences payable	7,826	7,826	2,238
Total current liabilities	<u>108,809</u>	<u>108,809</u>	<u>30,434</u>
Noncurrent liabilities:			
Compensated absences payable	55,590	55,590	19,888
Closure/post closure liability	4,919,966	4,919,966	--
Net OPEB obligation	80,665	80,665	22,947
Estimated claims liability	--	--	569,992
Total noncurrent liabilities	<u>5,056,221</u>	<u>5,056,221</u>	<u>612,827</u>
Total liabilities	<u>5,165,030</u>	<u>5,165,030</u>	<u>643,261</u>
Net Assets			
Invested in capital assets, net of related debt	4,955,759	4,955,759	850,359
Restricted for closure maintenance	4,601,544	4,601,544	--
Unrestricted	(3,246,244)	(3,246,244)	2,593,692
Total net assets	<u>\$ 6,311,059</u>	<u>\$ 6,311,059</u>	<u>\$ 3,444,051</u>

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

COUNTY OF LAKE

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

	Business-type Activities Enterprise Funds		Governmental Activities
	Solid Waste Management	Totals	Internal Service Funds
Operating Revenues:			
Charges for services	\$ 1,422,835	\$ 1,422,835	\$ 3,982,890
Rents and concessions	--	--	964,610
Franchise fees	37,036	37,036	--
Other revenues	--	--	28,554
Total operating revenues	<u>1,459,871</u>	<u>1,459,871</u>	<u>4,976,054</u>
Operating Expenses:			
Salaries and benefits	1,088,086	1,088,086	360,049
Services and supplies	866,980	866,980	1,365,927
Maintenance	--	--	173,392
Closure/post closure	162,783	162,783	--
Claims/liability adjustments	--	--	2,813,089
Depreciation	321,102	321,102	501,386
Total operating expenses	<u>2,438,951</u>	<u>2,438,951</u>	<u>5,213,843</u>
Operating income (loss)	<u>(979,080)</u>	<u>(979,080)</u>	<u>(237,789)</u>
Nonoperating Revenues (Expenses):			
Intergovernmental revenues	117,700	117,700	--
Investment income (expense)	56,490	56,490	19,056
Gain (Loss) on sale of fixed assets	7,508	7,508	366
Total nonoperating revenues (expenses)	<u>181,698</u>	<u>181,698</u>	<u>19,422</u>
Change in net assets	(797,382)	(797,382)	(218,367)
Net assets, beginning of year	<u>7,108,441</u>	<u>7,108,441</u>	<u>3,662,418</u>
Net assets, end of year	<u>\$ 6,311,059</u>	<u>\$ 6,311,059</u>	<u>\$ 3,444,051</u>

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

COUNTY OF LAKE

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

	Business-type Activities Enterprise Funds		Governmental Activities
	Solid Waste Management	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,517,016	\$ 1,517,016	\$ 5,180,264
Payments to suppliers	(878,332)	(878,332)	(4,281,400)
Payments to employees	(1,071,639)	(1,071,639)	(370,009)
Net cash provided (used) by operating activities	<u>(432,955)</u>	<u>(432,955)</u>	<u>528,855</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue received	117,700	117,700	--
Interfund loans received	--	--	82,339
Net cash provided (used) by noncapital financing activities	<u>117,700</u>	<u>117,700</u>	<u>82,339</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	--	--	(53,668)
Proceeds from sale of capital assets	21,597	21,597	366
Net cash provided (used) by capital and related financing activities	<u>21,597</u>	<u>21,597</u>	<u>(53,302)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	57,673	57,673	19,056
Net cash provided (used) by investing activities	<u>57,673</u>	<u>57,673</u>	<u>19,056</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(235,985)	(235,985)	576,948
Cash and cash equivalents, beginning of year	<u>\$ 6,548,286</u>	<u>6,548,286</u>	<u>2,631,480</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,312,301</u></u>	<u><u>\$ 6,312,301</u></u>	<u><u>\$ 3,208,428</u></u>

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

continued

COUNTY OF LAKE

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2011

	Business-type Activities Enterprise Funds		Governmental Activities
	Solid Waste Management	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (979,080)	\$ (979,080)	\$ (237,789)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	321,102	321,102	501,386
Decrease (increase) in:			
Accounts receivable	82,634	82,634	204,210
Due from other governments	(25,489)	(25,489)	--
Inventory	--	--	(7,687)
Increase (decrease) in:			
Accounts payable	(11,352)	(11,352)	(161,201)
Salaries and benefits payable	(6,418)	(6,418)	(11,401)
Compensated absences payable	5,771	5,771	(6,533)
OPEB liability	17,094	17,094	7,974
Closure/post closure liability	162,783	162,783	--
Claims payable	--	--	239,896
	<u>\$ (432,955)</u>	<u>\$ (432,955)</u>	<u>\$ 528,855</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (432,955)</u>	<u>\$ (432,955)</u>	<u>\$ 528,855</u>

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

COUNTY OF LAKE

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Investment Trust Fund	Agency Funds
Assets		
Cash and investments	\$ 40,695,018	\$ --
Taxes and assessments receivable	--	9,570,598
Due from other funds	1,825,625	4,514,806
Advances to other funds	--	167,191
	<hr/>	<hr/>
Total assets	<u>\$ 42,520,643</u>	<u>\$ 14,252,595</u>
Liabilities		
Due to other funds	\$ --	\$ 6,340,431
Fiduciary liabilities	--	7,912,164
	<hr/>	<hr/>
Total liabilities	<u>--</u>	<u>14,252,595</u>
Net Assets		
Held in trust for pool participants	<u>\$ 42,520,643</u>	<u>\$ --</u>

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

COUNTY OF LAKE

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	<u>Investment Trust Fund</u>
ADDITIONS:	
Contributions from participants	\$ 122,398,537
Interest and investment income	<u>363,104</u>
Total Additions	<u>122,761,641</u>
DEDUCTIONS:	
Distributions to participants	<u>121,921,201</u>
Change in net assets	840,440
Net assets, beginning of year	<u>41,680,203</u>
Net assets, end of year	<u><u>\$ 42,520,643</u></u>

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

BASIC FINANCIAL STATEMENTS

Notes to Basic Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies**

A. **Reporting Entity**

The County operates under an Administrator-Board of Supervisors form of government and provides various services on a county-wide basis including: public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

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

The governmental reporting entity consists of the County and its component units. Component units are legally separate organizations for which the Board of Supervisors is financially accountable or other organizations whose component units nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the County's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County.

Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the County's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

For financial purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the Board of Supervisors. The financial statements of the individual component units may be obtained by writing to the County of Lake, Auditor-Controller's Office, 255 North Forbes Street, Lakeport, California, 95453.

Component units that are blended into the reporting activity types of the County's report are presented below:

Lake County Redevelopment Agency

The Lake County Redevelopment Agency is a separate legal entity formed to administer the Redevelopment activities of the County. The Redevelopment Agency's governing Board is composed of the same members as the County's Board of Supervisors. Therefore, this entity has been blended with the primary government.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

A. **Reporting Entity** (continued)

Air Quality District

The Air Quality District is a separate legal entity formed to provide air quality services. The Air Quality District's Board of Directors is composed of the same members as the County's Board of Supervisors. Therefore, this entity has been blended with the primary government.

Lake County Housing Commission

The Lake County Housing Commission is a separate legal entity formed to administer the Section 8 program. The Housing Commission's purpose is to administer the housing program of the County of Lake. The Housing Commission's Board of Commissioners is composed of the same members as the County's Board of Supervisors. Therefore, this entity has been blended with the primary government.

Watershed Protection Districts

The Watershed Protection Districts are separate legal entities formed to provide flood control in these districts within the County. The Watershed Protection District's Board of Directors is composed of the same members as the County's Board of Supervisors. Therefore, these entities have been blended with the primary government.

County Service Areas

The County Service Areas are separate legal entities created to provide services such as water and road maintenance throughout the County. The County Service Areas' Board of Directors is composed of the same members as the County's Board of Supervisors. Therefore, these entities have been blended with the primary government.

Lighting Districts

The Lighting Districts are separate legal entities formed to provide lighting services within these districts. The Lighting District's Board of Directors is composed of the same members as the County's Board of Supervisors. Therefore, these entities have been blended with the primary government.

Sanitation Districts

The Sanitation Districts are separate legal entities formed to provide sanitation maintenance services within the County. The Sanitation District's Board of Directors is composed of the same members as the County's Board of Supervisors. Therefore, these entities have been blended with the primary government.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information on all of the nonfiduciary activities of the County, and its blended component units. These statements include the financial activities of the overall governments, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the County's business-type activities and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include (1) charges paid by the recipients of goods and services offered by the program, (2) operating grants and contributions, and (3) capital grants and contributions. Taxes and other items not properly included among program revenue are presented instead as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

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

Fund Financial Statements (continued)

The County reports the following major governmental funds:

- The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund indicates such activities as general government, public protection, public assistance, education, and recreation services.
- The Housing Programs Fund is a special revenue fund used to account for the County certificate housing program.
- The Social Services Fund is a special revenue fund used to account for welfare assistance activity.
- The County Redevelopment Agency Fund is a capital projects fund used to account for the activities of the Lake County Redevelopment Agency.

The County reports the following major proprietary fund:

- The Solid Waste Management Fund is an enterprise fund used to provide for the operation and expansion of the County's landfills and implementation of state mandated environmental health programs.

The County reports the following additional fund types:

- Internal Service Funds account for the County's fleet maintenance, central garage, heavy equipment rental, and self-insurance programs which provide services to other departments on a cost reimbursement basis.
- The Investment Trust Fund accounts for the assets of legally separate entities that deposit cash with the County Treasurer. The assets are held in trust for other agencies and are part of the County's external pool. The County is obligated to disburse monies on demand.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

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

Fund Financial Statements (continued)

- Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the County, acting in the capacity of an agent for distribution to other governmental units or other organizations. The agency funds maintained by the County include three separate components:

County Departmental Agency – Accounts for all assets under the control of County departments which are held in a fiduciary capacity.

Unapportioned Taxes Agency – Accounts for property tax receipts awaiting apportionment to other local governmental agencies.

Unapportioned Interest Agency – Accounts for investment earnings awaiting apportionment to other local governmental agencies.

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

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, including property and sales tax, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements for the business-type activities and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidelines for their business-type activities and enterprise fund, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

C. **Basis of Accounting and Measurement Focus** (continued)

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The County considers revenues reported in the governmental funds to be available if they are collected within forty-five days after the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. Governmental capital asset acquisitions are reported as expenditures in the various functions of the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds include trust funds and agency funds. All trust funds are reported using the economic measurement focus and the accrual basis of accounting. Agency funds are reported using the accrual basis of accounting to recognize receivables and payables.

D. **Cash and Investments**

The County sponsors an investment pool that is managed by the County Treasurer. The Treasurer invests on behalf of most funds of the County and external participants in accordance with the California State Government Code and the County's investment policy. State statutes authorize the County to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's average daily cash balance at quarter end in relation to the total pool investments. Interest income earned in agency funds where there are no interest earnings requirements are assigned to the General Fund per County Policy. Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

D. **Cash and Investments** (continued)

Investment transactions are recorded on the trade date. Investments are reported at fair value which is determined using selected basis annually. The fair value represents the amount the County could reasonably expect to receive for an investment in a current sale between a willing buyer and seller. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants each quarter. This method differs from the fair value method used to value investments in these financial statements, as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2011, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

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

E. **Receivables**

In the government-wide and proprietary fund financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivables. Major receivable balances for the governmental activities include taxes, grants, and interest. Business-type activities report user fees and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, grants, interest, and other similar intergovernmental revenues since they are usually both measurable and available. Licenses and permits, fines and forfeitures, and charges for services are considered to be measurable and available only when the County receives cash. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

F. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the current portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not in spending form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and, therefore, are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

G. Loans Receivables

The County provides loans receivable arising under mortgage subsidy and affordable housing programs. These receivables include loans that may be forgiven if certain terms and conditions of the loans are met. The County expenses these loans at the time of disbursement and recognizes program revenues when repayments are received. Each loan receivable account is offset by a deferred revenue account.

H. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

H. Capital Assets (continued)

Government-Wide Financial Statements

In the government-wide financial statements, property, plant, equipment, and infrastructure are accounted for as capital assets in both the governmental and business-type activities column. Capital assets which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, water, sewer, and similar items) are defined by the County as assets with a cost of more than \$5,000 for equipment and \$25,000 for structures, improvements, and infrastructure and an estimated useful life of at least one year. Such assets are recorded at historical or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5 – 15 years
Structures and improvements	10 – 50 years
Infrastructure	40 – 100 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund at the time of acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Unearned Revenue/Deferred Revenue

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete. Those assets are offset by a corresponding liability for unearned revenue. In addition, loans receivable for which repayment is deferred or for which the balance may be forgiven if certain terms and conditions of the loans are met have also been offset by unearned revenue.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

I. **Unearned Revenue/Deferred Revenue** (continued)

Deferred revenue is recorded under the modified accrual basis of accounting when revenue which has been earned during the current period has met the measurable criteria but has not met the available criteria.

J. **Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consist primarily of general obligation bonds, special assessment bonds with County commitment, loans payable, certificates of participation, capital leases, closure/post closure liability, and accrued compensated absences.

Long-term debt for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Long-term debt associated with proprietary fund operations is accounted for the same as in the government-wide statements.

K. **Compensated Absences**

The County's policy regarding vacation and other leave obligations is to permit employees to accumulate earned but unused vacation and other leave obligations. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the governmental funds financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature, while the proprietary funds report the liability as it is incurred. The County includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

L. **Other Post-Employment Benefits (OPEB)**

The County of Lake sponsors, under a defined benefit plan, a retiree healthcare plan to qualifying employees retiring directly from the County. The benefit level is determined by date of hire, length of service and bargaining agreements. The County has contracted for medical coverage to be provided through an agent multiple-employer Healthcare plan from either of two carriers that include the California State Association of Counties (CSAC) EIA Health Program or the California Public Employees Medical and Hospital Care Act (PEMHCA).

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

M. Fund Balances/Net Assets

Government-Wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements, and other special revenue fund purposes.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted net assets are available, restricted resources are depleted first before the unrestricted resources are used.

Fund Financial Statements

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balances for governmental funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, including: inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

M. **Fund Balances/Net Assets** (continued)

Government-Wide Financial Statements (continued)

- *Committed Fund Balance* – includes amounts that can only be used for the specific purpose determined by a formal action of the County’s highest level of decision-making authority, the County’s Board of Supervisors. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the County for specific purposes that are neither restricted nor committed. *Intent* is expressed by (a) the County’s Board or (b) a body (for example, a budget or finance committee) or official to which the County’s Board has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

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

In Proprietary fund financial statements net assets are accounted for the same as in the government-wide statements.

N. **Property Tax**

The State of California’s (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value, as defined by Article XIII A, and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the County, cities, school districts, and other districts.

The County of Lake assesses properties and bills for and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates	November 1 (1 st installment) February 1 (2 nd installment)	July 1
Delinquent dates	December 10 (1 st installment) April 10 (2 nd installment)	August 31

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

N. **Property Tax** (continued)

The term “unsecured” refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within forty-five days after fiscal year-end.

The County of Lake apportions secured property tax revenue in accordance with the alternate method of distribution, the “Teeter Plan”, as described in Section 4717 of the California Revenue and Taxation code. Under the Teeter Plan, penalties and interest collected on delinquent secured taxes are required to be held in trust in the Tax Loss Recovery Fund (TLRF). The primary purpose of the TLRF is to cover losses that may occur as a result of special sales tax-defaulted property.

The County is legally required to maintain a minimum balance of 1% of the annual taxes levied on properties participating in the Teeter Plan. The balance in the TLRF was \$657,293 at June 30, 2011. The County’s management believes that any ownership rights to the TLRF the County may have are effective only upon a Board approved transfer or to the extent of losses related to the sale of tax defaulted property. Amounts in the TLRF are considered to be held in a custodial capacity for the participants in the County’s Teeter Plan and accounted for in an agency fund.

O. **Grant Revenues**

Certain grant revenues are recognized when specific related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if susceptible to accrual criteria is met. Cash received prior to incurrence of the related expenditure is recorded as unearned revenue.

P. **Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character
 Current (further classified by function)
 Debt Service
 Capital Outlay

Proprietary Fund – By Operating and Nonoperating

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 1: **Financial Reporting Entity and Summary of Significant Accounting Policies** (continued)

Q. Estimates

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

Note 2: **Stewardship, Compliance, and Accountability**

A. Deficit Fund Balance/Net Assets

The following major governmental funds had deficit fund balances:

The Housing Programs Fund had a deficit fund balance of \$64,219, which is expected to be eliminated in the future through cost containment and future reimbursements.

The County Redevelopment Agency Fund had a deficit fund balance of \$3,413,946, which is expected of redevelopment agencies as they incur debt in anticipation of future property tax increment.

The following nonmajor governmental fund had deficit fund balances:

The IHSS Public Authority Fund had a deficit fund balance of \$94,254, which is expected to be eliminated in the future through cost containment and future reimbursement.

The following internal service funds had deficit net assets:

The Unemployment Insurance Fund had deficit net assets of \$59,575, which is expected to be eliminated in future years through cost containment and future reimbursement.

The Fleet Maintenance Fund had deficit net assets of \$19,478, which is expected to be eliminated in future years through cost containment and future reimbursement.

B. Implementation of Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 54

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 2: **Stewardship, Compliance, and Accountability** (continued)

B. Implementation of Governmental Accounting Standards Board (GASB) Statements (continued)

GASB Statement No. 54 (continued)

The definitions of the general fund, special revenue fund types, capital project fund types, debt service fund types and permanent fund types are clarified by the provisions in this statement. Interpretations of certain items within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities chosen to be reported as special revenue funds.

The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. Fund balance reclassifications made to conform to the provisions of the statement are required to be applied retroactively by restating beginning fund balance.

Note 3: **Cash and Investments**

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. The investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the Board of Supervisors each quarter. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

The County sponsored investment pool includes both internal and external participants. The portion of the pool attributable to external pool participants, which are considered involuntary participants, are included in the reporting entity as an Investment Trust Fund which does not have separate financial reports. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The net assets value of involuntary participation in the investment pool totaled \$42,520,643 at June 30, 2011.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

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

As of June 30, 2011, the County's cash and investments are reported in the financial statements as follows:

Primary government	\$ 89,662,516
Investment trust fund	40,695,018
Total Cash and Investments	<u>\$ 130,357,534</u>

As of June 30, 2011, the County's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 1,371,978
Imprest cash	10,170
Deposits (less outstanding warrants)	<u>4,313,733</u>
Total Cash	<u>5,695,881</u>
Investments:	
In Treasurer's pool	<u>124,661,653</u>
Total Investments	<u>124,661,653</u>
	<u>\$ 130,357,534</u>

Cash

Custodial Credit Risk for Deposits – Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The County's investment policy requires that deposits in banks must meet the requirements of California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the County's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amounts are collateralized. The County's investment policy does not further limit its deposits.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

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

Investments

As of June 30, 2011, the County had the following investments:

	Interest Rates	Maturities	Par	Fair Value	Carrying Value	WAM (Years)
Investments in Investment Pool						
Negotiable CDs	variable	3/12/12 - 5/6/14	\$ 35,000,000	\$ 35,123,565	\$ 35,034,213	1.70
Medium Term Corporate Notes	variable	1/9/12 - 11/3/14	46,200,000	46,166,631	45,907,233	1.67
Local Agency Investment Fund (LAIF)	variable	on demand	43,720,207	43,720,207	43,720,207	--
Total Treasurer's Pooled Investments			<u>\$ 124,920,207</u>	<u>\$ 125,010,403</u>	<u>\$ 124,661,653</u>	1.10

Interest Rate Risk – Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the maturity of its investments to 5 years or less. Of the investments in the County’s investment pool, over 52 percent of the investments have a maturity of one year or less. Of the remainder, none have a maturity of more than 5 years.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and County investment policy limit investments in commercial paper to the rating of A1 or better by Standards & Poor’s or P-1 or better by Moody’s Investors Service; corporate bonds to the rating of A or better by both Standard & Poor’s and Moody’s Investors Service. No limits are placed on U.S. government securities. The County’s investment policy does not further limit its investment choices.

Corporate Notes	AAA	4.39%
	AA-	3.19%
	AA1	11.60%
	AA3	12.23%
	A2	5.51%
Negotiable CDS	AAA	4.00%
	AA	4.04%
	AA-	8.04%
	A+	4.02%
	AA3	4.00%
LAIF	AA1	4.01%
	unrated	34.97%
		<u>100.00%</u>

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

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

Investments (continued)

Custodial Credit Risk – Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the County requires that all of its managed investments be held in the name of the County. The County’s investment policy does not further limit the exposure to custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the County’s investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law restricts the County’s investments in commercial paper to 40% of its investment pool and to 10% per issuer and corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer and, banker’s acceptances to 15% of its investment pool and to 10% per issuer. Approximately 35% of the County’s investments at year-end are in the State of California Local Agency Investment Fund (LAIF). There is no limitation on amounts invested in these types of issues.

As of June 30, 2011, the following negotiable certificate of deposit was more than 5 percent of the County’s pooled investments:

Barclay’s Bank	\$ 10,059,900
----------------	---------------

Investment in Local Agency Investment Fund – The County of Lake is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2011, the County’s investment position in the State of California Local Agency Investment Fund (LAIF) was \$43,720,207, which approximates fair value and is the same as the value of the pool shares. The total amount, invested by all public agencies in LAIF on that day was \$66,352,783,817. Of that amount 94.99% is invested in non-derivative financial products and 5.01% in structured notes and asset-backed securities. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. The Local Investment Advisory Board, which consists of five members, designated by the State statutes, has oversight responsibility for LAIF.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

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

County Investment Pool Condensed Financial Information

The following are condensed statements of net assets and changes in net assets for the Treasurer's pool at June 30, 2011:

Statement of Net Assets	Internal Participants	External Participants	Total Pool
Cash on hand	\$ 1,382,148	\$ --	\$ 1,382,148
Deposits (less outstanding warrants)	4,313,733	--	4,313,733
Investments	83,966,985	40,694,668	124,661,653
Other Assets/Liabilities	(1,825,624)	1,825,624	--
	\$ 87,837,242	\$42,520,292	\$ 130,357,534
 Statement of Changes in Net Assets			
Net assets held for pool participants at July 1, 2010	\$ 80,712,813	\$41,680,203	\$ 122,393,016
Net changes in investments by pool participants	7,124,429	840,089	7,964,518
Net assets held for pool participants at June 30, 2011	\$ 87,837,242	\$42,520,292	\$ 130,357,534

Restricted Cash and Investments

Restricted cash and investments of \$4,601,544 are held to fund future closure costs on the County's landfill. See Note 9 for additional information.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 4: Capital Assets

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

	Balance July 1, 2010	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2011
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 20,923,406	\$ 380,048	\$ (222,000)	\$ 183,002	\$ 21,264,456
Construction in progress	14,446,767	5,227,795	--	(14,703,813)	4,970,749
Total Capital Assets, Not Being Depreciated	<u>35,370,173</u>	<u>5,607,843</u>	<u>(222,000)</u>	<u>(14,520,811)</u>	<u>26,235,205</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	60,262,319	2,218,574	(2,949)	3,275,956	65,753,900
Equipment	20,730,348	1,257,272	(243,617)	--	21,744,003
Infrastructure	162,452,833	550,179	--	11,244,855	174,247,867
Total Capital Assets, Being Depreciated	<u>243,445,500</u>	<u>4,026,025</u>	<u>(246,566)</u>	<u>14,520,811</u>	<u>261,745,770</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(20,213,479)	(1,320,020)	2,893	--	(21,530,606)
Equipment	(15,142,259)	(1,387,470)	242,617	--	(16,287,112)
Infrastructure	(97,859,756)	(5,688,196)	--	--	(103,547,952)
Total Accumulated Depreciation	<u>(133,215,494)</u>	<u>(8,395,686)</u>	<u>245,510</u>	<u>--</u>	<u>(141,365,670)</u>
Total Capital Assets, Being Depreciated, Net	<u>110,230,006</u>	<u>(4,369,661)</u>	<u>(1,056)</u>	<u>14,520,811</u>	<u>120,380,100</u>
Governmental Activities Capital Assets, Net	<u>\$ 145,600,179</u>	<u>\$ 1,238,182</u>	<u>\$ (223,056)</u>	<u>\$ --</u>	<u>\$ 146,615,305</u>
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 767,970	\$ --	\$ --	\$ --	\$ 767,970
Total Capital Assets, Not Being Depreciated	<u>767,970</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>767,970</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	1,548,034	--	--	--	1,548,034
Equipment	4,208,704	--	(56,352)	--	4,152,352
Infrastructure	2,178,919	--	--	--	2,178,919
Total Capital Assets, Being Depreciated	<u>7,935,657</u>	<u>--</u>	<u>(56,352)</u>	<u>--</u>	<u>7,879,305</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(440,873)	(30,543)	--	--	(471,416)
Equipment	(2,666,758)	(246,978)	42,263	--	(2,871,473)
Infrastructure	(305,046)	(43,581)	--	--	(348,627)
Total Accumulated Depreciation	<u>(3,412,677)</u>	<u>(321,102)</u>	<u>42,263</u>	<u>--</u>	<u>(3,691,516)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,522,980</u>	<u>(321,102)</u>	<u>(14,089)</u>	<u>--</u>	<u>4,187,789</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,290,950</u>	<u>\$ (321,102)</u>	<u>\$ (14,089)</u>	<u>\$ --</u>	<u>\$ 4,955,759</u>

COUNTY OF LAKE

Notes to Basic Financial Statements
For the Year Ended June 30, 2011

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

Depreciation

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 1,101,798
Public Protection	711,274
Public Ways & Facilities	2,072,087
Health & Sanitation	4,238,387
Public Assistance	52,423
Education	31,353
Recreation & Culture	<u>188,364</u>

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

Total Depreciation Expense - Governmental Functions	<u><u>\$ 8,395,686</u></u>
---	----------------------------

Solid Waste	<u>\$ 321,102</u>
-------------	-------------------

Construction in Progress

Construction in progress for governmental activities related primarily to work performed on Cole Creek bridge, Merritt Road bridge, Soda Bay Road overlay, Seigler Creek bridge, South Main widening, Soda Bay widening, Soda Bay/Mission Ranch, Main Street Kelseyville, Perini Road bridge, South Main bike lane, Soda Bay curve realignment, and Kelseyville State Street.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 5: Unearned/Deferred Revenue

At June 30, 2011, the components of deferred revenues and unearned revenues were as follows:

	<u>Deferred</u>	<u>Unearned</u>	<u>Total</u>
Home Program Income:			
Loans receivable (balance may be forgiven)	\$ --	\$ 6,660,590	\$ 6,660,590
County Redevelopment Agency:			
Loans receivable (balance may be forgiven)	--	713,569	713,569
Nonmajor Governmental Funds:			
Loans receivable (balance may be forgiven)	--	1,076,788	1,076,788
Grant draw downs prior to meeting all eligibility requirements	--	1,180,225	1,180,225
Advance payments for development	--	434,653	434,653
Interest earnings and excess proceeds	--	534,071	534,071
Total Unearned/Deferred Revenue	<u>\$ --</u>	<u>\$ 10,599,896</u>	<u>\$ 10,599,896</u>

Mental Health Overpayment from State

Overpayments received from the State of California in previous years but not repaid at June 30, 2011 totaled \$304,909 and have been reflected as a liability on the Statement of Net Assets Governmental Activities. This amount will be withheld from future allocations from the State.

COUNTY OF LAKE

Notes to Basic Financial Statements
For the Year Ended June 30, 2011

Note 6: **Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

Type of Indebtedness	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Amount Due Within One Year
Governmental Activities					
General obligation bonds	\$ 550,000	\$ --	\$ 145,000	\$ 405,000	\$ 152,000
Special assessment bonds with County commitment	927,000	--	476,000	451,000	48,000
Loans payable	13,656,377	864,504	1,186,038	13,334,843	1,279,617
Certificates of participation	2,702,396	--	37,700	2,664,696	39,300
Compensated absences (Note 1K)	3,142,175	4,324,736	4,097,890	3,369,021	431,016
Total Governmental Activities	\$ 20,977,948	\$ 5,189,240	\$ 5,942,628	\$ 20,224,560	\$ 1,949,933
Business-Type Activities					
Closure/post closure (Note 7)	\$ 4,757,183	\$ 162,783	\$ --	4,919,966	\$ --
Compensated absences (Note 1K0)	57,645	86,076	80,305	63,416	7,826
Total Business-Type Activities	\$ 4,814,828	\$ 248,859	\$ 80,305	\$ 4,983,382	\$ 7,826

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. Estimated claims are liquidated by charges for services collected through individual internal service funds. The capital lease liability is liquidated by lease payments made by the departments leasing the equipment. Compensated absences for the governmental activities are generally liquidated by the fund where the accrued liability occurred.

Special assessment bonds with County commitment are not a direct responsibility of the County. Principal and interest payments are funded from the collection of special assessments and are accounted for in the Sanitation District's component unit special revenue fund. The County is obligated for special assessment debt only to the extent of special assessments collected.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 6: **Long-Term Liabilities** (continued)

At June 30, 2011, general obligation bonds consisted of the following:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2011</u>
General Obligation Bonds:						
1972 Issue Improvement Bonds	1972	6/30/2013	5.00%	\$55,000 - \$61,000	\$ 1,600,000	\$ 131,000
1974 Issue Improvement Bonds	1974	6/30/2015	5.00%	\$41,000 - \$48,000	1,300,000	273,000
1975 Issue Water Bonds	1975	6/15/2015	5.00%	\$4,000	160,000	1,000
						<u>\$ 405,000</u>

At June 30, 2011, special assessment bonds with County Commitment consisted of the following:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2011</u>
Special Assessment Bonds:						
Sanitation District #1-5 1915 Act		7/2/2020	5.00%	\$25,000 - \$67,000	\$ 1,340,000	<u>\$ 451,000</u>

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 6: **Long-Term Liabilities** (continued)

At June 30, 2011, loans payable consisted of the following:

	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2011</u>
Loans Payable					
California Statewide Communities					
Development Authority Loan	6/30/2019	7.13%	\$2,803 - \$6,135	\$ 199,971	\$ 102,331
<i>Used to refinance a prior California Department of Water Resources loan and finance the cost of improvements to the Lake County Service Area #20 Soda Bay.</i>					
Safe Drinking Water Loan	6/30/2023	3.2205%	\$111,282 - \$224,880	4,387,769	2,272,336
<i>Used to finance the cost of correcting deficiencies in the domestic water supply for the Lake County Service Area #20 Soda Bay.</i>					
Safe Drinking Water Loan	6/30/2016	3.2205%	\$86,032 - \$300,480	5,250,000	1,409,070
<i>Used to finance the cost of correcting deficiencies in the domestic water supply for the Lake County Service Area #21 Lakeport.</i>					
State Water Resources Control					
Board Loan	6/30/2018	2.80%	\$309,186 - \$508,272	17,636,443	3,278,275
<i>Used to finance the upgrade to the Southeast Regional Wastewater Treatment Plant and construction of the Southeast Geysers' Effluent Pipeline.</i>					
State Sewer Revolving Loan	6/30/2024	2.80%	\$291,935 - \$475,429	9,263,406	4,973,078
<i>Used to finance the upgrade to the Northwest Regional Wastewater Treatment Plant, construction of a force main and aerated lagoons, and installment of a disinfection system on SCADA system.</i>					
State Water Resources Control Board Loan	6/30/2031	1.0%	\$59,124 - \$71,308	3,066,534	1,299,753
<i>Used to upgrade the Kelseyville Water Works District Wastewater System.</i>					
					<u>\$ 13,334,843</u>

At June 30, 2011, certificates of participation consisted of the following:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2011</u>
Certificates of Participation						
Kelseyville County Waterworks						
District #3 - Water Project						
Series 2005		4/1/2045	4.25%	\$2,554 - \$125,309	\$ 2,394,800	\$ 1,997,996
<i>Used to finance the construction of water system improvements.</i>						
County Service Area #6, Finley						
Water - Water Project Series 2005		4/1/2045	4.375%	\$796 - \$37,993	714,000	666,700
<i>Used to finance the construction of water system improvements.</i>						
						<u>\$ 2,664,696</u>

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 6: **Long-Term Liabilities** (continued)

At June 30, 2011, the annual debt service requirements were summarized as follows:

Governmental Activities

General Obligations Bonds

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 152,000	\$ 19,000	\$ 171,000
2013	109,000	11,375	120,375
2014	69,000	5,875	74,875
2015	<u>75,000</u>	<u>2,325</u>	<u>77,325</u>
Total	<u>\$ 405,000</u>	<u>\$ 38,575</u>	<u>\$ 443,575</u>

Special Assessment Bonds

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 48,000	\$ 21,500	\$ 69,500
2013	50,000	19,050	69,050
2014	52,000	16,500	68,500
2015	55,000	13,825	68,825
2016	57,000	11,025	68,025
2017-2020	<u>189,000</u>	<u>14,700</u>	<u>203,700</u>
Total	<u>\$ 451,000</u>	<u>\$ 96,600</u>	<u>\$ 547,600</u>

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 6: **Long-Term Liabilities** (continued)

Governmental Activities (continued)

Loans Payable

Year Ended June 30	Principal	Interest	Total
2012	\$ 1,279,647	\$ 356,514	\$ 1,636,161
2013	1,316,361	319,800	1,636,161
2014	1,353,614	282,546	1,636,160
2015	1,392,191	243,968	1,636,159
2016	1,431,808	204,350	1,636,158
2017-2021	4,497,815	544,687	5,042,502
2022-2026	1,713,890	82,233	1,796,123
2027-2031	349,517	10,556	360,073
Total	<u>\$ 13,334,843</u>	<u>\$ 2,044,654</u>	<u>\$ 15,379,497</u>

Year Ended June 30	Principal	Interest	Total
2012	\$ 39,300	\$ 124,011	\$ 163,311
2013	41,000	122,330	163,330
2014	42,800	120,576	163,376
2015	44,600	106,145	150,745
2016	46,400	116,836	163,236
2017-2021	264,100	552,599	816,699
2022-2026	325,300	491,122	816,422
2027-2031	401,300	415,267	816,567
2032-2036	494,600	321,764	816,364
2037-2041	610,000	206,483	816,483
2042-2046	355,296	64,317	419,613
Total	<u>\$ 2,664,696</u>	<u>\$ 2,641,450</u>	<u>\$ 5,306,146</u>

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 6: **Long-Term Liabilities** (continued)

Rebatable Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The County does not expect to incur a liability for rebatable arbitrage.

Note 7: **Net Assets/Fund Balances**

Net Assets

Net assets invested in capital assets, net of related debt, was comprised of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 146,615,305	\$ 4,955,759
Outstanding principal of capital-related debt	<u>(16,855,539)</u>	<u>--</u>
Net assets, invested in capital assets, net of related debt	<u>\$ 129,759,766</u>	<u>\$ 4,955,759</u>

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 7: **Net Assets/Fund Balances** (continued)

Fund Balances

Details of the fund balance classifications of the governmental funds as of June 30, 2011 are as follows:

	General Fund	Housing Programs	Social Services	County Redevelopment Agency	Other Governmental Funds	Totals
Nonspendable:						
Long-term receivables	\$ 6,916,240	\$ --	\$ --	\$ --	\$ 35,055	\$ 6,951,295
Inventory	--	--	--	--	115,736	115,736
Total Nonspendable	<u>6,916,240</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>150,791</u>	<u>7,067,031</u>
Restricted for:						
Public protection	--	--	--	--	9,135,125	9,135,125
Public assistance	--	--	2,226,279	--	255,138	2,481,417
Health and sanitation	--	--	--	--	6,836,459	6,836,459
Public ways and facilities	--	--	--	--	14,034,225	14,034,225
Redevelopment	--	--	--	1,298,111	--	1,298,111
Education	--	--	--	--	619,923	619,923
Recreation	--	--	--	--	218,308	218,308
Debt service	--	--	--	--	2,841,375	2,841,375
Capital projects	--	--	--	--	4,307,683	4,307,683
Total Restricted	<u>--</u>	<u>--</u>	<u>2,226,279</u>	<u>1,298,111</u>	<u>38,248,236</u>	<u>41,772,626</u>
Committed to:						
Museum	--	--	--	--	28,296	28,296
Assigned to:						
Appropriations in subsequent year	9,198,762	--	--	--	--	9,198,762
General contingencies	7,000,000	--	--	--	--	7,000,000
Property tax loss	2,500,000	--	--	--	--	2,500,000
Capital projects	--	--	--	--	4,248,478	4,248,478
Lampson airport	250,000	--	--	--	--	250,000
Infrastructure	3,602,452	--	--	--	--	3,602,452
Other post-employment benefits	1,400,000	--	--	--	--	1,400,000
Economic uncertainty	1,500,000	--	--	--	--	1,500,000
Other	195,837	--	--	--	--	195,837
Total Assigned	<u>25,647,051</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,248,478</u>	<u>29,895,529</u>
Unassigned	<u>--</u>	<u>(64,219)</u>	<u>--</u>	<u>(4,712,057)</u>	<u>(94,254)</u>	<u>(4,870,530)</u>
Total Fund Balances	<u>\$ 32,563,291</u>	<u>\$ (64,219)</u>	<u>\$ 2,226,279</u>	<u>\$ (3,413,946)</u>	<u>\$ 42,581,547</u>	<u>\$ 73,892,952</u>

Restatements

Adjustments resulting from errors or changes with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the County reports the changes as restatements of beginning fund balance/net assets.

COUNTY OF LAKE

Notes to Basic Financial Statements
For the Year Ended June 30, 2011

Note 7: **Net Assets/Fund Balances** (continued)

Restatements (continued)

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

		Fund	
	Governmental Activities	Social Services	Other Governmental Funds
Fund balance, beginning of year, as originally reported	\$ 190,345,193	\$ 2,107,512	\$ 33,494,997
Prior period adjustments:			
Correct revenue and expense recognition from prior year	279	69,280	(69,001)
Correct classification of funds reported as agency in prior year	229,925	--	229,925
Fund balance, beginning of year, restated	\$ 190,575,397	\$ 2,176,792	\$ 33,655,921

Note 8: **Leases**

Operating Leases

The County leases office buildings and equipment under non-cancellable operating leases. Total costs for these leases was \$2,245,462 for the year ended June 30, 2011. The future minimum lease payments are as follows:

Year Ended June 30	Principal
2012	\$ 523,973
2013	526,781
2014	452,485
2015	261,961
2016	261,961
2017	218,301
Total	\$ 2,245,462

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 9: Closure/Post Closure

The County of Lake has one landfill and one transfer station. State and Federal laws and regulations require the County to perform certain closure and post-closure maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and post-closure care costs as an expenditure in each year based on landfill capacity used as of each balance sheet date. The \$4,919,966 reported as closure/post-closure liability at June 30, 2011, represents the cumulative amount reported to date based on the use of 73.23 percent of total estimated site capacity. The estimated remaining life of the landfill is 20 years.

The County will recognize the remaining estimated cost of closure and post-closure care of \$1,583,334 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2011. Actual costs may be higher due to inflation, change in technology, or changes in regulations.

The County is required by State and Federal laws and regulations to provide financial assistance that appropriate resources will be available to finance closure and post-closure care costs in the future. At June 30, 2011, cash and investments of \$4,601,544 were held to fund closure costs. This deposit is included in cash and investments in the enterprise fund and is reflected as restricted net assets.

The County has approved a pledge of revenue to fund the post-closure costs. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by charges to future landfill users or from future tax revenue.

Note 10: Interfund Transactions

Due to/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2011.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Investment Trust Fund	Agency Funds	\$ 1,825,624
Agency Funds	Agency Funds	4,844,004
		<u>\$ 6,669,628</u>

COUNTY OF LAKE

Notes to Basic Financial Statements
For the Year Ended June 30, 2011

Note 10: **Interfund Transactions** (continued)

Advances To/From Other Funds

Advances to/from other funds are non-current interfund loans and are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. The following are advances to/from other funds as of June 30, 2011:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Housing Programs	\$ 5,000
	County Redevelopment	
	Agency	4,890,901
	Other Governmental Funds	<u>2,020,339</u>
		6,916,240
Other Governmental Funds	Other Governmental Funds	35,055
Agency Funds	Housing Programs	<u>167,191</u>
		<u>\$ 7,118,486</u>

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 10: **Interfund Transactions** (continued)

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, reimbursement of various County operations and re-allocations of special revenues. The following are the interfund transfers for the fiscal year ended June 30, 2011:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	
General Fund	Social Services	\$ 607,747	County's share
	Housing	2,591	Prior year refunds
	Other Governmental Funds	1,011,384	Subsidies
		<u>1,621,722</u>	
Social Services	Housing	20,000	Subsidies
	Other Governmental Funds	242,445	County's share IHSS
		<u>262,445</u>	
Nonmajor	General Fund	773,458	Maintenance support
	Social Services	21,056	Livescan fees IHSS
	Other Governmental Funds	1,054,808	Subsidies
		<u>1,849,322</u>	
	Total	<u>\$ 3,733,489</u>	

Note 11: **Employees' Retirement Plan**

Plan Description

The County contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state. Copies of PERS' annual financial report may be obtained from their executive office – 400 P Street, Sacramento, CA 95814.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 11: **Employees' Retirement Plan** (continued)

Funding Policy

Miscellaneous plan members are required to contribute 7 percent of their annual covered salary. Safety plan members are required to contribute 9 percent of their annual covered salary. The County is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The County has committed to contribute a portion of the required employee contribution in addition to their own required contributions. The actuarial methods and assumptions are used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2010/2011 was 11.303 percent for miscellaneous employees and 15.748 percent for safety employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS. The County is required to contribute the remaining amounts necessary to fund the benefits of its members using the actuarial basis adopted by the PERS Board of Administrators.

Annual Pension Cost

For fiscal year 2010/2011, the County's annual pension cost of \$3,397,788 for the miscellaneous plan and \$1,320,244 for the safety plan was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25 percent to 14.45 percent for miscellaneous plan and 3.25 percent to 13.15 percent for safety plan, depending on age, service, and type of employment, and 3.25 percent per year cost of living adjustment. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of PERS assets was determined using techniques that smooth the effect of short term volatility in the market value of investments over a two to five year period depending on the size of the investment gains or losses.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. The table below presents three year trend information.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 11: **Employees' Retirement Plan** (continued)

Annual Pension Cost (continued)

Miscellaneous

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 3,518,177	100%	\$ --
June 30, 2010	3,533,651	100%	--
June 30, 2011	3,397,788	100%	--

Safety

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 1,245,956	100%	\$ --
June 30, 2010	1,304,010	100%	--
June 30, 2011	1,320,244	100%	--

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the safety plan was 92.0 percent funded. The actuarial accrued liability for benefits was \$60,443,954, and the actuarial value of assets was \$55,597,483, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,846,471. The covered payroll (annual payroll of active employees covered by the plan) was \$8,584,825, and the ratio of the UAAL to the covered payroll was 56.5 percent.

As of June 30, 2010, the most recent actuarial valuation date, the miscellaneous plan was 89.4 percent funded. The actuarial accrued liability for benefits was \$159,700,832, and the actuarial value of assets was \$142,749,046, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,951,786. The covered payroll (annual payroll of active employees covered by the plan) was \$32,956,050, and the ratio of the UAAL to the covered payroll was 51.4 percent.

The schedule of funding progress, presented as RSI 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.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 12: **Other Post-Employment Benefits (OPEB)**

Plan Description

The County sponsors medical coverage to be provided through an agent multiple-employer Healthcare plan. The County arranges health insurance coverage for employees from either of two carriers that include the California State Associate of Counties (CSAC) EIA Health Program or the California Public Employees Medical and Hospital Care Act (PEMHCA). Both carriers provide health insurance through a variety of Health Maintenance Organizations (HMO) and Preferred Provider Organization (PPO) options. Participation in the chosen healthcare plan is financed in part by the County through a flexible benefits plan, with contributions made to the plan of up to \$800 per month, including \$105 per month required by PEMHCA. Dental, vision and life insurance are also available (but are self paid for retirees). Copies of PERS' annual financial report may be obtained from their executive office – 400 P Street, Sacramento, CA 95814. CSAC EIA's annual financial report may be obtained by contacting them at the Office of the Chief Financial Officer, 75 Iron Point Circle, Suite 200, Folsom, California 95630.

The County extends health coverage to its retirees. The County makes the required statutory PEMHCA contribution and other monthly insurance premium subsidies as described above. Furthermore, the County will make additional contributions towards certain eligible retirees' premiums until age 65 according to provisions of the County's bargaining agreements with its various employee groups.

Retirees who have completed at least 15 continuous years of service with the County at the time of retirement are eligible for an additional County contribution of 50% of the retiree-only medical premium depending on the health insurance option selected by the retiree. Retirees who have completed at least 20 continuous years of service at retirement are eligible for a 75% County contribution. The additional contributions continue until age 65 or the death of the retiree, if earlier. Spousal and dependent child coverage may be provided if the retiree pays the required additional premium(s).

Funding Policy

As required by GASB 45, an actuary will determine the County's Annual Required Contribution (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years.

GASB 45 does not required pre-funding of OPEB benefits. Therefore, the County's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The County has elected not to establish an irrevocable trust at this time. The Board of Supervisors reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the County.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 12: **Other Post-Employment Benefits (OPEB)** (continued)

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the County's Annual OPEB Cost for the year ended June 30, 2011, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation/(Asset).

Item	FYE 6/30/11
Annual Required Contribution	\$ 2,057,095
Interest on Net OPEB Obligation/(Asset)	80,492
Adjustment to Annual Required Contributions	(104,722)
Annual OPEB Cost (Expense)	2,032,865
Contributions Made	(291,623)
Increase to Net OPEB Obligations/(Asset)	1,741,242
Net OPEB Obligation/(Asset) - Beginning of Year	3,364,169

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal year ended June 30, 2011 and the two prior fiscal years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
June 30, 2009	\$ 1,927,655	\$ 317,813	16.49%	\$ 1,609,842
June 30, 2010	2,032,865	278,538	13.70%	3,364,169
June 30, 2011	2,032,865	291,623	14.35%	5,105,411

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 12: **Other Post-Employment Benefits (OPEB)** (continued)

Funded Status and Funding Progress

The funded status of the plan as of the most recent two actuarial valuations, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$ --	\$ 11,828,481	\$ 11,828,481	0.00%	\$ 36,649,860	32.27%
July 1, 2009	--	13,606,926	13,606,926	0.00%	40,037,600	33.99%

Actuarial valuations of an ongoing plan involve estimates of the value of the 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 County 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 (as it becomes available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2009. In that evaluation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 4 percent. These assumptions reflect an implicit 3.0 percent general inflation assumption. The County's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2011 was 29 years.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 13: **Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has Risk Management Funds (Internal Service Funds) to finance its insured and uninsured risks of loss. The County's uninsured risk of loss for public liability claims is \$10,000 per occurrence; the County is fully insured for workers' compensation losses and the County is fully self-insured for all unemployment claims. The County is a member of the County Supervisors Association of California Excess Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for counties. The County pays annual premiums to the Authority for insurance coverage.

Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Actual claims unpaid as of June 30, 2011, including any estimates for incurred but not reported (IBNR) amounts, constitute claims payable. The claims liability at June 30, 2011, was as follows:

Unemployment	\$ 259,992
Public Liability	<u>310,000</u>
Total	<u><u>\$ 569,992</u></u>

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$569,992 reported in the funds at June 30, 2011, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Estimates of the liabilities for incurred (both reported and unreported), but unpaid claims are actuarially determined. Liabilities are based on the estimated cost of settling the claims.

Changes in the County's claims liability amount for the fiscal years 2009, 2010, and 2011 were as follows:

Fiscal Year Ended	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2009	\$ 526,931	\$ 1,482,426	\$ 1,516,341	\$ 493,016
2010	493,016	1,175,114	1,338,034	330,096
2011	330,096	1,576,796	1,336,900	569,992

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

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

The ultimate settlement of specific claims against the County cannot presently be determined and no provision for any other liability that may result has been made in the financial statements.

Note 14: **Other Information**

A. **Construction Commitments**

The County has signed agreements to construct various capital improvement jobs subsequent to June 30, 2011. The balance owed on these commitments at June 30, 2011, was approximately \$2,007,966. The majority of this cost will be financed by debt.

B. **Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. In the aggregate, these claims seek monetary damages in significant amounts. However, in the opinion of County Counsel, final disposition should not materially adversely affect the financial position of the County, since the legal matters are covered by the County's liability program which, subject to a \$10,000 deductible per occurrence, provides complete coverage for any County liability losses. Therefore, no provision has been made in the financial statements for a loss contingency.

The County has received cease and desist orders on water and wastewater special districts. The action required to correct these situations will require future application of funding and or debt as well as capital outlay expenditures. There is not estimate at this time of the eventual cost to the County. Therefore, no provision has been made in the financial statements.

C. **Subsequent Events**

Debt Issuance

On July 19, 2011, the Lake County Public Financing Authority, a blended component unit, issued \$4,500,000 of certificates of participation to construct and improve the Southeast Regional Wastewater system. The bond issue consists of \$2,320,000 of serial bonds maturing from July 15, 2013 through 2031, and term bonds of \$2,180,000 maturing July 15, 2040. Principal repayments range from \$85,000 to \$300,000. The bonds carry annual interest rates ranging from 2.0% to 5.875%. Certain revenues of the Southeast Regional Wastewater Enterprise are pledged as security to cover debt service.

COUNTY OF LAKE

Notes to Basic Financial Statements For the Year Ended June 30, 2011

Note 14: **Other Information** (continued)

C. **Subsequent Events** (continued)

County Redevelopment Agency

On June 28, 2011, the California Legislature adopted Assembly Bill X1 26 (Dissolution Act) and Assembly Bill X1 27 (Voluntary Program Act) which taken together are known as the Redevelopment Restructuring Act. The Dissolution Act provides for the elimination of redevelopment agencies by appointing successor agencies to direct the orderly distribution of a redevelopment agency's assets and liabilities. The Voluntary Program Act provides a voluntary alternative for local governments to continue redevelopment activities by the enactment of an ordinance agreeing to comply with the program requirements and agreeing to make certain annual "Community Remittance" payments into a special fund established for the benefit of other governments.

The California Redevelopment Association along with others filed suit challenging the constitutionality of Assembly Bill X1 26 and Assembly Bill X1 27. On December 29, 2011, the Court ruled in favor of state law by upholding Assembly Bill X1 26 which will effectively dissolve the County's Redevelopment Agency as of February 1, 2012. In the same ruling, the Court overturned Assembly Bill X1 27 as unconstitutional.

D. **Joint Agencies**

The CSAC Excess Insurance Authority is a joint powers authority organized for the purpose of developing and funding excess insurance programs for member counties. The Authority operates public entity risk pools for workers' compensation, comprehensive liability, property, medical malpractice, and the pool purchases excess insurance and services for members. The Authority is under the control and direction of a board of directors consisting of representatives of the fifty four member counties and seven members elected by the public entity membership. There is no significant financial interest or ongoing financial responsibility on the part of the County with this Authority.

Complete audited financial statements for CSAC Express Insurance Authority can be obtained from the Authority's office at 3017 Gold Canal Drive, Suite 300, Rancho Cordova, California 95670.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF LAKE

Required Supplementary Information Schedule of Funding Progress For the Year Ended June 30, 2011

1. SCHEDULE OF FUNDING PROGRESS – PENSION

The table below presents historical 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 for the County Miscellaneous Plan and Safety Plan:

Miscellaneous Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2008	\$ 140,987,466	\$ 127,509,915	\$ 13,477,551	90.4%	91.9%	\$ 34,046,373	39.6%
June 30, 2009	151,904,206	134,790,904	17,113,302	88.7%	64.7%	34,038,988	50.3%
June 30, 2010	159,700,832	142,779,046	16,951,786	89.4%	70.1%	32,956,050	51.4%

Safety Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
June 30, 2008	\$ 55,206,431	\$ 50,780,734	\$ 4,425,697	92.0%	93.9%	\$ 7,869,489	56.2%
June 30, 2009	58,579,934	52,980,925	5,599,009	90.4%	66.0%	8,502,341	65.9%
June 30, 2010	60,443,954	55,597,483	4,846,471	92.0%	72.0%	8,584,825	56.5%

2. SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS

The table below presents historical analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial liability as a percentage of the annual covered payroll for the County:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2007	\$ --	\$ 11,828,481	\$ 11,828,481	-	\$ 36,649,860	29.54%
July 1, 2009	--	13,606,926	13,606,926	-	40,037,600	33.99%

COUNTY OF LAKE

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Taxes	\$ 25,232,062	\$ 23,803,062	\$ 26,934,221	\$ 3,131,159
Licenses and permits	818,741	823,741	768,736	(55,005)
Fines, forfeitures and penalties	1,107,900	1,110,500	1,169,587	59,087
Use of money and property	425,784	416,884	465,020	48,136
Intergovernmental	12,232,464	12,566,177	8,014,876	(4,551,301)
Charges for services	5,153,304	5,073,052	4,991,889	(81,163)
Other revenues	648,209	668,894	1,118,061	449,167
Amounts available for appropriation	<u>45,618,464</u>	<u>44,462,310</u>	<u>43,462,390</u>	<u>(999,920)</u>
Charges to appropriations				
Current:				
General government	13,447,208	13,535,808	9,029,940	4,505,868
Public protection	31,230,716	31,107,477	28,390,793	2,716,684
Public assistance	303,490	303,490	300,565	2,925
Education	164,617	164,942	164,499	443
Culture and recreation	1,342,561	1,338,973	1,259,031	79,942
Capital outlay	4,056,645	4,318,703	1,095,643	3,223,060
Appropriation for contingency	2,400,000	3,027,183	--	3,027,183
Total expenditures	<u>52,945,237</u>	<u>53,796,576</u>	<u>40,240,471</u>	<u>13,556,105</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,326,773)</u>	<u>(9,334,266)</u>	<u>3,221,919</u>	<u>12,556,185</u>
Other Financing Sources (Uses)				
Transfers in	2,957,800	2,957,800	773,458	(2,184,342)
Transfers out	(3,837,474)	(3,887,474)	(1,621,722)	2,265,752
Proceeds from sale of capital assets	--	--	1,335	1,335
Total other financing sources (uses)	<u>(879,674)</u>	<u>(929,674)</u>	<u>(846,929)</u>	<u>82,745</u>
Net change in fund balance	(8,206,447)	(10,263,940)	2,374,990	12,638,930
Fund balances, beginning of year	<u>30,406,480</u>	<u>30,406,480</u>	<u>30,406,480</u>	<u>--</u>
Fund balances, end of year	<u>\$ 22,200,033</u>	<u>\$ 20,142,540</u>	<u>\$ 32,781,470</u>	<u>\$ 12,638,930</u>

COUNTY OF LAKE

Budgetary Comparison Schedule
General Fund

For the Year Ended June 30, 2011

Reconciliation of Net Changes in Fund Balances - Budgetary to GAAP Basis:

Net Change in Fund Balances - Budgetary Basis	\$ 2,374,990
---	--------------

The amount reported in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances was different because:

Advances to and from other funds are offset to revenues for budgetary purposes, but are not revenues for financial reporting purposes.	<u>(218,179)</u>
--	------------------

Net Change in Fund Balances - Statement of Revenues, Expenditures and Changes in Fund Balances	<u><u>\$ 2,156,811</u></u>
--	----------------------------

Reconciliation of Fund Balances - Budgetary to GAAP Basis:

Fund Balances - Ending - Budgetary Basis	\$ 32,781,470
--	---------------

Cumulative effect of reclassification of advances to and from other funds	<u>(218,179)</u>
---	------------------

Fund Balances - Ending - GAAP Basis	<u><u>\$ 32,563,291</u></u>
-------------------------------------	-----------------------------

COUNTY OF LAKE

Budgetary Comparison Schedule
Housing Programs
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 166	\$ 166	\$ 635	\$ 469
Intergovernmental	984,755	1,076,755	469,906	(606,849)
Other revenues	250,000	250,000	105,054	(144,946)
Total revenues	<u>1,234,921</u>	<u>1,326,921</u>	<u>575,595</u>	<u>(751,326)</u>
Expenditures				
Current:				
Public assistance	1,474,153	1,906,153	419,421	1,486,732
Total expenditures	<u>1,474,153</u>	<u>1,906,153</u>	<u>419,421</u>	<u>1,486,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(239,232)</u>	<u>(579,232)</u>	<u>156,174</u>	<u>735,406</u>
Other Financing Sources (Uses)				
Transfers in	2,591	2,591	22,591	20,000
Total other financing sources (uses)	<u>2,591</u>	<u>2,591</u>	<u>22,591</u>	<u>20,000</u>
Net change in fund balance	(236,641)	(576,641)	178,765	755,406
Fund balances, beginning of year	<u>(185,457)</u>	<u>(185,457)</u>	<u>(185,457)</u>	<u>--</u>
Fund balances, end of year	<u><u>\$ (422,098)</u></u>	<u><u>\$ (762,098)</u></u>	<u><u>\$ (6,692)</u></u>	<u><u>\$ 755,406</u></u>

Reconciliation of Net Changes in Fund Balances - Budgetary to GAAP Basis:

Net Change in Fund Balances - Budgetary Basis \$ 178,765

The amount reported in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances was different because:

Advances to and from other funds are offset to revenues for budgetary purposes, but are not revenues for financial reporting purposes. (57,527)

Net Change in Fund Balances - Statement of Revenues, Expenditures and Changes in Fund Balances \$ 121,238

Reconciliation of Fund Balances - Budgetary to GAAP Basis:

Fund Balances - Ending - Budgetary Basis \$ (6,692)

Cumulative effect of reclassification of advances to and from other funds (57,527)

Fund Balances - Ending - GAAP Basis \$ (64,219)

COUNTY OF LAKE

Budgetary Comparison Schedule Social Services For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 38,504,229	\$ 35,255,892	\$ 31,775,026	\$ (3,480,866)
Charges for services	2,134,984	2,134,984	2,433,976	298,992
Other revenues	17,000	17,000	369,160	352,160
Total revenues	<u>40,656,213</u>	<u>37,407,876</u>	<u>34,578,162</u>	<u>(2,829,714)</u>
Expenditures				
Current:				
Public assistance	43,766,428	40,016,891	34,682,678	5,334,213
Capital outlay	40,000	221,200	213,630	7,570
Total expenditures	<u>43,806,428</u>	<u>40,238,091</u>	<u>34,896,308</u>	<u>5,341,783</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,150,215)</u>	<u>(2,830,215)</u>	<u>(318,146)</u>	<u>2,512,069</u>
Other Financing Sources (Uses)				
Transfers in	607,747	607,747	628,803	21,056
Transfers out	(283,781)	(283,781)	(262,445)	21,336
Proceeds from sale of capital assets	--	--	1,275	1,275
Total other financing sources (uses)	<u>323,966</u>	<u>323,966</u>	<u>367,633</u>	<u>43,667</u>
Net change in fund balance	(2,826,249)	(2,506,249)	49,487	2,555,736
Fund balances, beginning of year	<u>2,176,792</u>	<u>2,176,792</u>	<u>2,176,792</u>	<u>--</u>
Fund balances, end of year	<u>\$ (649,457)</u>	<u>\$ (329,457)</u>	<u>\$ 2,226,279</u>	<u>\$ 2,555,736</u>

COUNTY OF LAKE

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

A. SCHEDULE OF FUNDING PROGRESS – PENSION

The Schedule of Funding Progress – Pension presents a consolidated snapshot of the County’s ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan’s level of assets to liabilities, an important indicator to determine the financial health of the pension plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

B. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The Schedule of Funding Progress – Other Postemployment Benefits provides a consolidated snapshot of the County’s ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan’s level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

C. BUDGETARY BASIS OF ACCOUNTING

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares a budget for each fiscal year. 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.

The County follows these procedures annually in establishing the budgetary data reflected in the financial statements.

- (1) The County Administrative Officer submits to the Board of Supervisors a recommended budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. The recommended budget is approved by the Board prior to July 1st.
- (2) The Board of Supervisors conducts an advertised public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to October 2, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein, as proposed expenditures become appropriations to the various County departments. The Board of Supervisors may amend the budget by motion during the fiscal year. The County Administrative Officer may authorize transfers from one object to another within the same department.

COUNTY OF LAKE

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

Formal budgetary integration is employed as a management control device during the year. The County presents a comparison of annual budgets to actual results for the County's General and Special Revenue funds. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The Supplementary Law Enforcement Services nonmajor special revenue fund did not have a legally adopted budget.

The County uses an encumbrance system as an extension of normal budgetary accounting for the general and other governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year end are recorded as restrictions, commitments or assignments of fund balance, depending on the funding sources, since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end. Encumbered appropriations are rebudgeted in the ensuing year's budget.

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

THIS PAGE INTENTIONALLY LEFT BLANK

NONMAJOR GOVERNMENTAL FUNDS

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF LAKE

Balance Sheet Nonmajor Governmental Funds June 30, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash and investments	\$ 35,576,223	\$ 2,841,375	\$ 9,514,371	\$ 47,931,969
Imprest cash	1,360	--	--	1,360
Accounts receivable	48,935	--	10,515	59,450
Due from other governments	1,740,638	--	--	1,740,638
Interest receivable	18,898	--	--	18,898
Advances to other funds	35,055	--	--	35,055
Inventory	115,736	--	--	115,736
Loans receivable	1,076,788	--	--	1,076,788
	<u>38,613,633</u>	<u>2,841,375</u>	<u>9,524,886</u>	<u>50,979,894</u>
Total assets	<u>\$ 38,613,633</u>	<u>\$ 2,841,375</u>	<u>\$ 9,524,886</u>	<u>\$ 50,979,894</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,437,665	\$ --	\$ --	\$ 1,437,665
Accrued salaries and benefits	1,626,857	--	--	1,626,857
Deposits payable	102,782	--	--	102,782
Deferred revenues	2,206,924	--	968,725	3,175,649
Advances from other funds	2,055,394	--	--	2,055,394
Total liabilities	<u>7,429,622</u>	<u>--</u>	<u>968,725</u>	<u>8,398,347</u>
Fund balances:				
Nonspendable	150,791	--	--	150,791
Restricted	31,099,178	2,841,375	4,307,683	38,248,236
Committed	28,296	--	--	28,296
Assigned	--	--	4,248,478	4,248,478
Unassigned	(94,254)	--	--	(94,254)
Total fund balances	<u>31,184,011</u>	<u>2,841,375</u>	<u>8,556,161</u>	<u>42,581,547</u>
Total liabilities and fund balances	<u>\$ 38,613,633</u>	<u>\$ 2,841,375</u>	<u>\$ 9,524,886</u>	<u>\$ 50,979,894</u>

COUNTY OF LAKE

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

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
Revenues				
Taxes	\$ 2,465,801	\$ 204,743	\$ --	\$ 2,670,544
Licenses and permits	1,389,699	--	--	1,389,699
Fines, forfeitures and penalties	146,946	11,439	183,382	341,767
Use of money and property	250,427	24,918	39,905	315,250
Intergovernmental	38,175,621	-	21,375	38,196,996
Charges for services	14,451,950	815,204	1,079,467	16,346,621
Other revenues	515,638	--	4,842	520,480
Total revenues	<u>57,396,082</u>	<u>1,056,304</u>	<u>1,328,971</u>	<u>59,781,357</u>
Expenditures				
Current:				
General government	701,644	--	7,436	709,080
Public protection	5,841,646	--	187,704	6,029,350
Public ways and facilities	13,634,029	--	--	13,634,029
Health and sanitation	18,868,614	--	--	18,868,614
Public assistance	4,165,366	--	1,208	4,166,574
Education	1,036,734	--	--	1,036,734
Culture and recreation	2,216	--	--	2,216
Debt Service:				
Principal	--	1,076,566	768,172	1,844,738
Interest	--	318,732	241,902	560,634
Capital outlay	5,151,399	--	449,260	5,600,659
Total expenditures	<u>49,401,648</u>	<u>1,395,298</u>	<u>1,655,682</u>	<u>52,452,628</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,994,434</u>	<u>(338,994)</u>	<u>(326,711)</u>	<u>7,328,729</u>
Other Financing Sources (Uses)				
Transfers in	935,516	57,963	1,315,158	2,308,637
Transfers out	(1,381,875)	(467,447)	--	(1,849,322)
Proceeds from sale of capital assets	3,700	--	269,378	273,078
Issuance of debt	864,504	--	--	864,504
Total other financing sources (uses)	<u>421,845</u>	<u>(409,484)</u>	<u>1,584,536</u>	<u>1,596,897</u>
Net change in fund balances	8,416,279	(748,478)	1,257,825	8,925,626
Fund balances, beginning of year, restated	<u>22,767,732</u>	<u>3,589,853</u>	<u>7,298,336</u>	<u>33,655,921</u>
Fund balances, end of year	<u>\$ 31,184,011</u>	<u>\$ 2,841,375</u>	<u>\$ 8,556,161</u>	<u>\$ 42,581,547</u>

NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF LAKE

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2011

	<u>Road</u>	<u>Park Development Quimby</u>	<u>Building and Safety</u>	<u>Geothermal Resource Royalties</u>	<u>Fish and Game</u>
Assets					
Cash and investments	\$ 7,171,840	\$ 222,183	\$ 92,910	\$ 1,439,496	\$ 44,234
Imprest cash	25	--	75	--	--
Accounts receivable	--	--	--	--	--
Due from other governments	420,190	--	--	65,435	--
Interest receivable	12,678	--	--	--	--
Advances to other funds	--	--	--	35,055	--
Inventory	115,736	--	--	--	--
Loans receivable	--	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 7,720,469</u>	<u>\$ 222,183</u>	<u>\$ 92,985</u>	<u>\$ 1,539,986</u>	<u>\$ 44,234</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 135,783	\$ 3,875	\$ 268	\$ 10,890	\$ --
Salaries and benefits payable	192,939	--	41,298	--	--
Deposits payable	--	--	--	--	--
Deferred revenues	--	--	--	--	--
Advance from other funds	--	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>328,722</u>	<u>3,875</u>	<u>41,566</u>	<u>10,890</u>	<u>--</u>
Fund balances:					
Nonspendable	115,736	--	--	35,055	--
Restricted	7,276,011	218,308	51,419	1,494,041	44,234
Committed	--	--	--	--	--
Unassigned	--	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>7,391,747</u>	<u>218,308</u>	<u>51,419</u>	<u>1,529,096</u>	<u>44,234</u>
Total Liabilities and Fund Balances	<u>\$ 7,720,469</u>	<u>\$ 222,183</u>	<u>\$ 92,985</u>	<u>\$ 1,539,986</u>	<u>\$ 44,234</u>

continued

COUNTY OF LAKE

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

	<u>Special Aviation</u>	<u>Special Districts Administration</u>	<u>Sheriff Programs</u>	<u>District Attorney Programs</u>	<u>Domestic Violence Programs</u>
Assets					
Cash and investments	\$ 3,536	\$ 621,351	\$ 4,715,081	\$ 5,080	\$ 2,199
Imprest cash	--	100	--	--	--
Accounts receivable	--	--	5,985	--	--
Due from other governments	--	8,185	137,810	--	--
Interest receivable	--	--	--	--	--
Advances to other funds	--	--	--	--	--
Inventory	--	--	--	--	--
Loans receivable	--	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 3,536</u>	<u>\$ 629,636</u>	<u>\$ 4,858,876</u>	<u>\$ 5,080</u>	<u>\$ 2,199</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ --	\$ 10,575	\$ 4,588	\$ --	\$ --
Salaries and benefits payable	699	287,639	--	--	--
Deposits payable	--	--	--	--	--
Deferred revenues	--	--	--	--	--
Advance from other funds	--	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>699</u>	<u>298,214</u>	<u>4,588</u>	<u>--</u>	<u>--</u>
Fund balances:					
Nonspendable	--	--	--	--	--
Restricted	2,837	331,422	4,854,288	5,080	2,199
Committed	--	--	--	--	--
Unassigned	--	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>2,837</u>	<u>331,422</u>	<u>4,854,288</u>	<u>5,080</u>	<u>2,199</u>
Total Liabilities and Fund Balances	<u>\$ 3,536</u>	<u>\$ 629,636</u>	<u>\$ 4,858,876</u>	<u>\$ 5,080</u>	<u>\$ 2,199</u>

continued

COUNTY OF LAKE

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

	<u>Nuisance Abatement</u>	<u>Animal Control Spay/Neuter Programs</u>	<u>STC Program</u>	<u>Supplemental Law Enforcement Services</u>	<u>Health Programs</u>
Assets					
Cash and investments	\$ 333,938	\$ 10,174	\$ 51,910	\$ 31,100	\$ 1,591,145
Imprest cash	--	--	--	--	275
Accounts receivable	--	--	--	--	--
Due from other governments	--	--	--	--	59,853
Interest receivable	--	--	--	--	--
Advances to other funds	--	--	--	--	--
Inventory	--	--	--	--	--
Loans receivable	--	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 333,938</u>	<u>\$ 10,174</u>	<u>\$ 51,910</u>	<u>\$ 31,100</u>	<u>\$ 1,651,273</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 545	\$ 762	\$ --	\$ --	\$ 44,258
Salaries and benefits payable	--	--	--	--	283,000
Deposits payable	--	--	--	--	--
Deferred revenues	--	--	--	--	1,130,136
Advance from other funds	--	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>545</u>	<u>762</u>	<u>--</u>	<u>--</u>	<u>1,457,394</u>
Fund balances:					
Nonspendable	--	--	--	--	--
Restricted	333,393	9,412	51,910	31,100	193,879
Committed	--	--	--	--	--
Unassigned	--	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>333,393</u>	<u>9,412</u>	<u>51,910</u>	<u>31,100</u>	<u>193,879</u>
Total Liabilities and Fund Balances	<u>\$ 333,938</u>	<u>\$ 10,174</u>	<u>\$ 51,910</u>	<u>\$ 31,100</u>	<u>\$ 1,651,273</u>

continued

COUNTY OF LAKE

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

	IHSS Public Authority	Recorder Programs	Air Quality District	CDBG Housing Programs
Assets				
Cash and investments	\$ --	\$ 1,608,127	\$ 1,205,408	\$ 28,538
Imprest cash	--	--	--	--
Accounts receivable	--	--	--	--
Due from other governments	558,613	--	--	--
Interest receivable	--	--	--	--
Advances to other funds	--	--	--	--
Inventory	--	--	--	--
Loans receivable	--	--	--	1,076,788
	<u>\$ 558,613</u>	<u>\$ 1,608,127</u>	<u>\$ 1,205,408</u>	<u>\$ 1,105,326</u>
Total Assets	<u>\$ 558,613</u>	<u>\$ 1,608,127</u>	<u>\$ 1,205,408</u>	<u>\$ 1,105,326</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 652,867	\$ --	\$ 2,573	\$ --
Salaries and benefits payable	--	1,758	40,245	--
Deposits payable	--	--	--	--
Deferred revenues	--	--	--	1,076,788
Advance from other funds	--	--	--	2,001
	<u>652,867</u>	<u>1,758</u>	<u>42,818</u>	<u>1,078,789</u>
Total Liabilities	<u>652,867</u>	<u>1,758</u>	<u>42,818</u>	<u>1,078,789</u>
Fund balances:				
Nonspendable	--	--	--	--
Restricted	--	1,606,369	1,162,590	26,537
Committed	--	--	--	--
Unassigned	(94,254)	--	--	--
	<u>(94,254)</u>	<u>1,606,369</u>	<u>1,162,590</u>	<u>26,537</u>
Total Fund Balances	<u>(94,254)</u>	<u>1,606,369</u>	<u>1,162,590</u>	<u>26,537</u>
Total Liabilities and Fund Balances	<u>\$ 558,613</u>	<u>\$ 1,608,127</u>	<u>\$ 1,205,408</u>	<u>\$ 1,105,326</u>

continued

COUNTY OF LAKE

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

	Child Support Services	Museum	Library	Lakebed Management
Assets				
Cash and investments	\$ 531,754	\$ 28,296	\$ 695,948	\$ 112,975
Imprest cash	50	--	80	--
Accounts receivable	--	--	--	--
Due from other governments	--	--	--	25,087
Interest receivable	--	--	--	--
Advances to other funds	--	--	--	--
Inventory	--	--	--	--
Loans receivable	--	--	--	--
	<u>\$ 531,804</u>	<u>\$ 28,296</u>	<u>\$ 696,028</u>	<u>\$ 138,062</u>
 Total Assets	<u>\$ 531,804</u>	<u>\$ 28,296</u>	<u>\$ 696,028</u>	<u>\$ 138,062</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 6,895	\$ --	\$ 12,507	\$ 100
Salaries and benefits payable	195,025	--	63,598	--
Deposits payable	--	--	--	--
Deferred revenues	--	--	--	--
Advance from other funds	--	--	--	--
	<u>201,920</u>	<u>--</u>	<u>76,105</u>	<u>100</u>
 Total Liabilities	<u>201,920</u>	<u>--</u>	<u>76,105</u>	<u>100</u>
 Fund balances:				
Nonspendable	--	--	--	--
Restricted	329,884	--	619,923	137,962
Committed	--	28,296	--	--
Unassigned	--	--	--	--
	<u>329,884</u>	<u>28,296</u>	<u>619,923</u>	<u>137,962</u>
 Total Fund Balances	<u>329,884</u>	<u>28,296</u>	<u>619,923</u>	<u>137,962</u>
 Total Liabilities and Fund Balances	<u>\$ 531,804</u>	<u>\$ 28,296</u>	<u>\$ 696,028</u>	<u>\$ 138,062</u>

continued

COUNTY OF LAKE

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

	Kelseyville Waterworks District	Mental Health Programs	Lake County Housing Commission	Watershed Protection Districts
Assets				
Cash and investments	\$ 475,565	\$ 4,287,923	\$ 304,077	\$ 1,865,599
Imprest cash	--	730	--	25
Accounts receivable	--	--	206	--
Due from other governments	118,291	347,174	--	--
Interest receivable	--	--	--	--
Advances to other funds	--	--	--	--
Inventory	--	--	--	--
Loans receivable	--	--	--	--
	<u>\$ 593,856</u>	<u>\$ 4,635,827</u>	<u>\$ 304,283</u>	<u>\$ 1,865,624</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,263	\$ 455,128	\$ 10,247	\$ 5,182
Salaries and benefits payable	--	476,051	--	44,605
Deposits payable	--	--	65,435	--
Deferred revenues	--	--	--	--
Advance from other funds	--	1,228,162	--	--
	<u>2,263</u>	<u>2,159,341</u>	<u>75,682</u>	<u>49,787</u>
Fund balances:				
Nonspendable	--	--	--	--
Restricted	591,593	2,476,486	228,601	1,815,837
Committed	--	--	--	--
Unassigned	--	--	--	--
	<u>591,593</u>	<u>2,476,486</u>	<u>228,601</u>	<u>1,815,837</u>
Total Fund Balances	<u>591,593</u>	<u>2,476,486</u>	<u>228,601</u>	<u>1,815,837</u>
Total Liabilities and Fund Balances	<u>\$ 593,856</u>	<u>\$ 4,635,827</u>	<u>\$ 304,283</u>	<u>\$ 1,865,624</u>

continued

COUNTY OF LAKE

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

	County Service Areas	Lighting Districts	Sanitation Districts	Totals
Assets				
Cash and investments	\$ 3,521,343	\$ 367,252	\$ 4,207,241	\$ 35,576,223
Imprest cash	--	--	--	1,360
Accounts receivable	--	--	42,744	48,935
Due from other governments	--	--	--	1,740,638
Interest receivable	--	--	6,220	18,898
Advances to other funds	--	--	--	35,055
Inventory	--	--	--	115,736
Loans receivable	--	--	--	1,076,788
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,521,343</u>	<u>\$ 367,252</u>	<u>\$ 4,256,205</u>	<u>\$ 38,613,633</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 25,525	\$ 70	\$ 52,764	\$ 1,437,665
Salaries and benefits payable	--	--	--	1,626,857
Deposits payable	--	--	37,347	102,782
Deferred revenues	--	--	--	2,206,924
Advance from other funds	825,231	--	--	2,055,394
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>850,756</u>	<u>70</u>	<u>90,111</u>	<u>7,429,622</u>
Fund balances:				
Nonspendable	--	--	--	150,791
Restricted	2,670,587	367,182	4,166,094	31,099,178
Committed	--	--	--	28,296
Unassigned	--	--	--	(94,254)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>2,670,587</u>	<u>367,182</u>	<u>4,166,094</u>	<u>31,184,011</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 3,521,343</u>	<u>\$ 367,252</u>	<u>\$ 4,256,205</u>	<u>\$ 38,613,633</u>

COUNTY OF LAKE

Combining Statement of Revenues, Expenses and
Changes in Net Assets
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	<u>Road</u>	<u>Park Development Quimby</u>	<u>Building and Safety</u>	<u>Geothermal Resource Royalties</u>	<u>Fish and Game</u>
Revenues:					
Taxes	\$ 708,229	\$ --	\$ --	\$ --	\$ 60,381
Licenses and permits	86,186	--	231,175	--	--
Fines and forfeitures	214	--	--	--	4,641
Use of money and property	35,720	1,654	706	9,153	345
Intergovernmental	10,844,154	--	--	1,798,372	5,096
Charges for services	511,253	23,751	95,870	--	--
Other revenues	26,777	--	153	3,050	--
Total Revenues	<u>12,212,533</u>	<u>25,405</u>	<u>327,904</u>	<u>1,810,575</u>	<u>70,463</u>
Expenditures:					
Current:					
General government	--	--	--	447,354	--
Public protection	--	--	476,518	--	82,931
Public ways and facilities	6,548,957	--	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture	--	60	--	--	--
Capital outlay	1,215,770	14,287	--	--	--
Total Expenditures	<u>7,764,727</u>	<u>14,347</u>	<u>476,518</u>	<u>447,354</u>	<u>82,931</u>
Excess of Revenues Over (Under) Expenditures	<u>4,447,806</u>	<u>11,058</u>	<u>(148,614)</u>	<u>1,363,221</u>	<u>(12,468)</u>
Other Financing Sources (Uses)					
Transfers in	22,878	--	66,298	--	20,771
Transfers out	--	--	--	(750,000)	--
Proceeds from sale of capital assets	--	--	--	--	--
Issuance of debt	--	--	--	--	--
Total Other Financing Sources (Uses)	<u>22,878</u>	<u>--</u>	<u>66,298</u>	<u>(750,000)</u>	<u>20,771</u>
Net Changes in Fund Balances	4,470,684	11,058	(82,316)	613,221	8,303
Fund balances, beginning of year	<u>2,921,063</u>	<u>207,250</u>	<u>133,735</u>	<u>915,875</u>	<u>35,931</u>
Fund balances, end of year	<u>\$ 7,391,747</u>	<u>\$ 218,308</u>	<u>\$ 51,419</u>	<u>\$ 1,529,096</u>	<u>\$ 44,234</u>

continued

COUNTY OF LAKE

Combining Statement of Revenues, Expenses and
Changes in Net Assets (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	Special Aviation	Special Districts Administration	Sheriff Programs	District Attorney Programs	Domestic Violence Programs
Revenues:					
Taxes	\$ 11	\$ --	\$ --	\$ --	\$ --
Licenses and permits	--	--	--	--	--
Fines and forfeitures	--	--	36,346	--	2,418
Use of money and property	21,915	3,143	28,376	19	--
Intergovernmental	20,000	95,231	731,930	--	--
Charges for services	--	3,496,822	266,195	--	5,888
Other revenues	--	2,998	1,794	26,100	--
Total Revenues	<u>41,926</u>	<u>3,598,194</u>	<u>1,064,641</u>	<u>26,119</u>	<u>8,306</u>
Expenditures:					
Current:					
General government	--	--	--	--	--
Public protection	--	--	1,103,990	22,358	9,158
Public ways and facilities	48,076	3,690,094	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture	--	--	--	--	--
Capital outlay	15,000	107,997	247,703	--	--
Total Expenditures	<u>63,076</u>	<u>3,798,091</u>	<u>1,351,693</u>	<u>22,358</u>	<u>9,158</u>
Excess of Revenues Over (Under) Expenditures	<u>(21,150)</u>	<u>(199,897)</u>	<u>(287,052)</u>	<u>3,761</u>	<u>(852)</u>
Other Financing Sources (Uses)					
Transfers in	21,408	--	--	--	--
Transfers out	(1,125)	--	--	--	--
Proceeds from sale of capital assets	--	--	--	--	--
Issuance of debt	--	--	--	--	--
Total Other Financing Sources (Uses)	<u>20,283</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Changes in Fund Balances	(867)	(199,897)	(287,052)	3,761	(852)
Fund balances, beginning of year	<u>3,704</u>	<u>531,319</u>	<u>5,141,340</u>	<u>1,319</u>	<u>3,051</u>
Fund balances, end of year	<u>\$ 2,837</u>	<u>\$ 331,422</u>	<u>\$ 4,854,288</u>	<u>\$ 5,080</u>	<u>\$ 2,199</u>

continued

COUNTY OF LAKE

Combining Statement of Revenues, Expenses and
Changes in Net Assets (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	Nuisance Abatement	Animal Control Spay/Neuter Programs	STC Program	Supplemental Law Enforcement Services	Health Programs
Revenues:					
Taxes	\$ (24,675)	\$ --	\$ --	\$ --	\$ --
Licenses and permits	--	--	--	--	555,028
Fines and forfeitures	2,386	--	--	--	918
Use of money and property	2,736	--	--	242	1,839
Intergovernmental	--	--	36,189	667,249	3,367,543
Charges for services	37,366	26,266	--	--	769,104
Other revenues	--	--	531	--	5,431
Total Revenues	<u>17,813</u>	<u>26,266</u>	<u>36,720</u>	<u>667,491</u>	<u>4,699,863</u>
Expenditures:					
Current:					
General government	--	--	--	--	--
Public protection	49,299	29,593	29,628	636,391	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	4,997,119
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and culture	--	--	--	--	--
Capital outlay	--	--	--	--	--
Total Expenditures	<u>49,299</u>	<u>29,593</u>	<u>29,628</u>	<u>636,391</u>	<u>4,997,119</u>
Excess of Revenues Over (Under) Expenditures	<u>(31,486)</u>	<u>(3,327)</u>	<u>7,092</u>	<u>31,100</u>	<u>(297,256)</u>
Other Financing Sources (Uses)					
Transfers in	--	--	--	--	118,222
Transfers out	--	--	(20,658)	--	(1,127)
Proceeds from sale of capital assets	--	--	--	--	--
Issuance of debt	--	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(20,658)</u>	<u>--</u>	<u>117,095</u>
Net Changes in Fund Balances	(31,486)	(3,327)	(13,566)	31,100	(180,161)
Fund balances, beginning of year	<u>364,879</u>	<u>12,739</u>	<u>65,476</u>	<u>--</u>	<u>374,040</u>
Fund balances, end of year	<u>\$ 333,393</u>	<u>\$ 9,412</u>	<u>\$ 51,910</u>	<u>\$ 31,100</u>	<u>\$ 193,879</u>

continued

COUNTY OF LAKE

Combining Statement of Revenues, Expenses and
Changes in Net Assets (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	IHSS Public Authority	Recorder Programs	Air Quality District	CDBG Housing Programs
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses and permits	--	--	432,462	--
Fines and forfeitures	--	--	9,278	--
Use of money and property	--	11,920	8,966	4,562
Intergovernmental	1,886,797	--	304,967	--
Charges for services	21,056	125,456	6,961	--
Other revenues	--	--	900	20,322
Total Revenues	1,907,853	137,376	763,534	24,884
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	--	107,677	--	--
Public ways and facilities	--	--	592,454	--
Health and sanitation	--	--	--	--
Public assistance	2,223,496	--	--	43,063
Education	--	--	--	--
Recreation and culture	--	--	--	--
Capital outlay	--	--	20,398	--
Total Expenditures	2,223,496	107,677	612,852	43,063
Excess of Revenues Over (Under) Expenditures	(315,643)	29,699	150,682	(18,179)
Other Financing Sources (Uses)				
Transfers in	242,445	--	--	774
Transfers out	(21,056)	--	--	(547,800)
Proceeds from sale of capital assets	--	--	--	--
Issuance of debt	--	--	--	--
Total Other Financing Sources (Uses)	221,389	--	--	(547,026)
Net Changes in Fund Balances	(94,254)	29,699	150,682	(565,205)
Fund balances, beginning of year	--	1,576,670	1,011,908	591,742
Fund balances, end of year	\$ (94,254)	\$ 1,606,369	\$ 1,162,590	\$ 26,537

continued

COUNTY OF LAKE

Combining Statement of Revenues, Expenses and
Changes in Net Assets (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	Child Support Services	Museum	Library	Lakebed Management
Revenues:				
Taxes	\$ --	\$ --	\$ 735,012	\$ --
Licenses and permits	--	--	--	82,766
Fines and forfeitures	--	--	36	--
Use of money and property	3,802	234	12,654	926
Intergovernmental	2,238,778	--	259,254	111,170
Charges for services	--	--	22,929	--
Other revenues	4	25	14,027	212,207
Total Revenues	2,242,584	259	1,043,912	407,069
Expenditures:				
Current:				
General government	--	--	--	254,290
Public protection	2,208,815	--	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	--	--	1,036,734	--
Recreation and culture	--	2,156	--	--
Capital outlay	--	--	--	93,816
Total Expenditures	2,208,815	2,156	1,036,734	348,106
Excess of Revenues Over (Under) Expenditures	33,769	(1,897)	7,178	58,963
Other Financing Sources (Uses)				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Proceeds from sale of capital assets	--	--	--	--
Issuance of debt	--	--	--	--
Total Other Financing Sources (Uses)	--	--	--	--
Net Changes in Fund Balances	33,769	(1,897)	7,178	58,963
Fund balances, beginning of year	296,115	30,193	612,745	78,999
Fund balances, end of year	\$ 329,884	\$ 28,296	\$ 619,923	\$ 137,962

continued

COUNTY OF LAKE

Combining Statement of Revenues, Expenses and
Changes in Net Assets (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	Kelseyville Waterworks District	Mental Health Programs	Lake County Housing Commission	Watershed Protection Districts
Revenues:				
Taxes	\$ 97,375	\$ --	\$ --	\$ 564,666
Licenses and permits	--	--	--	2,082
Fines and forfeitures	640	16,397	--	2,322
Use of money and property	4,645	16,636	233	12,268
Intergovernmental	1,768,099	12,141,440	1,767,385	127,200
Charges for services	764,125	317,920	280,834	569,670
Other revenues	976	185,344	5,863	5,361
Total Revenues	<u>2,635,860</u>	<u>12,677,737</u>	<u>2,054,315</u>	<u>1,283,569</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	--	--	--	1,085,288
Public ways and facilities	845,767	--	--	--
Health and sanitation	--	8,749,411	--	--
Public assistance	--	--	1,898,807	--
Education	--	--	--	--
Recreation and culture	--	--	--	--
Capital outlay	1,930,506	88,999	--	15,250
Total Expenditures	<u>2,776,273</u>	<u>8,838,410</u>	<u>1,898,807</u>	<u>1,100,538</u>
Excess of Revenues Over (Under) Expenditures	<u>(140,413)</u>	<u>3,839,327</u>	<u>155,508</u>	<u>183,031</u>
Other Financing Sources (Uses)				
Transfers in	--	1,127	--	12,000
Transfers out	--	--	--	(12,000)
Proceeds from sale of capital assets	--	3,700	--	--
Issuance of debt	864,504	--	--	--
Total Other Financing Sources (Uses)	<u>864,504</u>	<u>4,827</u>	<u>--</u>	<u>--</u>
Net Changes in Fund Balances	724,091	3,844,154	155,508	183,031
Fund balances, beginning of year	<u>(132,498)</u>	<u>(1,367,668)</u>	<u>73,093</u>	<u>1,632,806</u>
Fund balances, end of year	<u>\$ 591,593</u>	<u>\$ 2,476,486</u>	<u>\$ 228,601</u>	<u>\$ 1,815,837</u>

continued

COUNTY OF LAKE

Combining Statement of Revenues, Expenses and
Changes in Net Assets (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	County Service Areas	Lighting Districts	Sanitation Districts	Totals
Revenues:				
Taxes	\$ 252,100	\$ 72,654	\$ 48	\$ 2,465,801
Licenses and permits	--	--	--	1,389,699
Fines and forfeitures	7,475	100	63,775	146,946
Use of money and property	27,125	3,016	37,592	250,427
Intergovernmental	3,420	1,347	--	38,175,621
Charges for services	1,872,598	2,719	5,235,167	14,451,950
Other revenues	317	--	3,458	515,638
Total Revenues	<u>2,163,035</u>	<u>79,836</u>	<u>5,340,040</u>	<u>57,396,082</u>
Expenditures:				
Current:				
General government	--	--	--	701,644
Public protection	--	--	--	5,841,646
Public ways and facilities	1,837,841	70,840	--	13,634,029
Health and sanitation	--	--	5,122,084	18,868,614
Public assistance	--	--	--	4,165,366
Education	--	--	--	1,036,734
Recreation and culture	--	--	--	2,216
Capital outlay	272,030	37,295	1,092,348	5,151,399
Total Expenditures	<u>2,109,871</u>	<u>108,135</u>	<u>6,214,432</u>	<u>49,401,648</u>
Excess of Revenues Over (Under) Expenditures	<u>53,164</u>	<u>(28,299)</u>	<u>(874,392)</u>	<u>7,994,434</u>
Other Financing Sources (Uses)				
Transfers in	427,141	--	2,452	935,516
Transfers out	(28,109)	--	--	(1,381,875)
Proceeds from sale of capital assets	--	--	--	3,700
Issuance of debt	--	--	--	864,504
Total Other Financing Sources (Uses)	<u>399,032</u>	<u>--</u>	<u>2,452</u>	<u>421,845</u>
Net Changes in Fund Balances	452,196	(28,299)	(871,940)	8,416,279
Fund balances, beginning of year	<u>2,218,391</u>	<u>395,481</u>	<u>5,038,034</u>	<u>22,767,732</u>
Fund balances, end of year	<u>\$ 2,670,587</u>	<u>\$ 367,182</u>	<u>\$ 4,166,094</u>	<u>\$ 31,184,011</u>

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF LAKE

Combining Balance Sheet
 Nonmajor Debt Service Funds
 June 30, 2011

	Sanitation Improvement Districts	LACOSAN Assessment Districts	County Service Area Improvement Districts	USDA RUS Loans	Total
ASSETS					
Cash and investments	\$ 150,117	\$ 496,855	\$ 1,183,080	\$1,011,323	\$ 2,841,375
Total assets	<u>\$ 150,117</u>	<u>\$ 496,855</u>	<u>\$ 1,183,080</u>	<u>\$1,011,323</u>	<u>\$ 2,841,375</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --
Total liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances:					
Restricted	150,117	496,855	1,183,080	1,011,323	2,841,375
Total fund balances	<u>150,117</u>	<u>496,855</u>	<u>1,183,080</u>	<u>1,011,323</u>	<u>2,841,375</u>
Total liabilities and fund balances	<u>\$ 150,117</u>	<u>\$ 496,855</u>	<u>\$ 1,183,080</u>	<u>\$1,011,323</u>	<u>\$ 2,841,375</u>

COUNTY OF LAKE

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

	Sanitation Improvement Districts	LACOSAN Assessment Districts	County Service Area Improvement Districts	USDA RUS Loans	Total
Revenues					
Taxes	\$ 136,880	\$ 67,604	\$ 259	\$ --	\$ 204,743
Fines, forfeitures and penalties	5,247	(6,240)	12,432	--	11,439
Use of money and property	1,084	8,152	8,670	7,012	24,918
Charges for services	--	--	519,397	295,807	815,204
Total revenues	<u>143,211</u>	<u>69,516</u>	<u>540,758</u>	<u>302,819</u>	<u>\$ 1,056,304</u>
Expenditures					
Debt Service:					
Principal	142,000	476,000	420,866	37,700	1,076,566
Interest	24,100	42,481	136,455	115,696	318,732
Total expenditures	<u>166,100</u>	<u>518,481</u>	<u>557,321</u>	<u>153,396</u>	<u>1,395,298</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,889)</u>	<u>(448,965)</u>	<u>(16,563)</u>	<u>149,423</u>	<u>(338,994)</u>
Other Financing Sources (Uses)					
Transfers in	--	57,963	--	--	57,963
Transfers out	--	(467,447)	--	--	(467,447)
Total other financing sources (uses)	<u>--</u>	<u>(409,484)</u>	<u>--</u>	<u>--</u>	<u>(409,484)</u>
Net change in fund balances	(22,889)	(858,449)	(16,563)	149,423	(748,478)
Fund balances, beginning of year, restated	<u>173,006</u>	<u>1,355,304</u>	<u>1,199,643</u>	<u>861,900</u>	<u>3,589,853</u>
Fund balances, end of year	<u>\$ 150,117</u>	<u>\$ 496,855</u>	<u>\$ 1,183,080</u>	<u>\$ 1,011,323</u>	<u>\$ 2,841,375</u>

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF LAKE

Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2011

	Capital Projects - CDBG	Capital Projects - Public Safety	Geyser's Pipeline	Road Projects	Special Projects	Lampson Airport Capital Projects -	Total
ASSETS							
Cash and investments	\$543,792	\$ 55,735	\$4,182,110	\$434,653	\$4,248,478	\$ 49,603	\$9,514,371
Accounts receivable	--	10,515	--	--	--	--	10,515
Total assets	<u>\$543,792</u>	<u>\$ 66,250</u>	<u>\$4,182,110</u>	<u>\$434,653</u>	<u>\$4,248,478</u>	<u>\$ 49,603</u>	<u>\$9,524,886</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Deferred revenues	\$ --	\$ --	\$ 534,072	\$434,653	\$ --	\$ --	\$ 968,725
Total liabilities	<u>--</u>	<u>--</u>	<u>534,072</u>	<u>434,653</u>	<u>--</u>	<u>--</u>	<u>968,725</u>
Fund balances:							
Restricted	543,792	66,250	3,648,038	--	--	49,603	4,307,683
Assigned	--	--	--	--	4,248,478	--	4,248,478
Total fund balances	<u>543,792</u>	<u>66,250</u>	<u>3,648,038</u>	<u>--</u>	<u>4,248,478</u>	<u>49,603</u>	<u>8,556,161</u>
Total liabilities and fund balances	<u>\$543,792</u>	<u>\$ 66,250</u>	<u>\$4,182,110</u>	<u>\$434,653</u>	<u>\$4,248,478</u>	<u>\$ 49,603</u>	<u>\$9,524,886</u>

COUNTY OF LAKE

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

	Capital Projects - CDBG	Capital Projects - Public Safety	Geyser's Pipeline	Road Projects	Special Projects	Lampson Airport Capital Projects -	Total
Revenues							
Fines, forfeitures and penalties	\$ --	\$ 183,382	\$ --	\$ --	\$ --	\$ --	\$ 183,382
Use of money and property	--	--	29,310	--	10,206	389	39,905
Intergovernmental	-	-	-	-	-	21,375	21,375
Charges for services	--	--	1,079,467	--	--	--	1,079,467
Other revenues	--	4,842	--	--	--	--	4,842
Total revenues	<u>--</u>	<u>188,224</u>	<u>1,108,777</u>	<u>--</u>	<u>10,206</u>	<u>21,764</u>	<u>\$ 1,328,971</u>
Expenditures							
Current:							
General government	--	--	--	--	7,436	--	7,436
Public protection	--	187,704	--	--	--	--	187,704
Public assistance	1,208	--	--	--	--	--	1,208
Debt Service:							
Principal	--	--	768,172	--	--	--	768,172
Interest	--	--	241,902	--	--	--	241,902
Capital outlay	--	--	--	--	423,260	26,000	449,260
Total expenditures	<u>1,208</u>	<u>187,704</u>	<u>1,010,074</u>	<u>--</u>	<u>430,696</u>	<u>26,000</u>	<u>1,655,682</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,208)</u>	<u>520</u>	<u>98,703</u>	<u>--</u>	<u>(420,490)</u>	<u>(4,236)</u>	<u>(326,711)</u>
Other Financing Sources (Uses)							
Transfers in	545,000	--	--	--	769,033	1,125	1,315,158
Proceeds from sale of capital assets	--	--	--	--	269,378	--	269,378
Total other financing sources (uses)	<u>545,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,038,411</u>	<u>1,125</u>	<u>1,584,536</u>
Net change in fund balances	543,792	520	98,703	--	617,921	(3,111)	1,257,825
Fund balances, beginning of year, restated	<u>--</u>	<u>65,730</u>	<u>3,549,335</u>	<u>--</u>	<u>3,630,557</u>	<u>52,714</u>	<u>7,298,336</u>
Fund balances, end of year	<u>\$ 543,792</u>	<u>\$ 66,250</u>	<u>\$ 3,648,038</u>	<u>\$ --</u>	<u>\$ 4,248,478</u>	<u>\$ 49,603</u>	<u>\$ 8,556,161</u>

INTERNAL SERVICE FUNDS

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF LAKE

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

	Risk Management			
	Unemployment Insurance	Public Liability Insurance	Workers' Compensation Insurance	Self Funded Dental/ Vision
Assets				
Current Assets:				
Cash and investments	\$ 200,417	\$ 526,361	\$ 873,844	\$ 127,494
Inventory	--	--	--	--
Total current assets	<u>200,417</u>	<u>526,361</u>	<u>873,844</u>	<u>127,494</u>
Noncurrent Assets:				
Capital assets				
Nondepreciable	--	--	--	--
Depreciable, net	--	--	--	--
Total noncurrent assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Assets	<u>\$ 200,417</u>	<u>\$ 526,361</u>	<u>\$ 873,844</u>	<u>\$ 127,494</u>
Liabilities				
Current Liabilities:				
Salaries and benefits payable	\$ --	\$ --	\$ --	\$ --
Compensated absences payable	--	--	--	--
Total current liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Noncurrent Liabilities:				
Compensated absences payable	--	--	--	--
Net OPEB obligation	--	--	--	--
Estimated claims liability	259,992	310,000	--	--
Total noncurrent liabilities	<u>259,992</u>	<u>310,000</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>259,992</u>	<u>310,000</u>	<u>--</u>	<u>--</u>
Net Assets				
Invested in capital assets, net of related debt	--	--	--	--
Unrestricted	<u>(59,575)</u>	<u>216,361</u>	<u>873,844</u>	<u>127,494</u>
Total net assets	<u>(59,575)</u>	<u>216,361</u>	<u>873,844</u>	<u>127,494</u>
Total liabilities and net assets	<u>\$ 200,417</u>	<u>\$ 526,361</u>	<u>\$ 873,844</u>	<u>\$ 127,494</u>

continued

COUNTY OF LAKE

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

	Heavy Equipment Rental	Fleet Maintenance	Central Garage	Totals
Assets				
Current Assets:				
Cash and investments	\$ 661,259	\$ 53,791	\$ 765,262	\$ 3,208,428
Inventory	27,259	--	1,266	28,525
Total current assets	<u>688,518</u>	<u>53,791</u>	<u>766,528</u>	<u>3,236,953</u>
Noncurrent Assets:				
Capital assets				
Nondepreciable	--	--	48,233	48,233
Depreciable, net	660,239	--	141,887	802,126
Total noncurrent assets	<u>660,239</u>	<u>--</u>	<u>190,120</u>	<u>850,359</u>
Total Assets	<u>\$ 1,348,757</u>	<u>\$ 53,791</u>	<u>\$ 956,648</u>	<u>\$ 4,087,312</u>
Liabilities				
Current Liabilities:				
Salaries and benefits payable	\$ --	\$ 28,196	\$ --	\$ 28,196
Compensated absences payable	--	2,238	--	2,238
Total current liabilities	<u>--</u>	<u>30,434</u>	<u>--</u>	<u>30,434</u>
Noncurrent Liabilities:				
Compensated absences payable	--	19,888	--	19,888
Net OPEB obligation	--	22,947	--	22,947
Estimated claims liability	--	--	--	569,992
Total noncurrent liabilities	<u>--</u>	<u>42,835</u>	<u>--</u>	<u>612,827</u>
Total liabilities	<u>--</u>	<u>73,269</u>	<u>--</u>	<u>643,261</u>
Net Assets				
Invested in capital assets, net of related debt	660,239	--	190,120	850,359
Unrestricted	<u>688,518</u>	<u>(19,478)</u>	<u>766,528</u>	<u>2,593,692</u>
Total net assets	<u>1,348,757</u>	<u>(19,478)</u>	<u>956,648</u>	<u>3,444,051</u>
Total liabilities and net assets	<u>\$ 1,348,757</u>	<u>\$ 53,791</u>	<u>\$ 956,648</u>	<u>\$ 4,087,312</u>

COUNTY OF LAKE

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

	Risk Management			
	Unemployment Insurance	Public Liability Insurance	Workers' Compensation Insurance	Self Funded Dental/ Vision
Operating Revenues:				
Charges for services	\$ 402,309	\$ 1,150,214	\$ 1,575,003	\$ --
Rents and concessions	--	--	--	--
Other revenue	--	--	--	5,339
Total Operating Revenues	<u>402,309</u>	<u>1,150,214</u>	<u>1,575,003</u>	<u>5,339</u>
Operating Expenses:				
Salaries and benefits	--	--	--	--
Services and supplies	3,248	223,905	113,435	24,741
Maintenance	--	--	--	--
Claims/liability adjustments	494,919	1,083,365	1,312,443	(77,638)
Depreciation	--	--	--	--
Total Operating Expenses	<u>498,167</u>	<u>1,307,270</u>	<u>1,425,878</u>	<u>(52,897)</u>
Net Operating Income (Loss)	<u>(95,858)</u>	<u>(157,056)</u>	<u>149,125</u>	<u>58,236</u>
Non-Operating Revenues and Expenses:				
Interest income	2,128	4,609	5,394	1,575
Gain (loss) on sale of fixed assets	--	--	--	--
Total Non-Operating Revenues and Expenses	<u>2,128</u>	<u>4,609</u>	<u>5,394</u>	<u>1,575</u>
Change in Net Assets	(93,730)	(152,447)	154,519	59,811
Net Assets, Beginning of Year	<u>34,155</u>	<u>368,808</u>	<u>719,325</u>	<u>67,683</u>
Net Assets, End of Year	<u><u>\$ (59,575)</u></u>	<u><u>\$ 216,361</u></u>	<u><u>\$ 873,844</u></u>	<u><u>\$ 127,494</u></u>

continued

COUNTY OF LAKE

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

Internal Service Funds

For the Year Ended June 30, 2011

	Heavy Equipment Rental	Fleet Maintenance	Central Garage	Totals
Operating Revenues:				
Charges for services	\$ --	\$ 414,227	\$ 441,137	\$ 3,982,890
Rents and concessions	964,610	--	--	964,610
Other revenue	11,330	872	11,013	28,554
Total Operating Revenues	<u>975,940</u>	<u>415,099</u>	<u>452,150</u>	<u>4,976,054</u>
Operating Expenses:				
Salaries and benefits	--	360,049	--	360,049
Services and supplies	580,396	62,419	357,783	1,365,927
Maintenance	173,392	--	--	173,392
Claims/liability adjustments	--	--	--	2,813,089
Depreciation	382,383	--	119,003	501,386
Total Operating Expenses	<u>1,136,171</u>	<u>422,468</u>	<u>476,786</u>	<u>5,213,843</u>
Net Operating Income (Loss)	<u>(160,231)</u>	<u>(7,369)</u>	<u>(24,636)</u>	<u>(237,789)</u>
Non-Operating Revenues and Expenses:				
Interest income	--	--	5,350	19,056
Gain (loss) on sale of fixed assets	366	--	--	366
Total Non-Operating Revenues and Expenses	<u>366</u>	<u>--</u>	<u>5,350</u>	<u>19,422</u>
Change in Net Assets	(159,865)	(7,369)	(19,286)	(218,367)
Net Assets, Beginning of Year	<u>1,508,622</u>	<u>(12,109)</u>	<u>975,934</u>	<u>3,662,418</u>
Net Assets, End of Year	<u>\$ 1,348,757</u>	<u>\$ (19,478)</u>	<u>\$ 956,648</u>	<u>\$ 3,444,051</u>

COUNTY OF LAKE

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

	Risk Management			
	Unemployment Insurance	Public Liability Insurance	Workers' Compensation Insurance	Self Funded Dental/ Vision
Cash Flows from Operating Activities:				
Receipts from customers	\$ 402,309	\$ 1,150,214	\$ 1,769,946	\$ 5,339
Payments to suppliers	(398,271)	(1,167,271)	(1,425,878)	(108,303)
Payments to employees	--	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>4,038</u>	<u>(17,057)</u>	<u>344,068</u>	<u>(102,964)</u>
Cash Flows from Noncapital Financing Activities:				
Interfund loans received	--	40,778	36,061	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>--</u>	<u>40,778</u>	<u>36,061</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	--	--	--	--
Proceeds from sale of capital assets	--	--	--	--
Net Cash Provided (Used) by Capital Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Cash Flows from Investing Activities:				
Interest and dividends	2,128	4,609	5,394	1,575
Net Cash Provided (Used) by Investing Activities	<u>2,128</u>	<u>4,609</u>	<u>5,394</u>	<u>1,575</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,166	28,330	385,523	(101,389)
Balances - Beginning of Year	<u>194,251</u>	<u>498,031</u>	<u>488,321</u>	<u>228,883</u>
Balances - End of Year	<u>\$ 200,417</u>	<u>\$ 526,361</u>	<u>\$ 873,844</u>	<u>\$ 127,494</u>

continued

COUNTY OF LAKE

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

	Heavy Equipment Rental	Fleet Maintenance	Central Garage	Totals
Cash Flows from Operating Activities:				
Receipts from customers	\$ 985,207	\$ 415,099	\$ 452,150	\$ 5,180,264
Payments to suppliers	(761,442)	(62,419)	(357,816)	(4,281,400)
Payments to employees	--	(370,009)	--	(370,009)
Net Cash Provided (Used) by Operating Activities	<u>223,765</u>	<u>(17,329)</u>	<u>94,334</u>	<u>528,855</u>
Cash Flows from Noncapital Financing Activities:				
Interfund loans received	--	--	5,500	82,339
Net Cash Provided (Used) by Noncapital Financing Activities	<u>--</u>	<u>--</u>	<u>5,500</u>	<u>82,339</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(53,668)	--	--	(53,668)
Proceeds from sale of capital assets	366	--	--	366
Net Cash Provided (Used) by Capital Related Financing Activities	<u>(53,302)</u>	<u>--</u>	<u>--</u>	<u>(53,302)</u>
Cash Flows from Investing Activities:				
Interest and dividends	--	--	5,350	19,056
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>--</u>	<u>5,350</u>	<u>19,056</u>
Net Increase (Decrease) in Cash and Cash Equivalents	170,463	(17,329)	105,184	576,948
Balances - Beginning of Year	<u>490,796</u>	<u>71,120</u>	<u>660,078</u>	<u>2,631,480</u>
Balances - End of Year	<u><u>\$ 661,259</u></u>	<u><u>\$ 53,791</u></u>	<u><u>\$ 765,262</u></u>	<u><u>\$ 3,208,428</u></u>

continued

COUNTY OF LAKE

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

	Risk Management			
	Unemployment Insurance	Public Liability Insurance	Workers' Compensation Insurance	Self Funded Dental/ Vision
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (95,858)	\$ (157,056)	\$ 149,125	\$ 58,236
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	--	--	--	--
Decrease (increase) in:				
Accounts receivable	--	--	194,943	--
Inventories	--	--	--	--
Increase (decrease) in:				
Accounts payable	--	(1)	--	(161,200)
Salaries and benefits payable	--	--	--	--
Compensated absences payable	--	--	--	--
OPEB obligation	--	--	--	--
Estimated claims liability	99,896	140,000	--	--
	<u>99,896</u>	<u>140,000</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,038</u>	<u>\$ (17,057)</u>	<u>\$ 344,068</u>	<u>\$ (102,964)</u>

continued

COUNTY OF LAKE

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

	<u>Heavy Equipment Rental</u>	<u>Fleet Maintenance</u>	<u>Central Garage</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (160,231)	\$ (7,369)	\$ (24,636)	\$ (237,789)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	382,383	--	119,003	501,386
Decrease (increase) in:				
Accounts receivable	9,267	--	--	204,210
Inventories	(7,654)	--	(33)	(7,687)
Increase (decrease) in:				
Accounts payable	--	--	--	(161,201)
Salaries and benefits payable	--	(11,401)	--	(11,401)
Compensated absences payable	--	(6,533)	--	(6,533)
OPEB obligation	--	7,974	--	7,974
Estimated claims liability	--	--	--	239,896
Net Cash Provided (Used) by Operating Activities	<u>\$ 223,765</u>	<u>\$ (17,329)</u>	<u>\$ 94,334</u>	<u>\$ 528,855</u>