

COUNTY OF SUTTER

AUDIT REPORT

JUNE 30, 2010

**COUNTY OF SUTTER
AUDIT REPORT
JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

Honorable Grand Jury and
Board of Supervisors
County of Sutter, 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 Sutter, California (the County), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County management. Our responsibility is to express opinions on these statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Sutter, California, as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated March 30, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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

Honorable Grand Jury and Board of Supervisors
County of Sutter, California

to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the budgetary comparison schedules and the schedule of funding progress (required supplementary information), as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information consisting of combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County of Sutter, California. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gallina LLP

Roseville, California
March 30, 2011

**MANAGEMENT DISCUSSION AND ANALYSIS
(MD & A)**

COUNTY OF SUTTER

Management Discussion and Analysis For the Year Ended June 30, 2010

As management of the County of Sutter (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, 2010.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$148,220,068 (total net assets). Of this amount, \$46,752,751 is restricted for specific purposes (restricted net assets), and \$81,983,896 is invested in capital assets, net of related debt. The balance of \$19,483,421 is unrestricted.
- The County's total net assets decreased by \$4,905,505. This decrease in net assets was attributable to results of operations.
- As of June 30, 2010, the County's governmental funds reported combined fund balances of \$65,873,127, a decrease of \$2,584,847. This decrease in fund balance was attributable to expenditures in excess of revenues. Approximately 85% of the combined fund balances, \$55,674,051 is available to meet the County's current and future needs (unreserved fund balance). Of the unreserved fund balance, the Board of Supervisors has designated \$34,010,717 or approximately 52% for specific purposes. At the end of the current fiscal year, unreserved fund balance for the General Fund was \$24,090,582 or approximately 54% of total General Fund expenditures.

Overview of the Financial Statements

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

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.

Statement of Net Assets presents information on all of 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.

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 only result in

COUNTY OF SUTTER

Management Discussion and Analysis For the Year Ended June 30, 2010

cash flows in future fiscal periods (e.g., long-term notes, loans, and earned but unused vacation leave).

Both of 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 general government, public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvement, planning and zoning, and general administrative services and internal service funds. The business-type activities of the County include Water Works District No. 1.

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 states 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 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 (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the County's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

COUNTY OF SUTTER

Management Discussion and Analysis For the Year Ended June 30, 2010

The County maintains several individual governmental funds organized according to their type (special revenue, debt service and capital projects). 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, Bi-County Mental Health, Welfare and Public Safety funds and are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget.

Proprietary Funds include enterprise funds and internal service 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 Water Works District No. 1. Internal service funds are an accounting device used to accumulate and allocate cost internally among the County's various functions. The County uses internal service funds to account for a variety of insurance such as General Liability and Workers' Compensation. Other Internal Service funds include Fleet Management and Information Technology. 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 Water Works District No. 1. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's process in developing, executing and monitoring its budgeting process. The combining statements referred to earlier in

COUNTY OF SUTTER

Management Discussion and Analysis For the Year Ended June 30, 2010

connection with non-major governmental funds, non-major enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Statement of Net Assets

	County of Sutter's Net Assets						Total	
	Governmental Activities		Business-Type Activities		Total		Dollar Change	% Change
	2010	2009	2010	2009	2010	2009	2009 to 2010	2009 to 2010
Assets:								
Current and other assets	\$ 84,494,104	\$ 87,622,968	\$ (577,694)	\$ (391,373)	\$ 83,916,410	\$ 87,231,595	\$ (3,315,185)	(3.80)
Capital assets	82,175,011	83,875,442	1,612,423	1,738,083	83,787,434	85,613,525	(1,826,091)	(2.13)
Total assets	<u>166,669,115</u>	<u>171,498,410</u>	<u>1,034,729</u>	<u>1,346,710</u>	<u>167,703,844</u>	<u>172,845,120</u>	<u>(5,141,276)</u>	<u>(2.97)</u>
Liabilities:								
Current and other liabilities	9,453,500	8,952,560	43,062	2,817	9,496,562	8,955,377	541,185	6.04
Long-term liabilities	9,881,724	8,861,560	105,490	112,582	9,987,214	8,974,142	1,013,072	11.29
Total liabilities	<u>19,335,224</u>	<u>17,814,120</u>	<u>148,552</u>	<u>115,399</u>	<u>19,483,776</u>	<u>17,929,519</u>	<u>1,554,257</u>	<u>8.67</u>
Net Assets:								
Invested in capital net of related debt	80,476,963	82,049,574	1,506,933	1,625,501	81,983,896	83,675,075	(1,691,179)	(2.02)
Restricted net assets	46,752,751	44,730,369	--	--	46,752,751	44,730,369	2,022,382	4.52
Unrestricted net assets	20,104,177	26,904,347	(620,756)	(394,190)	19,483,421	26,510,157	(7,026,736)	(26.51)
Total net assets	<u>\$ 147,333,891</u>	<u>\$ 153,684,290</u>	<u>\$ 886,177</u>	<u>\$ 1,231,311</u>	<u>\$ 148,220,068</u>	<u>\$ 154,915,601</u>	<u>\$ (6,695,533)</u>	<u>(4.32)</u>

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 \$148,220,068 at the close of the most recent fiscal year.

The largest portion of the County's net assets, \$81,983,896 (55 percent), reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the County's net assets, \$46,752,751 (32 percent), represent resources that are subject to external restrictions on how they may be used. The remaining balance of total net assets, \$19,483,421 (13 percent), is unrestricted and primarily available to finance future services.

At the end of the current fiscal year, the County reported positive balances in all three categories of net assets.

COUNTY OF SUTTER

Management Discussion and Analysis For the Year Ended June 30, 2010

Analysis of Statement of Changes in Net Assets

County of Sutter's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total		Total	
	2010	2009	2010	2009	2010	2009	Dollar Change 2009 to 2010	% Change 2009 to 2010
Revenues:								
Program Revenues:								
Charges for services	\$ 9,859,228	\$ 13,299,856	\$ 145,413	\$ 76,340	\$ 10,004,641	\$ 13,376,196	\$ (3,371,555)	(25.21)
Operating grants and contributions	90,140,290	87,010,939	--	--	90,140,290	87,010,939	3,129,351	3.60
Capital grants and contributions	324,568	5,232,045	--	--	324,568	5,232,045	(4,907,477)	(93.80)
General Revenues:								
Property taxes	27,268,229	27,759,807	--	--	27,268,229	27,759,807	(491,578)	(1.77)
Property taxes in lieu of sales taxes	487,776	577,480	--	--	487,776	577,480	(89,704)	(15.53)
Franchise taxes	1,612,319	2,647,936	--	--	1,612,319	2,647,936	(1,035,617)	(39.11)
Sales and use taxes	2,048,078	3,703,351	--	--	2,048,078	3,703,351	(1,655,273)	(44.70)
Transportation taxes	308,732	342,529	--	--	308,732	342,529	(33,797)	(9.87)
Transient occupancy taxes	39,665	58,338	--	--	39,665	58,338	(18,673)	(32.01)
Transfer taxes	214,375	252,406	--	--	214,375	252,406	(38,031)	(15.07)
Fire taxes	265,710	262,541	--	--	265,710	262,541	3,169	1.21
Unrestricted interest and investment earnings	1,780,345	2,144,883	(10,727)	--	1,769,618	2,144,883	(375,265)	(17.50)
Miscellaneous	2,159,732	2,329,095	--	5,236	2,159,732	2,334,331	(174,599)	(7.48)
Total revenues	136,509,047	145,621,206	134,686	81,576	136,643,733	145,702,782	(9,059,049)	(6.22)
Expenses:								
General government	12,087,222	10,806,111	--	--	12,087,222	10,806,111	1,281,111	11.86
Public protection	47,670,653	49,842,583	--	--	47,670,653	49,842,583	(2,171,930)	(4.36)
Public ways and facilities	7,694,780	10,562,901	--	--	7,694,780	10,562,901	(2,868,121)	(27.15)
Health and sanitation	40,062,811	40,722,867	--	--	40,062,811	40,722,867	(660,056)	(1.62)
Public assistance	30,580,822	30,127,147	--	--	30,580,822	30,127,147	453,675	1.51
Education	1,823,430	1,888,552	--	--	1,823,430	1,888,552	(65,122)	(3.45)
Culture and recreation	707,857	803,440	--	--	707,857	803,440	(95,583)	(11.90)
Community development	243,041	659,806	--	--	243,041	659,806	(416,765)	(63.16)
Interest on long-term debt	198,802	272,274	--	--	198,802	272,274	(73,472)	(26.98)
Water Works District No. 1	--	--	479,820	287,462	479,820	287,462	192,358	66.92
Total expenses	141,069,418	145,685,681	479,820	287,462	141,549,238	145,973,143	(4,423,905)	(3.03)
Change in net assets	(4,560,371)	(64,475)	(345,134)	(205,886)	(4,905,505)	(270,361)	(4,635,144)	1,714.43
Prior period adjustment	(1,790,028)	(156,034)	--	--	(1,790,028)	(156,034)	(1,633,994)	--
Net assets at beginning year	153,684,290	153,904,799	1,231,311	1,437,197	154,915,601	155,341,996	(426,395)	(0.27)
Net assets at end of year	\$ 147,333,891	\$ 153,684,290	\$ 886,177	\$ 1,231,311	\$ 148,220,068	\$ 154,915,601	\$ (6,695,533)	(4.32)

COUNTY OF SUTTER

Management Discussion and Analysis For the Year Ended June 30, 2010

ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

At June 30, 2010, the County's governmental funds reported combined fund balances of \$65,873,127, a decrease of \$2,584,847 in comparison with the prior year. Of these combined fund balances, \$55,674,051 constitutes unreserved fund balance of the General, Special Revenue and Capital Projects Funds, of which \$21,663,334 is undesignated and \$34,010,717 is designated for specific purposes. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed: 1) to pay encumbrances, \$434,720; 2) for imprest cash, \$30,012; 3) to fund inventory and prepaid expenses, \$143,439; and 5) as a reserve for long-term receivables, \$9,560,905; and 6) for library endowment, \$30,000.

The General Fund is the chief operating fund of the County. At June 30, 2010, unreserved fund balance was \$24,090,582, while total fund balance reached \$25,300,976. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved fund balance represents 54% of total General Fund expenditures, while the total fund balance represents 57% of total General Fund expenditures.

The County's management also designates (earmarks) unreserved fund balance to a particular function, project, or activity. Fund balance may also be designated for purposes beyond the current year. However, designated fund balance is available for appropriation at any time. Of the \$24,090,582 General Fund unreserved fund balance, all is available for appropriations.

The County has four other major governmental funds. The Bi-County Mental Health Fund has a total fund balance of \$680,960, the Welfare Fund has a total fund balance of \$1,775, the Public Safety Fund, has a total fund balance of \$(137,262), and the Mental Services Act Fund has a total fund balance of \$2,645,012 at year end. The other governmental funds' fund balances decreased \$1,062,641 to \$37,381,666. The four major governmental funds had changes in fund balances as follows: Bi-County Mental Health \$755,485, Welfare \$0, Public Safety \$(281,580) and Mental Health Services Act \$2,201,142.

COUNTY OF SUTTER

Management Discussion and Analysis For the Year Ended June 30, 2010

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 Waterworks District No. 1 enterprise fund had net assets of \$886,177, a decrease of \$(345,134) from the prior year.

The net assets of the internal services funds decreased from \$3,733,884 to \$3,370,093.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

	Original Budget	Final Budget	Variance	
			Amount	Percent
Total Revenues	\$ 66,582,052	\$ 67,224,574	\$ 642,522	0.97%
Total Expenditures	60,109,212	60,894,374	785,162	1.31%
Other Financing Sources (Uses)	<u>(6,472,840)</u>	<u>(6,472,840)</u>	<u>--</u>	<u>0.00%</u>
Net Changes in Fund Balances	<u>\$ --</u>	<u>\$ (142,640)</u>	<u>\$ (142,640)</u>	<u>0.00%</u>

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

	Final Budget	Actual	Variance	
			Amount	Percent
Total Revenues	\$ 67,224,574	\$ 44,054,434	\$ (23,170,140)	-34.47%
Total Expenditures	60,894,374	44,243,740	(16,650,634)	-27.34%
Other Financing Sources (Uses)	<u>(6,472,840)</u>	<u>(6,133,229)</u>	<u>339,611</u>	<u>-5.25%</u>
Net Changes in Fund Balances	<u>\$ (142,640)</u>	<u>\$ (6,322,535)</u>	<u>\$ (6,179,895)</u>	<u>4332.51%</u>

COUNTY OF SUTTER

Management Discussion and Analysis For the Year Ended June 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2010, was \$83,787,434 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. Net additions and adjustments to capital assets were \$2,559,638 and net additions to accumulated depreciation were \$4,385,729. Therefore, the County's net investment in capital assets decreased \$1,826,091 from June 30, 2009.

Additional information on the County of Sutter's capital assets can be found in Note 6 to the financial statements.

Debt Administration

At the end of the current fiscal year, the County had total long-term obligations outstanding of \$9,987,214, an increase of \$1,013,072 from June 30, 2009.

Additional information on the County of Sutter's debt administration can be found in Note 7 to the financial statements.

FUTURE ECONOMIC OUTLOOK

The state of the national economy has impacted Sutter County just as it has affected the rest of the country. Sutter County will face challenges in balancing its budget in FY 2011-12. However, as a result of the Board of Supervisors' consistency in budgeting conservatively and maintaining healthy reserves, the County has been able to stave off the devastating budget cuts that other jurisdictions have experienced in recent years.

The County population as of July 1, 2010, was approximately 98,013¹, which was a 0.77% increase from the population of 97,263 on July 1, 2009.

The average annual unemployment rate for the Yuba City metropolitan statistical area (MSA) for 2009 was 17.1%, with a forecast of 19.6% for 2010².

Taxable Sales within the Yuba City MSA is forecast to decrease from \$1.608 billion in 2009 to \$1.604 billion in 2010², and is forecast to increase to \$1.648 billion in 2011.

¹ Source: California Department of Finance

² Source for unemployment, taxable sales, and building permit data: Sacramento Forecast Project, California State University Sacramento, January 2009

COUNTY OF SUTTER

Management Discussion and Analysis For the Year Ended June 30, 2010

Total Assessed Property Valuation for Fiscal Year 2008-09 was \$8.85 billion. In FY 2009-10, that figure decreased by approximately 4.83% to \$8.42 billion³. The forecast for FY 2010-11 is not available as of this writing; however, due to the significant number of foreclosures and property re-assessments, the County anticipates a further decrease in its total Assessed Valuation.

As the figures above indicate, Sutter County has not been immune to the downturn in the national economy. Unemployment rates and property foreclosures are not expected to recover in the near future, and it is expected that sales and property taxes will experience a continued decline in the next year.

The County of Sutter, along with all other counties in California, continues to be dependent on the State of California for much of its fiscal support for State and federal programs. California counties will always be, to a certain extent, subject to the fiscal whims of the State of California. The next few years will be difficult due to the economic downturn and anticipated State fiscal actions that are likely to affect Sutter County. Nevertheless, Sutter County is positioned better than most counties to weather these difficulties. Sutter County has always maintained very conservative fiscal policies, and will continue to do so.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County of Sutter's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sutter County Administrative Officer, 1160 Civic Center Boulevard – Suite A, Yuba City, California 95993.

³ Source: Sutter County Assessor report to the Board of Supervisors dated November 9, 2010

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

COUNTY OF SUTTER

Statement of Net Assets
June 30, 2010

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Assets			
Cash and investments	\$ 62,134,156	\$ --	\$ 62,134,156
Accounts receivable, net	1,506,007	10,209	1,516,216
Due from other governments	14,915,765	--	14,915,765
Taxes receivable	1,548,757	--	1,548,757
Interest receivable	443,470	(1,681)	441,789
Internal balances	586,222	(586,222)	--
Prepaid expenses	141,856	--	141,856
Inventories	63,033	--	63,033
Loans receivable	6,066,807	--	6,066,807
Less allowance	(2,911,969)	--	(2,911,969)
Capital assets:			
Nondepreciable	18,025,060	58,000	18,083,060
Depreciable, net	64,149,951	1,554,423	65,704,374
Total assets	<u>\$ 166,669,115</u>	<u>\$ 1,034,729</u>	<u>\$ 167,703,844</u>
Liabilities			
Accounts payable	\$ 3,130,638	\$ 42,952	\$ 3,173,590
Due to other governments	39,592	--	39,592
Salaries & benefits payable	2,517,142	--	2,517,142
Deposits and other liabilities	1,295,323	110	1,295,433
Unearned revenue	2,470,805	--	2,470,805
Long-term liabilities			
Due within one year	4,228,379	7,308	4,235,687
Due in more than one year	3,274,985	98,182	3,373,167
Liability for post-employment benefits	2,378,360	--	2,378,360
Total liabilities	<u>19,335,224</u>	<u>148,552</u>	<u>19,483,776</u>
Net Assets			
Invested in capital assets, net of related debt	80,476,963	1,506,933	81,983,896
Restricted for:			
Taxes and fees	7,100,120	--	7,100,120
Public protection	10,687,384	--	10,687,384
Public facilities	9,312,397	--	9,312,397
Health & sanitation	14,015,027	--	14,015,027
Community development	4,013,706	--	4,013,706
Other	1,624,117	--	1,624,117
Unrestricted	20,104,177	(620,756)	19,483,421
Total net assets	<u>147,333,891</u>	<u>886,177</u>	<u>148,220,068</u>
Total liabilities and net assets	<u>\$ 166,669,115</u>	<u>\$ 1,034,729</u>	<u>\$ 167,703,844</u>

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

COUNTY OF SUTTER

Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 12,087,222	\$ 1,393,701	\$ 7,450,810	\$ --
Public safety	47,670,653	6,230,316	13,709,034	--
Public ways and facilities	7,694,780	107,232	4,945,241	324,568
Health and sanitation	40,062,811	1,867,611	33,791,825	--
Public assistance	30,580,822	191,117	29,425,567	--
Education	1,823,430	68,466	405,644	--
Culture and recreation	707,857	785	412,169	--
Community development	243,041	--	--	--
Interest on long-term debt	198,802	--	--	--
Total governmental activities	<u>141,069,418</u>	<u>9,859,228</u>	<u>90,140,290</u>	<u>324,568</u>
Business-Type Activities:				
Waterworks District No. 1	479,820	145,413	--	--
Total business-type activities	<u>479,820</u>	<u>145,413</u>	<u>--</u>	<u>--</u>
Total primary government	<u>\$ 141,549,238</u>	<u>\$ 10,004,641</u>	<u>\$ 90,140,290</u>	<u>\$ 324,568</u>

General Revenues:

 Taxes:

 Property taxes

 Property taxes in lieu of sales taxes

 Franchise taxes

 Sales and use taxes

 Transportation taxes

 Transient occupancy taxes

 Transfer taxes

 Fire 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
\$ (3,242,711)	\$ --	\$ (3,242,711)
(27,731,303)	--	(27,731,303)
(2,317,739)	--	(2,317,739)
(4,403,375)	--	(4,403,375)
(964,138)	--	(964,138)
(1,349,320)	--	(1,349,320)
(294,903)	--	(294,903)
(243,041)	--	(243,041)
(198,802)	--	(198,802)
<u>(40,745,332)</u>	<u>--</u>	<u>(40,745,332)</u>
--	(334,407)	(334,407)
--	(334,407)	(334,407)
<u>(40,745,332)</u>	<u>(334,407)</u>	<u>(41,079,739)</u>
27,268,229	--	27,268,229
487,776	--	487,776
1,612,319	--	1,612,319
2,048,078	--	2,048,078
308,732	--	308,732
39,665	--	39,665
214,375	--	214,375
265,710	--	265,710
1,780,345	(10,727)	1,769,618
2,159,732	--	2,159,732
<u>36,184,961</u>	<u>(10,727)</u>	<u>36,174,234</u>
(4,560,371)	(345,134)	(4,905,505)
<u>151,894,262</u>	<u>1,231,311</u>	<u>153,125,573</u>
<u>\$ 147,333,891</u>	<u>\$ 886,177</u>	<u>\$ 148,220,068</u>

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

COUNTY OF SUTTER

Balance Sheet Governmental Funds June 30, 2010

	General Fund	Bi-County Mental Health	Welfare	Public Safety/ Trial Courts	Mental Health Services Act	Other Governmental Funds	Total
ASSETS							
Cash and investments	\$ 20,836,515	\$ 350	\$ 2,217,355	\$ 698,138	\$ 1,279,623	\$ 33,205,510	\$ 58,237,491
Accounts receivable, net	425,580	363,212	104	255,434	95,540	361,685	1,501,555
Due from other governments	1,176,544	6,678,285	112,069	684,193	2,397,948	3,865,076	14,914,115
Interest receivable	256,898	2,643	9,832	(630)	3,036	154,186	425,965
Taxes receivable	1,548,757	--	--	--	--	--	1,548,757
Due from other funds	5,253,240	2,452,172	827,236	1,793,893	91,066	898,917	11,316,524
Prepaid expenses	14,899	13,139	13,025	31,097	6,605	10,345	89,110
Inventory	--	--	--	--	--	54,329	54,329
Advances to other funds	961,945	--	--	--	2,012,478	3,431,644	6,406,067
Loans receivable	2,911,969	--	--	--	328,563	2,826,275	6,066,807
Less allowance	(2,911,969)	--	--	--	--	--	(2,911,969)
Total assets	\$ 30,474,378	\$ 9,509,801	\$ 3,179,621	\$ 3,462,125	\$ 6,214,859	\$ 44,807,967	\$ 97,648,751
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 999,607	\$ 600,695	\$ 203,958	\$ 546,194	\$ 12,105	\$ 546,480	\$ 2,909,039
Salaries & benefits payable	595,851	333,976	345,320	639,089	132,764	384,704	2,431,704
Deposits and other liabilities	1,183,520	--	746	39,129	--	71,928	1,295,323
Due to other funds	1,862,651	634,381	243,242	2,085,451	1,723,718	4,294,158	10,843,601
Advances from other funds	--	3,833,501	--	--	1,610,621	899,161	6,343,283
Unearned revenue	--	--	2,384,580	--	--	86,225	2,470,805
Unavailable revenue	531,773	3,426,288	--	289,524	90,639	1,143,645	5,481,869
Total liabilities	5,173,402	8,828,841	3,177,846	3,599,387	3,569,847	7,426,301	31,775,624
Fund balances:							
Reserved:							
Encumbrances	216,697	697	--	37,260	--	180,066	434,720
Imprest cash	16,853	350	1,775	10,684	--	350	30,012
Inventory and prepaid expenses	14,899	13,139	13,025	31,097	6,605	64,674	143,439
Long term receivables and advances	961,945	--	--	--	2,341,041	6,257,919	9,560,905
Library endowment	--	--	--	--	--	30,000	30,000
Unreserved, reported in:							
General fund							
Designated	12,170,543	--	--	--	--	--	12,170,543
Undesignated	11,920,039	--	--	--	--	--	11,920,039
Special revenue funds							
Designated	--	544,929	--	--	--	21,137,385	21,682,314
Undesignated	--	121,845	(13,025)	(216,303)	297,366	9,536,513	9,726,396
Capital projects funds							
Designated	--	--	--	--	--	157,860	157,860
Undesignated	--	--	--	--	--	16,899	16,899
Total fund balances	25,300,976	680,960	1,775	(137,262)	2,645,012	37,381,666	65,873,127
Total liabilities and fund balances	\$ 30,474,378	\$ 9,509,801	\$ 3,179,621	\$ 3,462,125	\$ 6,214,859	\$ 44,807,967	\$ 97,648,751

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

COUNTY OF SUTTER

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

Fund Balance - total governmental funds	\$ 65,873,127
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.	81,530,107
Accrued revenue, which is not available soon enough to pay for the current period's expenditures, is deferred in the governmental funds	5,481,869
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Refinancing lease agreement	(1,615,000)
Loan payable	(83,048)
Compensated absences	(4,844,897)
OPEB liability	(2,378,360)
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>3,370,093</u>
Net assets of governmental activities	<u>\$ 147,333,891</u>

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

COUNTY OF SUTTER

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2010

	General Fund	Bi-County Mental Health	Welfare	Public Safety/ Trial Courts	Mental Health Services Act	Other Governmental Funds	Total
Revenues							
Taxes	\$ 27,140,593	\$ --	\$ --	\$ 22,638	\$ --	\$ 3,469,334	\$ 30,632,565
Licenses and permits	1,936,309	--	--	16,291	--	471,431	2,424,031
Fines, forfeitures and penalties	127,720	--	--	743,957	--	542,751	1,414,428
Use of money and property	962,898	21,854	8,882	(65,376)	53,227	743,942	1,725,427
Intergovernmental	9,389,169	13,584,340	29,536,120	3,018,116	9,254,730	25,060,468	89,842,943
Charges for services	3,484,899	641,424	191,117	1,763,247	34,692	1,039,960	7,155,339
Other revenues	1,012,846	166,139	12,773	32,603	507	937,990	2,162,858
Total revenues	<u>44,054,434</u>	<u>14,413,757</u>	<u>29,748,892</u>	<u>5,531,476</u>	<u>9,343,156</u>	<u>32,265,876</u>	<u>\$ 135,357,591</u>
Expenditures							
Current:							
General government	10,691,497	--	--	--	--	606,629	11,298,126
Public protection	27,253,649	--	--	5,583,102	--	13,477,266	46,314,017
Public ways and facilities	129,821	--	--	--	--	6,014,765	6,144,586
Health and sanitation	2,847,060	15,146,076	--	--	7,112,245	14,585,863	39,691,244
Public assistance	335,915	--	29,905,116	--	--	--	30,241,031
Education	1,797,710	--	--	--	--	--	1,797,710
Culture and recreation	698,806	--	--	--	--	--	698,806
Community development	--	--	--	--	--	243,041	243,041
Debt Service:							
Principal	--	--	--	--	--	127,820	127,820
Interest	--	87,416	--	--	29,769	81,617	198,802
Capital outlay	489,282	--	21,885	229,954	--	446,134	1,187,255
Total expenditures	<u>44,243,740</u>	<u>15,233,492</u>	<u>29,927,001</u>	<u>5,813,056</u>	<u>7,142,014</u>	<u>35,583,135</u>	<u>137,942,438</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(189,306)</u>	<u>(819,735)</u>	<u>(178,109)</u>	<u>(281,580)</u>	<u>2,201,142</u>	<u>(3,317,259)</u>	<u>(2,584,847)</u>
Other Financing Sources (Uses)							
Transfers in	--	1,575,220	178,109	--	--	7,256,738	9,010,067
Transfers out	(6,133,229)	--	--	--	--	(2,876,838)	(9,010,067)
Total other financing sources (uses)	<u>(6,133,229)</u>	<u>1,575,220</u>	<u>178,109</u>	<u>--</u>	<u>--</u>	<u>4,379,900</u>	<u>--</u>
Net change in fund balances	(6,322,535)	755,485	--	(281,580)	2,201,142	1,062,641	(2,584,847)
Fund balances, beginning of year, restated	<u>31,623,511</u>	<u>(74,525)</u>	<u>1,775</u>	<u>144,318</u>	<u>443,870</u>	<u>36,319,025</u>	<u>68,457,974</u>
Fund balances, end of year	<u>\$ 25,300,976</u>	<u>\$ 680,960</u>	<u>\$ 1,775</u>	<u>\$ (137,262)</u>	<u>\$ 2,645,012</u>	<u>\$ 37,381,666</u>	<u>\$ 65,873,127</u>

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

COUNTY OF SUTTER

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, 2010

Net change to fund balance - total governmental funds		\$ (2,584,847)
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues that were deferred in the governmental funds because they were unavailable are reported as current revenue.		1,099,658
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	\$ 2,945,745	
Transfer of capital assets from internal service fund sales, retirements, trade-ins and donations	(39,018)	
Less: current year depreciation	<u>(4,631,911)</u>	
		(1,725,184)
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.		
Principal repayments:		
Refinancing lease agreement	115,000	
Loans payable	<u>12,820</u>	
		127,820
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	113,949	
Change in OPEB liability	<u>(1,227,976)</u>	
		(1,114,027)
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>(363,791)</u>
Change in net assets of governmental activities		<u><u>\$ (4,560,371)</u></u>

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

COUNTY OF SUTTER

Statement of Fund Net Assets
Proprietary Funds
June 30, 2010

	<u>Business-Type Activities - Nonmajor Enterprise Fund Waterworks District No. 1</u>	<u>Governmental Activities Internal Service Funds</u>
Assets		
Current assets:		
Cash and investments	\$ --	\$ 3,896,665
Accounts receivable, net	10,209	4,452
Due from other governments	--	1,650
Interest receivable	(1,681)	17,505
Due from other funds	--	707,099
Prepaid expenses	--	52,746
Inventory	--	8,704
Total current assets	<u>8,528</u>	<u>4,688,821</u>
Noncurrent assets:		
Capital assets:		
Nondepreciable	58,000	64,859
Depreciable, net	1,554,423	580,045
Total noncurrent assets	<u>1,612,423</u>	<u>644,904</u>
Total assets	<u>\$ 1,620,951</u>	<u>\$ 5,333,725</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 42,952	\$ 261,191
Salaries & benefits payable	--	85,438
Compensated absences payable	--	137,028
Claims payable	--	760,625
Due to other funds	523,438	656,584
Deposits payable	110	--
Current portion of debt	7,308	--
Total current liabilities	<u>573,808</u>	<u>1,900,866</u>
Noncurrent liabilities:		
Advances from other funds	62,784	--
Compensated absences payable	--	62,766
Loans payable	98,182	--
Total noncurrent liabilities	<u>160,966</u>	<u>62,766</u>
Total liabilities	<u>734,774</u>	<u>1,963,632</u>
Net Assets		
Invested in capital assets, net of related debt	1,506,933	644,904
Unrestricted	(620,756)	2,725,189
Total net assets	<u>886,177</u>	<u>3,370,093</u>
Total liabilities and net assets	<u>\$ 1,620,951</u>	<u>\$ 5,333,725</u>

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

COUNTY OF SUTTER

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Business-Type Activities	Governmental Activities
	Nonmajor Enterprise Fund	
	Waterworks District No. 1	Internal Service Funds
Operating Revenues:		
Charges for services	\$ 139,728	\$ 7,731,419
Fines and forfeitures	5,685	--
Other revenues	--	2,348
Total operating revenues	145,413	7,733,767
Operating Expenses:		
Salaries and benefits	--	2,946,437
Services and supplies	350,826	5,036,804
Depreciation	125,660	166,115
Total operating expenses	476,486	8,149,356
Operating income (loss)	(331,073)	(415,589)
Nonoperating Revenues (Expenses):		
Investment income (expense)	(10,727)	51,798
Interest expense	(3,334)	--
Total nonoperating revenues (expenses)	(14,061)	51,798
Change in net assets	(345,134)	(363,791)
Net assets, beginning of year	1,231,311	3,733,884
Net assets, end of year	\$ 886,177	\$ 3,370,093

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

COUNTY OF SUTTER

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	Nonmajor <u>Enterprise Fund</u>	
	Waterworks District No. 1	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 157,451	\$ 7,735,027
Payments to suppliers	(310,581)	(4,866,938)
Payments to employees	--	(2,930,270)
	<u>(153,130)</u>	<u>(62,181)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loans received	172,512	32,977
Interfund loans paid	--	(102,074)
	<u>172,512</u>	<u>(69,097)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	--	(190,868)
Principal paid on debt	(7,092)	--
Interest paid on debt	(3,334)	--
	<u>(10,426)</u>	<u>(190,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	(8,956)	48,709
	<u>(8,956)</u>	<u>48,709</u>
Net Increase (Decrease) in Cash and Cash Equivalents	--	(273,437)
Cash and cash equivalents, beginning of year	--	4,170,102
Cash and cash equivalents, end of year	<u>\$ --</u>	<u>\$ 3,896,665</u>

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

continued

COUNTY OF SUTTER

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2010

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Nonmajor Enterprise Fund</u>	
	<u>Waterworks District No. 1</u>	<u>Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (331,073)	\$ (415,589)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:		
Depreciation	125,660	166,115
Decrease (increase) in:		
Accounts receivable	12,038	2,910
Due from other governments	--	(1,650)
Prepaid costs	--	70,058
Inventory	--	(1,080)
Increase (decrease) in:		
Accounts payable	40,245	78,069
Salaries and benefits payable	--	5,029
Compensated absences payable	--	11,138
Claims payable	--	22,819
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (153,130)</u>	<u>\$ (62,181)</u>

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

COUNTY OF SUTTER

Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2010

	Private- Purpose Trust Funds	Investment Trust Funds	Agency Funds
Assets			
Cash and investments	\$ 36,871	\$ 85,823,639	\$ 12,512,872
Interest receivable	97	612,775	234,151
Taxes receivable	--	--	9,686,298
Total assets	<u>\$ 36,968</u>	<u>\$ 86,436,414</u>	<u>\$ 22,433,321</u>
Liabilities			
Agency funds held for others	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 22,433,321</u>
Total liabilities	<u>--</u>	<u>--</u>	<u>22,433,321</u>
Net Assets			
Held in trust for pool participants	<u>\$ 36,968</u>	<u>\$ 86,436,414</u>	<u>\$ --</u>

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

COUNTY OF SUTTER

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2010

	Private- Purpose Trust Funds	Investment Trust Funds
ADDITIONS:		
Interest and investment income	\$ 371	\$ 2,401,434
Contributions from participants	3,649	363,208,390
Total Additions	<u>4,020</u>	<u>365,609,824</u>
DEDUCTIONS:		
Distributions to participants	<u>4,222</u>	<u>367,660,872</u>
Change in net assets	(202)	(2,051,048)
Net assets, beginning of year	<u>37,170</u>	<u>88,487,462</u>
Net assets, end of year	<u>\$ 36,968</u>	<u>\$ 86,436,414</u>

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

NOTES TO THE FINANCIAL STATEMENTS

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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 countywide basis including public safety, highway 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 (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose component unit's nature and specific 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; although legally separate entities, are in substance part of the County's operations and, therefore, data from these units is 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 reporting purposes, the County's basic financial statements include all financial activities of the following special districts as blended component units because their Board of Directors is composed of the same members as the County's board. These component units have not issued separate financial statements.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

A. **Reporting Entity** (continued)

Blended Component Units

The blended component unit's governing bodies are substantially the same as the governing body of the primary government. Component units that are blended into the reporting activity types of the County's report are presented below:

Special Assessment Districts – The assessment districts are separate legal entities formed to provide various services within the County.

Lighting Districts – The lighting districts are separate legal entities formed to provide lighting services within the County.

Landscape Districts – The landscape districts are separate legal entities formed to provide landscape services within the County.

Discretely Presented Component Units

There are no component units of the County which meet the criteria for discrete presentation.

B. **Future Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 54

The Governmental Accounting Standards Board (GASB) recently released accounting and financial reporting standard, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

GASB 54 establishes new accounting and financial reporting standards for all governments that report governmental funds. The statement provides more clearly defined categories within fund balance to make the nature and extend of the constraints placed on the fund balance more transparent. GASB Statement No. 54 also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund statements. The requirements of this statement will be implemented by the County for the fiscal year ending June 30, 2011 and the impact has not yet been determined.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

C. **Basis of Presentation**

Government-Wide Financial Statements

The statement of net assets and statement of activities display information on all the non-fiduciary activities of the County, and its blended component units. 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. Program revenues include 1) charges paid by the recipients of goods and services offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

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 SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

C. **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 includes such activities as general government, public protection, public assistance, education, public ways and facilities, and culture and recreation services.
- The *Bi-County Mental Health Fund* is a special revenue fund used to account for revenues and expenditures for mental health activities.
- The *Welfare Fund* is a special revenue fund used to account for revenues and expenditures for social welfare programs.
- The *Public Safety Fund* is a special revenue fund used to account for revenues and expenditures for public safety programs.
- The *Mental Health Services Act Fund* is a special revenue fund used to account for revenues and expenditures for Proposition 63, the Mental Health Services Act.

The County reports the following additional fund types:

- An *Enterprise Fund* accounts for *Water Works District No. 1* activities related to the provision of water services.
- *Internal Service Funds* account for the County's fleet maintenance, communications, and self-insurance programs which provide services to other departments on a cost reimbursement basis.
- The *Private-Purpose Trust Funds* account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments such as escheat property.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

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

Fund Financial Statements (continued)

- The *Investment Trust Funds* account for the assets of legally separate entities that deposit cash with the County Treasurer. The entities include school and community college districts, other special districts governed by local boards, regional boards and authorities, and pass-through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- *Agency Funds* account for assets held by the County as an agent for various local governments and for individuals.

D. **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, include 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.

For its business-type activities and enterprise funds, the County has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance. The GASB

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

D. Basis of Accounting and Measurement Focus (continued)

periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

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. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and 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 on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds include trust and agency funds. All trust funds employ the same economic resources measurement focus and accrual basis of accounting as do proprietary funds. Agency funds, however, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

E. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider 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.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

F. 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' acceptance, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

Investment transactions are recorded on the trade date. Investments are recorded at cost. 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. Cash deposits are reported at carrying amount which reasonably estimates fair value. 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 every 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, 2010, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

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 SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

G. Receivables

In the government-wide 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 receivable. 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 accounts such as taxes, grants, interest, and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange 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. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. User fee receivable and interest earnings compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

H. 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 noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.
- 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.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

H. Interfund Transactions (continued)

- 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 funds are netted as part of the reconciliation to the government-wide presentation.

I. Inventory and Prepaid Costs

Inventories are stated at cost (first-in, first-out basis) for governmental funds and proprietary funds. Inventory recorded by governmental funds includes expendable supplies held for consumption. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

J. Loans Receivable

Loans receivable are comprised of mortgage subsidies and long-term loans to other agencies.

K. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, water, sewer, and similar items). Capital assets are defined by the County as equipment with a cost of \$5,000 or more, structures and improvements with a cost of \$150,000 and all land regardless of cost. Equipment reported in the financial statements is reported at actual historical cost. Structures and improvements and land have been stated at actual cost when available or estimated historical cost. Estimated historical cost was arrived at by a variety of methods including the use of factors and comparative sales. Infrastructure assets, including bridges and roads, have been stated at estimated historical cost.

COUNTY OF SUTTER

Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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

K. **Capital Assets** (continued)

Estimated historical cost for bridges was arrived at by developing a listing of all bridges constructed after 1980 and multiplying total square footage by the average cost per square foot and the price level factor from the Price Trends for Federal-Aid Highway Construction. Estimated historical cost for roads was arrived at by multiplying the number of land-miles constructed since 1980 for asphalt and asphalt with curb and gutter by the average cost per lane-mile and the price level factor from the Price Trends for Federal-Aid Highway Construction. The County has determined the cost of gravel and dirt roads to be minimal and has elected not to capitalize these road types. Contributed capital assets are recorded at estimated fair market value at the date of donation.

The accounting treatment over 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.

Government-Wide Statements

In the government-wide financial statements, property, plant, equipment and infrastructure are accounted for as capital assets.

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	5-25 years
Structures and improvements	5-50 years
Infrastructure	30-50 years

Maintenance and repairs are charged to operation 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.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

K. Capital Assets (continued)

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 upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

L. Unearned Revenue/Deferred Revenue

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net assets, governmental funds, and enterprise funds defer revenue recognition for resources that have been received at year-end, but not yet earned. Assets recognized before the earning process is complete are offset by a corresponding liability as unearned revenues. Under the modified accrual basis of accounting, revenues are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period. Thus, governmental funds also defer revenue recognition of revenues not considered available to liquidate liabilities of the current period.

M. 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 consists primarily of loans payable, accrued compensated absences, certificates of participation, and capital leases payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

N. Compensated Absences

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

O. Fund Balances/Net Assets

The government-wide and business-type fund financial statements utilize a net assets presentation. Net assets are categorized as follows:

- 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 or other governments; or (2) law through constitutional provisions or enabling legislation.
- 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, unrestricted resources are depleted first before the restricted resources are used.

In the fund financial statements governmental funds report reserves and designations as segregated portions of fund balance. Reservations of fund balance are for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are established by action of management and represent tentative plans that are subject to change.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

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

At June 30, 2010, reservations of fund balance included:

- Reserved for encumbrances – to reflect the outstanding contractual obligations for which goods and services have not been received.
- Reserved for imprest cash – to reflect the amount of cash held which does not represent available spendable resources.
- Reserved for inventory and prepaid expenses – to reflect the portion of assets which do not represent available, spendable resources.
- Reserved for long-term receivables and advances – to reflect the portion of assets which do not represent available, spendable resources.

As of June 30, 2010, designations of fund balance were reported in the following governmental funds:

- General Fund – to reflect management’s intent to set aside certain funds to support the County’s general reserve, central services equipment, farm advisor agriculture building, future remodel agriculture department capital projects, health facility debt service, health facility issue amortization, telephone repair/replacement, STC equipment replacement, VMC equipment replacement disaster expenses, Williamson Act subvention, transient occupancy tax, library trust and other.
- Special Revenue Funds – to reflect management’s intent to set aside certain funds to support the 5th street bridge maintenance, road equipment replacement, FEMA/OES, general reserve, Riego reserve, firing range maintenance and improvement, hospital, physician, 15% resident physician, truck maintenance, truck replacement and other.

P. **Property Tax Levy, Collection and Maximum Rates**

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.

COUNTY OF SUTTER

Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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

P. Property Tax Levy, Collection and Maximum Rates (continued)

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

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	October 1	July 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

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

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

The County has elected to follow the procedures authorized by Revenue and Taxation Code 4703.2 which requires that the tax losses reserve fund shall be maintained at not less than 25 percent of the local delinquent secured taxes and assessments for participating entities in the County as calculated at the end of the fiscal year. The net balance in the TLRF was \$1,378,361 at June 30, 2010. 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.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

Q. 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 expenditures 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.

R. 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, governmental fund report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources. Expenditure/expenses are classified as follows:

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

Proprietary Fund – By Operating and Nonoperating

S. 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**

Gann Spending Limitation

Under Article XIII B of the California Constitution (the Gann Spending Limitation), the County is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements. The allowed appropriations for the

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

Gann Spending Limitation (continued)

Gann Limit for the fiscal year ended June 30, 2010 were \$156,300,201. The proceeds of tax for the year ended June 30, 2010 were \$33,655,477. Therefore, the proceeds of tax were \$122,644,724 less than, or 21.53% of, the appropriations limit.

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 reviews and approves the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investment 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 primary government 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.

At June 30, 2010, total County cash and investments were as follows:

<i>Cash:</i>	
Cash on hand	\$ 97,685
Deposits	22,705,097
Outstanding warrants	(8,404,584)
Total cash	<u>14,398,198</u>
<i>Investments:</i>	
Investment pool	143,395,075
External to investment pool	2,714,265
Total investments	<u>146,109,340</u>
Total cash and investments	<u>\$ 160,507,538</u>

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

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

Primary government	\$	62,134,156
Private purpose trust funds		36,871
Investment trust fund		85,823,639
Agency fund		12,512,872
		<hr/>
Total	\$	<u>160,507,538</u>

Deposits – Custodial Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure the County's cash deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of pledged securities in the collateral pool must equal at least 110% of the County's cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits.

At June 30, 2010, the carrying value of the County's deposits was \$14,300,514 and the bank balance was \$21,211,809. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the bank balance, \$250,000 was covered by Federal Depository Insurance Corporation (FDIC) and the remainder was covered by the multiple financial institution collateral pool that insures public deposits.

Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk. The County annually adopts a "Statement of Investment Policy." The policy is based on criteria established by government code and adds further restrictions as to the types of investments allowed, concentration limits and maximum terms.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

Investments (continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment of One Issuer</u>
Federal Agency Obligations	5 years	None	None
U.S. Treasury Bills	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days, but dollar weighted average may not exceed 31 days	30%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Non-Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	None
Local Agency Investment Fund	N/A	None	\$40M
California Asset Management Program	N/A	None	None

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

	<u>Interest Rates</u>	<u>Maturities</u>	<u>Par</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>
Primary Investment Pool						
Federal Agency Issues - Coupon	1.57 - 4.05%	1/22/13 - 6/30/15	\$ 64,000,000	\$ 65,586,365	\$ 63,995,542	4.18
Medium Term Corporate Notes	2.25 - 5.72%	8/9/10 - 4/1/15	52,000,000	53,938,620	52,452,759	2.37
LAIF	Variable	On Demand	26,898,323	26,898,323	26,898,323	--
California Asset Management Pool (CAMP)	Variable	On Demand	48,451	48,451	48,451	--
Total			<u>\$142,946,774</u>	<u>\$146,471,759</u>	<u>\$143,395,075</u>	
Investments Outside Investment Pool						
LAIF - Sutter Cemetery	Variable	On Demand	2,714,265	2,714,265	2,714,265	--
			<u>\$ 2,714,265</u>	<u>\$ 2,714,265</u>	<u>\$ 2,714,265</u>	

At June 30, 2010, the difference between the cost and fair value of cash and investments was not material (fair value was 102.09% of carrying value). No adjustment has been recorded on the financial statements.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. The County manages its exposure to declines in fair values by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to provide the necessary cash flow and liquidity needed for operations. The County monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law also limit investments in corporate bonds to the rating of A by Standard & Poor's and Moody's Investors Service. The County does not have credit limits on governmental agency securities.

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. Approximately 44% of the County's investments at year-end are in U.S. Government or Agencies issues. There is no limitation on amounts invested in these types of issues. At June 30, 2010, the County held 36% of its net investments in issues by Federal National Mortgage Association and 8% by Federal Home Loan Mortgage Corporation. State law restricts the County's investments in commercial paper to 40% of its investment pool to to 10% per issuer. At June 30, 2010, the County held 15%, 7%, and 11% of its net investments in General Electric, Met Life, and Wells Fargo, respectively. State law also limits the County's investments in corporate notes and negotiable certificates of deposits to 30% of its investment pool and to 10% per issuer. At June 30, 2010, the County's investments were in compliance with concentration of credit risk State law.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

Concentration of Credit Risk (continued)

	Standard & Poor's Rating	% of Portfolio
Federal Agencies	AAA	43.97%
Medium Term Notes	A	1.36%
Medium Term Notes	AA-	18.00%
Medium Term Notes	AA+	15.42%
Medium Term Notes	AAA	1.37%
CAMP	Unrated	0.03%
LAIF	Unrated	19.85%
Total		<u>100.00%</u>

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool had no securities exposed to custodial credit risk.

Local Agency Investment Fund

The County's investment pool maintains an investment in the State of California Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the state in addition to those deposited with LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

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

Local Agency Investment Fund (continued)

At June 30, 2010, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$26.9 million for the primary investment pool and \$2.7 million for investments outside the pool, which approximates fair value and is the same as the value of the pool shares which is determined on an amortized cost basis. The total amount invested by all public agencies in PMIA on that day was \$69.4 billion. Of that amount, 5.42% was invested in structured notes and asset-backed securities with the remaining 94.58% invested in other non-derivative financial products.

County Investment Pool Condensed Financial Information

The following represents a condensed statement of net assets and changes in net assets for the County's primary investment pool and bond investment pool as of June 30, 2010:

Statement of Net Assets

Net assets held for pool participants	<u>\$ 157,793,273</u>
Equity of internal pool participants	74,683,899
Equity of external pool participants	<u>83,109,374</u>
Total net assets	<u>\$ 157,793,273</u>

Statement of Changes in Net Assets

Net assets at July 1, 2009	\$ 173,603,524
Net changes in investments by pool participants	<u>(15,810,251)</u>
Net assets at June 30, 2010	<u>\$ 157,793,273</u>

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 4: **Accounts Receivable, Net**

At June 30, 2010, accounts receivable were reduced by allowances for doubtful accounts as follows:

	General Fund	Bi-County Mental Health	Public Safety/ Trial Courts	Other Governmental Funds	Waterworks District No. 1
Accounts receivable	\$ 583,375	\$ 794,190	\$ 381,507	\$ 505,464	\$ 15,524
Less allowance for doubtful accounts	<u>(157,795)</u>	<u>(430,978)</u>	<u>(126,073)</u>	<u>(143,779)</u>	<u>(5,315)</u>
Accounts receivable, net	<u>\$ 425,580</u>	<u>\$ 363,212</u>	<u>\$ 255,434</u>	<u>\$ 361,685</u>	<u>\$ 10,209</u>

The Welfare Fund and the Mental Health Services Act Fund had accounts receivable balances, but no allowance for doubtful accounts.

Note 5: **Loans Receivable**

Loans receivable at June 30, 2010 consisted of the following:

	General Fund	Mental Health Services Act	Other Governmental Funds
Loans to Sutter-Butte Flood Control Agency*	\$ 2,911,969	\$ --	\$ --
Less allowance for uncollectible amounts	(2,911,969)	--	--
Loan to Sutter-Yuba Housing Authority	--	328,563	--
Economic Development loans	<u>--</u>	<u>--</u>	<u>2,826,275</u>
Loans receivables, net	<u>\$ --</u>	<u>\$ 328,563</u>	<u>\$ 2,826,275</u>

* The balance of the loans to the Sutter-Butte Flood Control Agency includes loans that are contingent on the Agency receiving sufficient funds (revenue), and the Agency agreeing to repay the loans, if and when the Agency has sufficient funds available to repay all loans in equal proportion to all loans made to it by Sutter County, Yuba City and Levee District 1. If the Agency dissolves, the Agency is no longer responsible for payment of the loan and is only required to refund any unused portion of the loan, to the extent allowed by law and the JPA Agreement.

COUNTY OF SUTTER

Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Note 6: **Capital Assets**

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

	Balance July 1, 2009	Additions	Retirements	Adjustments	Balance June 30, 2010
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,651,983	\$ --	\$ --	\$ --	\$ 2,651,983
Construction in progress	13,446,515	2,169,370	(4,595)	(238,213)	15,373,077
Total Capital Assets, Not Being Depreciated	16,098,498	2,169,370	(4,595)	(238,213)	18,025,060
Capital Assets, Being Depreciated:					
Structures and improvements	33,047,960	--	--	169,077	33,217,037
Equipment	21,476,686	967,243	(572,380)	69,136	21,940,685
Infrastructure	88,514,599	--	--	--	88,514,599
Total Capital Assets, Being Depreciated	143,039,245	967,243	(572,380)	238,213	143,672,321
Less Accumulated Depreciation for:					
Structures and improvements	(14,899,620)	(604,479)	--	(25,629)	(15,529,728)
Equipment	(15,737,643)	(1,547,230)	537,957	25,629	(16,721,287)
Infrastructure	(44,625,038)	(2,646,317)	--	--	(47,271,355)
Total Accumulated Depreciation	(75,262,301)	(4,798,026)	537,957	--	(79,522,370)
Total Capital Assets, Being Depreciated, Net	67,776,944	(3,830,783)	(34,423)	238,213	64,149,951
Governmental Activities, Capital Assets, Net	\$ 83,875,442	\$ (1,661,413)	\$ (39,018)	\$ --	\$ 82,175,011

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 6: **Capital Assets** (continued)

	Balance July 1, 2009	Additions	Retirements	Adjustments	Balance June 30, 2010
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 58,000	\$ --	\$ --	\$ --	\$ 58,000
Total Capital Assets, Not Being Depreciated	58,000	--	--	--	58,000
Capital Assets, Being Depreciated:					
Structures and improvements	3,063,174	--	--	--	3,063,174
Equipment	17,826	--	--	--	17,826
Total Capital Assets, Being Depreciated	3,081,000	--	--	--	3,081,000
Less Accumulated Depreciation for:					
Structures and improvements	(1,383,091)	(125,660)	--	--	(1,508,751)
Equipment	(17,826)	--	--	--	(17,826)
Total Accumulated Depreciation	(1,400,917)	(125,660)	--	--	(1,526,577)
Total Capital Assets, Being Depreciated, Net	1,680,083	(125,660)	--	--	1,554,423
Business-Type Activities, Capital Assets, Net	\$ 1,738,083	\$ (125,660)	\$ --	\$ --	\$ 1,612,423

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 955,945
Public protection	788,482
Public ways and facilities	2,750,106
Health and sanitation	99,364
Public assistance	38,014
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	166,115
Total	\$4,798,026

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 6: **Capital Assets** (continued)

Depreciation (continued)

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

Water Agency #1	<u>\$ 125,660</u>
-----------------	-------------------

Construction in Progress

Construction in progress related primarily to work performed on the various construction projects within the County including bridge projects and the Human Services building construction.

Note 7: **Long-Term Liabilities**

Long-term debt at June 30, 2010 consisted of the following:

	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2010
Governmental Activities						
Refinancing Lease Agreement - Health Building	2009	2020	4.50%	\$115,000	\$ 1,730,000	\$ 1,615,000
State of California Department of Transportation Loan	1998	2016	5.05%	\$9,086 - \$14,135	190,000	<u>83,048</u>
Total Governmental Activities						<u>\$ 1,698,048</u>
Business-Type Activities						
State of California Department of Water Resources Safe Drinking Water Loan	1988	2019	4.14%	\$916 - \$1,766	\$ 30,000	\$ 13,211
State Water Resources Control Board Loan	1998	2022	2.80%	\$5,506 - \$8,333	151,000	<u>92,279</u>
Total Business-Type Activities						<u>\$ 105,490</u>

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 7: **Long-Term Liabilities** (continued)

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

	Balance July 1, 2009	Additions/ Adjustments	Retirements	Balance June 30, 2010	Amounts Due Within One Year
Governmental Activities					
Loans	\$ 95,868	\$ --	\$ 12,820	\$ 83,048	\$ 13,478
Refinancing lease agreement	1,730,000	--	115,000	1,615,000	131,427
Compensated absences	5,147,502	5,037,487	5,140,298	5,044,691	3,322,849
Liability for self-insurance	737,806	282,000	259,181	760,625	760,625
	<u>7,711,176</u>	<u>5,319,487</u>	<u>5,527,299</u>	<u>7,503,364</u>	<u>4,228,379</u>
Total Governmental Activities - Long-Term Liabilities	<u>\$ 7,711,176</u>	<u>\$ 5,319,487</u>	<u>\$ 5,527,299</u>	<u>\$ 7,503,364</u>	<u>\$ 4,228,379</u>
Business-Type Activities					
Loans payable	\$ 112,582	\$ --	\$ 7,092	\$ 105,490	\$ 7,308
	<u>112,582</u>	<u>--</u>	<u>7,092</u>	<u>105,490</u>	<u>7,308</u>
Total Business-Type Activities - Long-Term Liabilities	<u>\$ 112,582</u>	<u>\$ --</u>	<u>\$ 7,092</u>	<u>\$ 105,490</u>	<u>\$ 7,308</u>

Compensated absences typically have been liquidated by the General and Special Revenue Funds. Claims payable typically have been liquidated by the Internal Service Funds.

As of June 30, 2010, annual debt service requirements of governmental activities to maturity are as follows:

Year Ended June 30,	Governmental Activities			
	Certificates of Participation		Loans Payable	
	Principal	Interest	Principal	Interest
2011	\$ 131,427	\$ 36,338	\$ 13,478	\$ 4,194
2012	137,341	66,761	14,135	3,513
2013	143,521	60,580	14,792	2,799
2014	149,980	54,122	15,450	2,052
2015	156,729	47,373	16,107	1,272
2016-2020	896,002	124,507	9,086	459
	<u>1,615,000</u>	<u>389,681</u>	<u>83,048</u>	<u>14,289</u>
Total	<u>\$ 1,615,000</u>	<u>\$ 389,681</u>	<u>\$ 83,048</u>	<u>\$ 14,289</u>

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 7: **Long-Term Liabilities** (continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	Business Activities Loans Payable	
	Principal	Interest
2011	\$ 7,308	\$ 3,117
2012	7,530	2,895
2013	7,761	2,664
2014	7,998	2,427
2015	8,242	2,183
2016-2020	42,327	7,020
2021-2024	24,324	1,375
Total	<u>\$ 105,490</u>	<u>\$ 21,681</u>

Special Assessment District Debt for which County is Not Obligated

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 6, special assessment debt for which the County is not obligated in any manner has not been displayed in the County's financial statements. At June 30, 2010, special assessment debt for which the County is not obligated in any manner was \$100,000 for the Highland Estates Improvement Project Assessment Bonds.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 8: **Interfund Transactions**

Due To/From Other Funds

Operating receivables and payables between funds are classified as due from or due to other funds. These interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made. The following are due to and due from balances as of June 30, 2010:

Receivable	Payable	Amount
General Fund	Internal Service Funds	\$ 207,630
	Bi-County Mental Health	465,094
	Nonmajor Governmental Funds	2,108,612
	Public Safety	1,921,599
	Welfare	28,461
	Nonmajor Enterprise Fund	521,844 *
		5,253,240
Welfare	General Fund	259,289
	Internal Service Funds	86,618
	Nonmajor Governmental Funds	481,329
		827,236
Mental Health	Internal Service Fund	105,721
	General Fund	92,047
	Mental Health Services Act	1,695,995
	Nonmajor Governmental Funds	558,409
		2,452,172
Public Safety	Internal Service Fund	166,912
	General Fund	757,012
	Nonmajor Governmental Funds	764,823
	Welfare	105,146
		1,793,893
Mental Health Services Act	Internal Service Funds	13,518
	Bi-County Mental Health	77,431
	Nonmajor Governmental Funds	117
		91,066

COUNTY OF SUTTER

Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Note 8: **Interfund Transactions** (continued)

Due To/From Other Funds (continued)

Receivable	Payable	Amount
Nonmajor Governmental Funds	Internal Service Fund	\$ 67,638
	General Fund	515,612
	Bi-County Mental Health	17,341
	Mental Health Services Act	4,489
	Nonmajor Enterprise Fund	1,594
	Nonmajor Governmental Funds	265,081
	Welfare	<u>27,162</u>
		<u>898,917</u>
Internal Service Fund	Internal Service Fund	8,547
	General Fund	238,691
	Bi-County Mental Health	74,515
	Mental Health Services Act	23,234
	Nonmajor Governmental Fund	115,787
	Public Safety	163,852
	Welfare	<u>82,473</u>
		<u>707,099</u>
	Total	<u>\$ 12,023,623</u>

* On February 1, 2011, the County's Board of Supervisors approved a loan of \$670,000 from the General Fund to Water Works District No. 1, a nonmajor enterprise fund.

COUNTY OF SUTTER

Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Note 8: **Interfund Transactions** (continued)

Advances To/From Other Funds

Advances to/from other funds are non-current interfund loans to address cash flow needs and are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriations and are not expendable available financial resources. The following are advances to/from other funds as of June 30, 2010:

<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>	<u>Amount</u>
General Fund	Nonmajor Enterprise Fund	\$ 62,784
	Nonmajor Governmental Funds	899,161
Mental Health Services Act	Bi-County Mental Health	2,012,478
Nonmajor Governmental Funds	Bi-County Mental Health	1,821,023
	Mental Health Services Act	<u>1,610,621</u>
		<u><u>\$ 6,406,067</u></u>

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following are the interfund transfers for fiscal year ended June 30, 2010 which were all transfers of the Motor Vehicle In-Lieu Tax:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Bi-County Mental Health	\$ 879,200
	Nonmajor Governmental Funds	5,161,138
	Welfare	92,891
Nonmajor Governmental Funds	Bi-County Mental Health	696,020
	Welfare	85,218
	Nonmajor Governmental Funds	<u>2,095,600</u>
		<u><u>\$ 9,010,067</u></u>

COUNTY OF SUTTER

Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Note 9: **Employees' Retirement Plan and Post Employment Benefits**

A. **Defined Benefit Pension Plan**

Plan Description

The County contributes to the miscellaneous plan of the County of Sutter and the safety plan of the County of Sutter (plans) which are part of the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental entities in the State of California. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by statute. copies of PERS' annual financial report may be obtained from their executive office – 400 P Street, Sacramento, CA 95814.

Funding Policy

Miscellaneous plan members are required to contribute 8 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 employee's required contribution in addition to their own required contributions. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2009/2010 was 16.7 percent for miscellaneous employees and 24.3 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 2009/2010, the County's annual pension cost was \$9,436,930 and the County contributed \$9,436,930. The required contributions for fiscal year 2009/2010 were determined as part of the June 30, 2007 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 (c) 3.25 percent per year cost of living

COUNTY OF SUTTER

Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Note 9: **Employees' Retirement Plan and Post Employment Benefits** (continued)

A. **Defined Benefit Pension Plan** (continued)

adjustment. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of PERS assets were determined using techniques that smooth the effect of short term volatility in the market value of investments over a two to five year period (smoothed market value).

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 6% 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.

Three Year Trend Information for PERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 7,799,565	100%	\$ --
June 30, 2009	9,013,690	100%	--
June 30, 2010	9,436,930	100%	--

The following is the funded status information for each plan as of June 30, 2009, the most recent actuarial valuation date:

	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded Liability)	Funded Ratios		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
Miscellaneous	\$ 237,884,335	\$ 185,945,857	\$ 51,938,478	78.2%	57.1%	\$ 45,889,321	113.2%
Safety	76,209,773	59,950,281	16,259,492	78.7%	57.2%	10,223,111	159.0%

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 10: **Other Post Employment Benefits (OPEB)**

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

The County provides medical, dental and vision insurance to retirees under an approved County ordinance. Employees that meet the following requirements are eligible for coverage under the County of Sutter Retiree Healthcare Plan: 1) the employee retires directly from the County under CalPERS; or 2) participates in the Tri County Schools Insurance Group (TCSIG) plan. The County has elected to contribute a percentage toward the cost of premiums for the retiree and spouse based on years of service.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the County. The contribution is based on pay-as-you-go financing requirements. For fiscal year 2009/2010, the County contributed \$100,024, or 7.5%, of the actuarially required contributions to the Retiree Healthcare Plan.

Annual OPEB Cost and Net OPEB Obligation

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*. The County's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 10: **Other Post Employment Benefits (OPEB)** (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Retiree Healthcare Plan:

Annual required contribution	\$ 1,328,000
Annual OPEB cost (expense)	1,328,000
Contributions made	(100,024)
Increase in net OPEB obligation	1,227,976
Net OPEB obligation - beginning of year	1,150,384
Net OPEB obligation - end of year	\$ 2,378,360

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the Plan (as described in the funding policy above), and the Net OPEB Obligation for fiscal years 2008/2009 and 2009/2010 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 1,244,000	7.5%	\$1,150,384
6/30/2010	1,328,000	7.5%	2,378,360

Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of June 30, 2010, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 9,512,000
Actuarial value of plan assets	--
Unfunded actuarial accrued liability (UAAL)	\$ 9,512,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active Plan members)	\$ 52,099,000
UAAL as a percentage of covered payroll	18%

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 10: **Other Post Employment Benefits (OPEB)** (continued)

Actuarial Methods and Assumptions

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

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

In the June 30, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return, an inflation rate of 3.25% per year, and assumed medical inflation of 9% graded down to 4.5% over 9 years. The OPEB plan's unfunded actuarial liability is being amortized by level percent of payroll contributions over 30 years. The remaining amortization period at June 30, 2010, was 29 years.

Note 11: **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 account for and finance its uninsured risks of loss for general liability and worker's compensation. Under this program, the Risk Management Funds provide coverage for up to a maximum of \$100,000 for each general liability claim. 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 an annual premium to the Authority for excess liability insurance coverage and all workers' compensation coverage.

COUNTY OF SUTTER

Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Note 11: **Risk Management** (continued)

All funds of the County participate in the program and make payments to the Risk Management Funds based on actuarial estimates of the amounts needed to pay prior and current year claims and premiums and to establish a reserve for future liability losses. The Board of Supervisors adopted a policy that the claims liability will be adjusted annually to not less than the 75% confidence level and not more than the 90% confidence level as determined by the actuary or actual, whichever is greater. At June 30, 2010, the General Liability fund had net assets of \$1,061,664 and the Workers' Compensation fund had net assets of \$339,998. The claims liability of \$760,625 reported in the General Liability fund at fiscal year ended is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. The following represents the amount of the outstanding liabilities determined by the actuaries.

Changes in the County's claims liability amount for the fiscal years 2008, 2009 and 2010 were as follows:

Fiscal Year Ending	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Fiscal Year
June 30, 2008	698,162	127,854	1,500	824,516
June 30, 2009	824,516	--	86,710	737,806
June 30, 2010	737,806	282,000	259,181	760,625

COUNTY OF SUTTER

Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Note 12: **Restatement of Net Assets/Fund Balance**

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

	Government-Wide Statement of Activities	Fund Statements	Fund Statements Other Governmental Funds
	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Governmental Funds</u>
Net assets/fund balances, June 30, 2009, as previously reported	\$ 153,684,290	\$ 33,639,892	\$ 36,092,672
Restatement to correct overcharging of Special Aviation Fund in FY 08-09	--	(226,353)	226,353
Restatement to correct amount due to Local Transportation Fund	<u>(1,790,028)</u>	<u>(1,790,028)</u>	--
Total Restatements	<u>(1,790,028)</u>	<u>(2,016,381)</u>	226,353
Net assets/fund balances, July 1, 2009, as restated	<u>\$ 151,894,262</u>	<u>\$ 31,623,511</u>	<u>\$ 36,319,025</u>

Note 13: **General Fund Designated Fund Balance**

Fund balance designations for the General Fund are presented below:

Designated for Capital Projects	\$ 3,999,478
Designated for Future Appropriation	4,000,651
Designations – General	<u>4,170,414</u>
	<u>\$ 12,170,543</u>

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

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

	<u>Deficit Amount</u>
Public Safety	\$ 137,262
Special Aviation	104,773

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 14: **Fund Balance/Net Assets Deficit** (continued)

The Public Safety/Trial Courts Fund had a deficit fund balance of \$137,262 as of June 30, 2010. The deficit fund balance for the Public Safety/Trial Courts Fund resulted from a deficit fund balance in the Trial Courts Fund caused by revenues received being less than expected.

The Special Aviation Fund had a deficit fund balance of \$104,773 at June 30, 2010. The deficit fund balance for the Special Aviation Fund resulted from revenues received being less than expected.

Note 15: **Other Information**

A. **Construction Commitments**

The County has signed agreements to construct various capital improvements subsequent to June 30, 2010. The balance owed on the commitments at June 30, 2010 was approximately \$182,705.

B. **Contingent Liabilities**

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amount 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 County expects such amounts, if any, to be immaterial.

Other Claims

The County is subject to various lawsuits, inverse condemnation cases, personnel actions, disputes over tax assessments, and other actions incidental to the ordinary course of County operations. In the opinion of the County Counsel, the total potential claims against the County not covered by insurance resulting from litigation would not materially affect the financial statements of the County at June 30, 2010.

COUNTY OF SUTTER

Notes to the Basic Financial Statements For the Year Ended June 30, 2010

Note 15: **Other Information** (continued)

C. **Joint Agencies**

The CSAC Excess Insurance Authority is a joint powers authority organized for the purpose to develop and fund excess insurance programs for member counties. The Authority operates public entity risk pools for workers' compensation, comprehensive liability, property, medical malpractice, and 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 member counties.

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

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COUNTY OF SUTTER

Schedule of Defined Benefit Pension Plans Funded Status For the Year Ended June 30, 2010

EMPLOYEE'S RETIREMENT PLAN

Schedule of Funding Progress:

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2010, for the County Miscellaneous Plan and the County 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, 2007	\$ 192,402,490	\$ 158,615,579	\$ 33,786,911	82.4%	95.4%	\$ 39,053,687	86.5%
June 30, 2008	213,022,873	173,553,342	39,469,531	81.5%	82.8%	42,149,910	93.9%
June 30, 2009	237,884,335	185,945,857	51,938,478	78.2%	57.1%	45,889,321	113.2%

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, 2007	\$ 63,043,307	\$ 52,042,078	\$ 11,001,229	82.5%	95.1%	\$ 8,427,269	130.5%
June 30, 2008	68,950,947	56,463,579	12,487,368	81.9%	83.0%	8,948,932	139.5%
June 30, 2009	76,209,773	59,950,281	16,259,492	78.7%	57.2%	10,223,111	159.0%

COUNTY OF SUTTER

Schedule of Post Employment Benefits Funded Status
For the Year Ended June 30, 2010

POST-EMPLOYMENT HEALTH PLAN

Schedule of Funding Progress:

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

In future years, three year trend information will be presented. Fiscal year 2008/2009 was the first year of implementation of GASB Statement 45, and the County elected to implement prospectively; therefore prior year comparative data is not available.

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/2009	\$ 9,512,000	\$ --	\$ 9,512,000	0.00%	\$ 52,099,000	18.3%

COUNTY OF SUTTER

Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 26,030,000	\$ 26,030,000	\$ 27,140,593	\$ 1,110,593
Licenses and permits	2,769,240	2,769,240	1,936,309	(832,931)
Fines, forfeitures and penalties	104,200	104,200	127,720	23,520
Use of money and property	1,065,592	1,066,242	962,898	(103,344)
Intergovernmental	12,044,539	12,465,756	9,389,169	(3,076,587)
Charges for services	8,833,705	8,833,705	3,484,899	(5,348,806)
Other revenues	15,734,776	15,955,431	1,012,846	(14,942,585)
Total revenues	<u>66,582,052</u>	<u>67,224,574</u>	<u>44,054,434</u>	<u>(23,170,140)</u>
Expenditures				
Current:				
General government	12,376,314	13,008,252	10,691,497	2,316,755
Public protection	36,981,264	37,026,881	27,253,649	9,773,232
Public ways and facilities	160,000	160,000	129,821	30,179
Health and sanitation	3,735,349	3,735,349	2,847,060	888,289
Public assistance	453,619	453,619	335,915	117,704
Education	1,830,182	1,873,629	1,797,710	75,919
Culture and recreation	759,884	783,067	698,806	84,261
Capital outlay	3,062,600	3,626,077	489,282	3,136,795
Appropriation for contingency	750,000	227,500	--	227,500
Total expenditures	<u>60,109,212</u>	<u>60,894,374</u>	<u>44,243,740</u>	<u>16,423,134</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,472,840</u>	<u>6,330,200</u>	<u>(189,306)</u>	<u>(6,519,506)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(6,472,840)</u>	<u>(6,472,840)</u>	<u>(6,133,229)</u>	<u>339,611</u>
Total other financing sources (uses)	<u>(6,472,840)</u>	<u>(6,472,840)</u>	<u>(6,133,229)</u>	<u>339,611</u>
Net change in fund balance	--	(142,640)	(6,322,535)	(6,179,895)
Fund balances, beginning of year	<u>31,623,511</u>	<u>31,623,511</u>	<u>31,623,511</u>	<u>--</u>
Fund balances, end of year	<u>\$ 31,623,511</u>	<u>\$ 31,480,871</u>	<u>\$ 25,300,976</u>	<u>\$ (6,179,895)</u>

COUNTY OF SUTTER

Budgetary Comparison Schedule
 Bi-County Mental Health
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 30,000	\$ 30,000	\$ 21,854	\$ (8,146)
Intergovernmental	14,631,408	14,696,234	13,584,340	(1,111,894)
Charges for services	1,674,066	1,674,066	641,424	(1,032,642)
Other revenues	(6,296)	(6,296)	166,139	172,435
Total revenues	<u>16,329,178</u>	<u>16,394,004</u>	<u>14,413,757</u>	<u>(1,980,247)</u>
Expenditures				
Current:				
Health and sanitation	17,934,178	17,999,004	15,146,076	2,852,928
Debt service - interest	50,000	50,000	87,416	(37,416)
Total expenditures	<u>17,984,178</u>	<u>18,049,004</u>	<u>15,233,492</u>	<u>2,815,512</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,655,000)</u>	<u>(1,655,000)</u>	<u>(819,735)</u>	<u>835,265</u>
Other Financing Sources (Uses)				
Transfers in	1,655,000	1,655,000	1,575,220	(79,780)
Total other financing sources (uses)	<u>1,655,000</u>	<u>1,655,000</u>	<u>1,575,220</u>	<u>(79,780)</u>
Net change in fund balance	--	--	755,485	755,485
Fund balances, beginning of year	<u>(74,525)</u>	<u>(74,525)</u>	<u>(74,525)</u>	<u>--</u>
Fund balances, end of year	<u>\$ (74,525)</u>	<u>\$ (74,525)</u>	<u>\$ 680,960</u>	<u>\$ 755,485</u>

COUNTY OF SUTTER

Budgetary Comparison Schedule
Welfare
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ --	\$ --	\$ 8,882	\$ 8,882
Intergovernmental	37,449,513	37,487,000	29,536,120	(7,950,880)
Charges for services	15,000	15,000	191,117	176,117
Other revenues	405,000	405,000	12,773	(392,227)
Total revenues	<u>37,869,513</u>	<u>37,907,000</u>	<u>29,748,892</u>	<u>(8,158,108)</u>
Expenditures				
Current:				
Public assistance	38,033,493	38,070,980	29,905,116	8,165,864
Capital outlay	24,500	24,500	21,885	2,615
Total expenditures	<u>38,057,993</u>	<u>38,095,480</u>	<u>29,927,001</u>	<u>8,168,479</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(188,480)</u>	<u>(188,480)</u>	<u>(178,109)</u>	<u>10,371</u>
Other Financing Sources (Uses)				
Transfers in	188,480	188,480	178,109	(10,371)
Total other financing sources (uses)	<u>188,480</u>	<u>188,480</u>	<u>178,109</u>	<u>(10,371)</u>
Net change in fund balance	--	--	--	--
Fund balances, beginning of year	<u>1,775</u>	<u>1,775</u>	<u>1,775</u>	<u>--</u>
Fund balances, end of year	<u>\$ 1,775</u>	<u>\$ 1,775</u>	<u>\$ 1,775</u>	<u>\$ --</u>

COUNTY OF SUTTER

Budgetary Comparison Schedule
Public Safety/Trial Courts
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 29,530	\$ 29,530	\$ 22,638	\$ (6,892)
Licenses and permits	15,500	15,500	16,291	791
Fines, forfeitures and penalties	948,000	948,000	743,957	(204,043)
Use of money and property	--	--	(65,376)	(65,376)
Intergovernmental	3,021,300	3,424,049	3,018,116	(405,933)
Charges for services	1,406,350	1,406,350	1,763,247	356,897
Other revenues	648,505	656,505	32,603	(623,902)
Total revenues	<u>6,069,185</u>	<u>6,479,934</u>	<u>5,531,476</u>	<u>(948,458)</u>
Expenditures				
Current:				
Public protection	6,024,109	6,629,892	5,583,102	1,046,790
Capital outlay	45,026	197,777	229,954	(32,177)
Total expenditures	<u>6,069,135</u>	<u>6,827,669</u>	<u>5,813,056</u>	<u>1,014,613</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>50</u>	<u>(347,735)</u>	<u>(281,580)</u>	<u>66,155</u>
Other Financing Sources (Uses)				
Transfers out	<u>(50)</u>	<u>(50)</u>	<u>--</u>	<u>50</u>
Total other financing sources (uses)	<u>(50)</u>	<u>(50)</u>	<u>--</u>	<u>50</u>
Net change in fund balance	--	(347,785)	(281,580)	66,205
Fund balances, beginning of year	<u>144,318</u>	<u>144,318</u>	<u>144,318</u>	<u>--</u>
Fund balances, end of year	<u>\$ 144,318</u>	<u>\$ (203,467)</u>	<u>\$ (137,262)</u>	<u>\$ 66,205</u>

COUNTY OF SUTTER

Budgetary Comparison Schedule
Mental Health Services Act
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 75,000	\$ 75,000	\$ 53,227	\$ (21,773)
Intergovernmental	8,813,289	8,813,289	9,254,730	441,441
Charges for services	24,960	24,960	34,692	9,732
Other revenues	120,307	120,307	507	(119,800)
Total revenues	<u>9,033,556</u>	<u>9,033,556</u>	<u>9,343,156</u>	<u>309,600</u>
Expenditures				
Current:				
Health and sanitation	9,033,237	9,033,237	7,112,245	1,920,992
Debt service - interest	--	--	29,769	(29,769)
Total expenditures	<u>9,033,237</u>	<u>9,033,237</u>	<u>7,142,014</u>	<u>1,891,223</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>319</u>	<u>319</u>	<u>2,201,142</u>	<u>2,200,823</u>
Other Financing Sources (Uses)				
Transfers out	(319)	(319)	--	319
Total other financing sources (uses)	<u>(319)</u>	<u>(319)</u>	<u>--</u>	<u>319</u>
Net change in fund balance	--	--	2,201,142	2,201,142
Fund balances, beginning of year	<u>443,870</u>	<u>443,870</u>	<u>443,870</u>	<u>--</u>
Fund balances, end of year	<u>\$ 443,870</u>	<u>\$ 443,870</u>	<u>\$ 2,645,012</u>	<u>\$ 2,201,142</u>

COUNTY OF SUTTER

Note to Required Supplementary Information For the Year Ended June 30, 2010

BUDGETARY BASIS OF ACCOUNTING

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 proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The Board of Supervisors reviews the proposed budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, 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.

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 all governmental funds except for debt service funds, the expenditures of which are controlled by provisions of debt agreements. 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).

Encumbrances outstanding at year end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

SUPPLEMENTARY INFORMATION

COUNTY OF SUTTER

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

Special Revenue

	Road	Special Aviation	Fish & Game	Sutter County Health	Housing Rehab CDBG
Assets					
Cash and investments	\$ 4,419,358	\$ 48,867	\$ 64,439	\$ 695,425	\$ 16,834
Imprest cash	100	--	150	100	--
Accounts receivable, net	7,285	22,133	--	257,901	--
Due from other governments	1,176,272	--	537	455,272	--
Interest receivable	19,809	398	380	1,134	100
Due from other funds	244,158	13	--	636,695	--
Advances to other funds	--	--	--	--	--
Prepaid expenses	--	--	--	--	--
Inventory	54,329	--	--	--	--
Loans receivable	--	--	--	--	--
Total Assets	\$ 5,921,311	\$ 71,411	\$ 65,506	\$ 2,046,527	\$ 16,934
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 114,094	\$ 380	\$ --	\$ 191,706	\$ --
Salaries and benefits payable	59,176	26	--	195,371	--
Deposits payable	--	7,110	--	--	--
Due to other funds	206,381	81,532	--	1,004,661	--
Advance from other funds	--	67,811	--	--	--
Unearned revenue	--	--	--	--	--
Unavailable revenue	467,055	19,325	--	478,471	--
Total Liabilities	846,706	176,184	--	1,870,209	--
Fund Balances:					
Reserved for:					
Encumbrances	159,823	--	--	20,243	--
Imprest cash	100	--	150	100	--
Inventory and prepaid expenses	54,329	--	--	--	--
Long term receivables and advances	--	--	--	--	--
Library endowment	--	--	--	--	--
Unreserved:					
Designated	--	--	53,268	152,209	16,559
Undesignated	4,860,353	(104,773)	12,088	3,766	375
Total Fund Balances	5,074,605	(104,773)	65,506	176,318	16,934
Total Liabilities and Fund Balances	\$ 5,921,311	\$ 71,411	\$ 65,506	\$ 2,046,527	\$ 16,934

continued

COUNTY OF SUTTER

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2010

Special Revenue

	Child Support Services Reimb/ Adjustment	Survey Monument Preservation	Economic Development	Criminal Justice & Law	County Fees & Taxes
Assets					
Cash and investments	\$ 328,968	\$ 28,080	\$ 1,067,721	\$ 2,958,634	\$ 4,884,687
Imprest cash	--	--	--	--	--
Accounts receivable	--	--	1,333	61,261	--
Due from other governments	--	--	185	642,309	--
Interest receivable	--	166	6,597	18,218	36,764
Due from other funds	2,990	--	--	--	--
Advances to other funds	--	--	--	--	2,003,910
Prepaid expenses	10,345	--	--	--	--
Inventory	--	--	--	--	--
Loans receivable	--	--	2,826,275	--	--
Total Assets	\$ 342,303	\$ 28,246	\$ 3,902,111	\$ 3,680,422	\$ 6,925,361
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 12,488	\$ --	\$ 63,164	\$ 46,212	\$ --
Salaries and benefits payable	79,242	--	--	2,636	--
Deposits payable	--	--	--	--	--
Due to other funds	13,319	--	--	1,304,221	--
Advance from other funds	--	--	--	--	--
Unearned revenue	--	--	--	--	--
Unavailable revenue	--	--	--	15	--
Total Liabilities	105,049	--	63,164	1,353,084	--
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	--
Imprest cash	--	--	--	--	--
Inventory and prepaid expenses	10,345	--	--	--	--
Long term receivables and advances	--	--	2,826,275	--	2,003,910
Library endowment	--	--	--	--	--
Unreserved:					
Designated	199,543	26,136	1,012,672	1,306,481	4,921,451
Undesignated	27,366	2,110	--	1,020,857	--
Total Fund Balances	237,254	28,246	3,838,947	2,327,338	6,925,361
Total Liabilities and Fund Balances	\$ 342,303	\$ 28,246	\$ 3,902,111	\$ 3,680,422	\$ 6,925,361

continued

COUNTY OF SUTTER

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue				
	Health Education & Welfare	Local Health & Welfare - Health	Local Health & Welfare - Social Services	Local Health & Welfare - Mental Health	Public Ways & Facilities
Assets					
Cash and investments	\$ 1,797,594	\$ --	\$ 7,161,723	\$ --	\$ 1,557,610
Imprest cash	--	--	--	--	--
Accounts receivable	392	--	--	--	--
Due from other governments	159,693	226,928	503,410	558,410	3,007
Interest receivable	10,957	--	--	--	9,590
Due from other funds	1,951	--	--	--	--
Advances to other funds	--	--	1,427,734	--	--
Prepaid expenses	--	--	--	--	--
Inventory	--	--	--	--	--
Loans receivable	--	--	--	--	--
Total Assets	\$ 1,970,587	\$ 226,928	\$ 9,092,867	\$ 558,410	\$ 1,570,207
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 26,772	\$ --	\$ --	\$ --	\$ 65,321
Salaries and benefits payable	--	--	--	--	--
Deposits payable	2	--	--	--	62,326
Due to other funds	226,063	226,927	327,545	558,409	--
Advance from other funds	--	--	--	--	--
Unearned revenue	--	--	--	--	--
Unavailable revenue	145,096	--	--	--	--
Total Liabilities	397,933	226,927	327,545	558,409	127,647
Fund Balances:					
Reserved for:					
Encumbrances	--	--	--	--	--
Imprest cash	--	--	--	--	--
Inventory and prepaid expenses	--	--	--	--	--
Long term receivables and advances	--	--	1,427,734	--	--
Library endowment	--	--	--	--	--
Unreserved:					
Designated	1,173,541	--	5,737,627	--	1,411,807
Undesignated	399,113	1	1,599,961	1	30,753
Total Fund Balances	1,572,654	1	8,765,322	1	1,442,560
Total Liabilities and Fund Balances	\$ 1,970,587	\$ 226,928	\$ 9,092,867	\$ 558,410	\$ 1,570,207

continued

COUNTY OF SUTTER

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue			
	Workers' Comp Dividend	Vision Run-Out	Candidates Statement of Election	County Recorder Upgrade Fee
Assets				
Cash and investments	\$ 47,196	\$ 47,573	\$ 4,571	\$ 365,492
Imprest cash	--	--	--	--
Accounts receivable	--	--	--	770
Due from other governments	--	--	--	282
Interest receivable	280	282	--	2,108
Due from other funds	--	--	--	7,421
Advances to other funds	--	--	--	--
Prepaid expenses	--	--	--	--
Inventory	--	--	--	--
Loans receivable	--	--	--	--
Total Assets	<u>\$ 47,476</u>	<u>\$ 47,855</u>	<u>\$ 4,571</u>	<u>\$ 376,073</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ 4,571	\$ --
Salaries and benefits payable	--	--	--	--
Deposits payable	--	--	--	--
Due to other funds	--	--	--	278,142
Advance from other funds	--	--	--	--
Unearned revenue	--	--	--	--
Unavailable revenue	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>4,571</u>	<u>278,142</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	--	--	--
Imprest cash	--	--	--	--
Inventory and prepaid expenses	--	--	--	--
Long term receivables and advances	--	--	--	--
Library endowment	--	--	--	--
Unreserved:				
Designated	47,400	47,795	--	13,720
Undesignated	76	60	--	84,211
Total Fund Balances	<u>47,476</u>	<u>47,855</u>	<u>--</u>	<u>97,931</u>
Total Liabilities and Fund Balances	<u>\$ 47,476</u>	<u>\$ 47,855</u>	<u>\$ 4,571</u>	<u>\$ 376,073</u>

continued

COUNTY OF SUTTER

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue			
	Automated County Warrants	ORC Collections	Plan Check Inspection Fees	Community Services
Assets				
Cash and investments	\$ 186,366	\$ 205,136	\$ 247,743	\$ 7,725
Imprest cash	--	--	--	--
Accounts receivable	--	--	--	--
Due from other governments	1,708	--	--	--
Interest receivable	--	--	1,469	46
Due from other funds	--	--	--	--
Advances to other funds	--	--	--	--
Prepaid expenses	--	--	--	--
Inventory	--	--	--	--
Loans receivable	--	--	--	--
Total Assets	<u>\$ 188,074</u>	<u>\$ 205,136</u>	<u>\$ 249,212</u>	<u>\$ 7,771</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--	--
Deposits payable	--	--	--	--
Due to other funds	--	--	--	--
Advance from other funds	--	--	--	--
Unearned revenue	--	86,225	--	--
Unavailable revenue	--	--	--	--
Total Liabilities	<u>--</u>	<u>86,225</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	--	--	--
Imprest cash	--	--	--	--
Inventory and prepaid expenses	--	--	--	--
Long term receivables and advances	--	--	--	--
Library endowment	--	--	--	--
Unreserved:				
Designated	178,830	113,647	147,408	6,552
Undesignated	9,244	5,264	101,804	1,219
Total Fund Balances	<u>188,074</u>	<u>118,911</u>	<u>249,212</u>	<u>7,771</u>
Total Liabilities and Fund Balances	<u>\$ 188,074</u>	<u>\$ 205,136</u>	<u>\$ 249,212</u>	<u>\$ 7,771</u>

continued

COUNTY OF SUTTER

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue		
	Animal Control Spay/Neuter	Vital Statistics Recorder	Child Passenger Restraint
Assets			
Cash and investments	\$ 176,061	\$ 175,790	\$ 58,032
Imprest cash	--	--	--
Accounts receivable	150	48	--
Due from other governments	13	--	63
Interest receivable	1,089	1,034	343
Due from other funds	--	--	--
Advances to other funds	--	--	--
Prepaid expenses	--	--	--
Inventory	--	--	--
Loans receivable	--	--	--
	<u>\$ 177,313</u>	<u>\$ 176,872</u>	<u>\$ 58,438</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 360	\$ --	\$ --
Salaries and benefits payable	--	--	--
Deposits payable	2,490	--	--
Due to other funds	--	35,860	--
Advance from other funds	--	--	--
Unearned revenue	--	--	--
Unavailable revenue	--	--	--
	<u>2,850</u>	<u>35,860</u>	<u>--</u>
Fund Balances:			
Reserved for:			
Encumbrances	--	--	--
Imprest cash	--	--	--
Inventory and prepaid expenses	--	--	--
Long term receivables and advances	--	--	--
Library endowment	--	--	--
Unreserved:			
Designated	173,542	114,192	58,438
Undesignated	921	26,820	--
	<u>174,463</u>	<u>141,012</u>	<u>58,438</u>
Total Fund Balances	<u>174,463</u>	<u>141,012</u>	<u>58,438</u>
Total Liabilities and Fund Balances	<u>\$ 177,313</u>	<u>\$ 176,872</u>	<u>\$ 58,438</u>

continued

COUNTY OF SUTTER

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue			
	Bioterrorism	County Service Areas	Water Agencies	Other Special Districts
Assets				
Cash and investments	\$ 406,596	\$ 1,301,372	\$ 2,057,877	\$ 2,679,319
Imprest cash	--	--	--	--
Accounts receivable	--	10,379	--	33
Due from other governments	--	131,445	3,923	1,619
Interest receivable	2,528	10,082	13,786	15,967
Due from other funds	--	5,689	--	--
Advances to other funds	--	--	--	--
Prepaid expenses	--	--	--	--
Inventory	--	--	--	--
Loans receivable	--	--	--	--
Total Assets	<u>\$ 409,124</u>	<u>\$ 1,458,967</u>	<u>\$ 2,075,586</u>	<u>\$ 2,696,938</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ --	\$ 17,158	\$ --	\$ 4,254
Salaries and benefits payable	--	48,253	--	--
Deposits payable	--	--	--	--
Due to other funds	--	30,743	--	355
Advance from other funds	--	831,350	--	--
Unearned revenue	--	--	--	--
Unavailable revenue	--	33,683	--	--
Total Liabilities	<u>--</u>	<u>961,187</u>	<u>--</u>	<u>4,609</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	--	--	--
Imprest cash	--	--	--	--
Inventory and prepaid expenses	--	--	--	--
Long term receivables and advances	--	--	--	--
Library endowment	--	--	--	--
Unreserved:				
Designated	407,916	497,780	1,546,342	1,769,471
Undesignated	1,208	--	529,244	922,858
Total Fund Balances	<u>409,124</u>	<u>497,780</u>	<u>2,075,586</u>	<u>2,692,329</u>
Total Liabilities and Fund Balances	<u>\$ 409,124</u>	<u>\$ 1,458,967</u>	<u>\$ 2,075,586</u>	<u>\$ 2,696,938</u>

continued

COUNTY OF SUTTER

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue			Permanent	Total Nonmajor Governmental Funds
	Landscape Districts	Total Special Revenue	Capital Projects	Live Oak Library Endowment	
Assets					
Cash and investments	\$ 4,642	\$ 33,001,431	\$ 173,729	\$ 30,000	\$ 33,205,160
Imprest cash	--	350	--	--	350
Accounts receivable	--	361,685	--	--	361,685
Due from other governments	--	3,865,076	--	--	3,865,076
Interest receivable	29	153,156	1,030	--	154,186
Due from other funds	--	898,917	--	--	898,917
Advances to other funds	--	3,431,644	--	--	3,431,644
Prepaid expenses	--	10,345	--	--	10,345
Inventory	--	54,329	--	--	54,329
Loans receivable	--	2,826,275	--	--	2,826,275
Total Assets	<u>\$ 4,671</u>	<u>\$ 44,603,208</u>	<u>\$ 174,759</u>	<u>\$ 30,000</u>	<u>\$ 44,807,967</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ --	\$ 546,480	\$ --	\$ --	\$ 546,480
Salaries and benefits payable	--	384,704	--	--	384,704
Deposits payable	--	71,928	--	--	71,928
Due to other funds	--	4,294,158	--	--	4,294,158
Advance from other funds	--	899,161	--	--	899,161
Unearned revenue	--	86,225	--	--	86,225
Unavailable revenue	--	1,143,645	--	--	1,143,645
Total Liabilities	<u>--</u>	<u>7,426,301</u>	<u>--</u>	<u>--</u>	<u>7,426,301</u>
Fund Balances:					
Reserved for:					
Encumbrances	--	180,066	--	--	180,066
Imprest cash	--	350	--	--	350
Inventory and prepaid expenses	--	64,674	--	--	64,674
Long term receivables and advances	--	6,257,919	--	--	6,257,919
Library endowment	--	--	--	30,000	30,000
Unreserved:					
Designated	3,058	21,137,385	157,860	--	21,295,245
Undesignated	1,613	9,536,513	16,899	--	9,553,412
Total Fund Balances	<u>4,671</u>	<u>37,176,907</u>	<u>174,759</u>	<u>30,000</u>	<u>37,381,666</u>
Total Liabilities and Fund Balances	<u>\$ 4,671</u>	<u>\$ 44,603,208</u>	<u>\$ 174,759</u>	<u>\$ 30,000</u>	<u>\$ 44,807,967</u>

COUNTY OF SUTTER

Combining Statement of Revenues, Expenses and
Changes in Net Assets
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue				
	Road	Special Aviation	Fish & Game	Sutter County Health	Housing Rehab CDBG
Revenues:					
Taxes	\$ 522,739	\$ 12,085	\$ --	\$ --	\$ --
Licenses and permits	383,858	--	--	--	--
Fines and forfeitures	215	--	6,888	--	--
Use of money and property	82,549	106,242	1,435	(5,198)	375
Intergovernmental	5,101,271	10,000	--	2,127,749	--
Charges for services	1,810	48,600	--	308,366	--
Other revenues	67,810	21	--	18,718	--
Total Revenues	<u>6,160,252</u>	<u>176,948</u>	<u>8,323</u>	<u>2,449,635</u>	<u>375</u>
Expenditures:					
Current:					
General government	--	--	--	--	--
Public protection	--	--	8,063	--	--
Public ways and facilities	5,719,428	292,353	--	--	--
Health and sanitation	--	--	--	6,629,407	--
Community development	--	--	--	--	--
Debt Service:					
Principal	--	12,820	--	115,000	--
Interest	--	4,841	--	76,776	--
Capital outlay	155,651	--	--	9,719	--
Total Expenditures	<u>5,875,079</u>	<u>310,014</u>	<u>8,063</u>	<u>6,830,902</u>	<u>--</u>
Excess of Revenues Over (Under) Expenditures	<u>285,173</u>	<u>(133,066)</u>	<u>260</u>	<u>(4,381,267)</u>	<u>375</u>
Other Financing Sources (Uses)					
Transfers in	--	--	--	4,379,900	--
Transfers out	--	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,379,900</u>	<u>--</u>
Net Changes in Fund Balances	285,173	(133,066)	260	(1,367)	375
Fund balances, beginning of year, restated	<u>4,789,432</u>	<u>28,293</u>	<u>65,246</u>	<u>177,685</u>	<u>16,559</u>
Fund balances, end of year	<u>\$ 5,074,605</u>	<u>\$ (104,773)</u>	<u>\$ 65,506</u>	<u>\$ 176,318</u>	<u>\$ 16,934</u>

continued

COUNTY OF SUTTER

Combining Statement of Revenues, Expenses and Changes in Net Assets (continued) Nonmajor Governmental Funds For the Year Ended June 30, 2010

	Special Revenue				
	Child Support Services Reimb/ Adjustment	Survey Monument Preservation	Economic Development	Criminal Justice & Law	County Fees & Taxes
Revenues:					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and permits	--	1,330	--	--	84,931
Fines and forfeitures	--	--	--	338,565	--
Use of money and property	9,952	616	73,345	62,591	154,905
Intergovernmental	2,878,317	--	390,986	6,095,480	--
Charges for services	--	--	--	52,692	--
Other revenues	649	--	--	364,028	--
Total Revenues	2,888,918	1,946	464,331	6,913,356	239,836
Expenditures:					
Current:					
General government	--	--	--	--	600,000
Public protection	2,873,783	--	--	6,860,847	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	--	--	--	--
Community development	--	--	243,041	--	--
Debt Service:					
Principal	--	--	--	--	--
Interest	--	--	--	--	--
Capital outlay	7,580	--	--	--	--
Total Expenditures	2,881,363	--	243,041	6,860,847	600,000
Excess of Revenues Over (Under) Expenditures	7,555	1,946	221,290	52,509	(360,164)
Other Financing Sources (Uses)					
Transfers in	--	--	--	--	--
Transfers out	--	--	--	--	--
Total Other Financing Sources (Uses)	--	--	--	--	--
Net Changes in Fund Balances	7,555	1,946	221,290	52,509	(360,164)
Fund balances, beginning of year, restated	229,699	26,300	3,617,657	2,274,829	7,285,525
Fund balances, end of year	\$ 237,254	\$ 28,246	\$ 3,838,947	\$ 2,327,338	\$ 6,925,361

continued

COUNTY OF SUTTER

Combining Statement of Revenues, Expenses and
Changes in Net Assets (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue				
	Health Education & Welfare	Local Health & Welfare - Health	Local Health & Welfare - Social Services	Local Health & Welfare - Mental Health	Public Ways & Facilities
Revenues:					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and permits	1,222	--	--	--	--
Fines and forfeitures	178,751	--	--	--	(8,735)
Use of money and property	35,474	--	1,955	--	45,488
Intergovernmental	885,748	1,297,135	2,853,424	3,191,906	--
Charges for services	47,551	--	--	--	--
Other revenues	13,990	--	--	--	250,000
Total Revenues	1,162,736	1,297,135	2,855,379	3,191,906	286,753
Expenditures:					
Current:					
General government	--	--	--	--	--
Public protection	--	--	--	--	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	818,638	1,297,134	2,648,779	3,191,905	--
Community development	--	--	--	--	--
Debt Service:					
Principal	--	--	--	--	--
Interest	--	--	--	--	--
Capital outlay	--	--	--	--	--
Total Expenditures	818,638	1,297,134	2,648,779	3,191,905	--
Excess of Revenues Over (Under) Expenditures	344,098	1	206,600	1	286,753
Other Financing Sources (Uses)					
Transfers in	--	2,095,600	85,218	696,020	--
Transfers out	--	(2,095,600)	(85,218)	(696,020)	--
Total Other Financing Sources (Uses)	--	--	--	--	--
Net Changes in Fund Balances	344,098	1	206,600	1	286,753
Fund balances, beginning of year, restated	1,228,556	--	8,558,722	--	1,155,807
Fund balances, end of year	\$ 1,572,654	\$ 1	\$ 8,765,322	\$ 1	\$ 1,442,560

continued

COUNTY OF SUTTER

Combining Statement of Revenues, Expenses and
Changes in Net Assets (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue			
	Workers' Comp Dividend	Vision Run-Out	Candidates Statement of Election	County Recorder Upgrade Fee
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses and permits	--	--	--	--
Fines and forfeitures	--	--	--	--
Use of money and property	1,052	1,060	--	7,254
Intergovernmental	--	--	--	--
Charges for services	--	--	6,629	82,983
Other revenues	--	--	--	--
Total Revenues	<u>1,052</u>	<u>1,060</u>	<u>6,629</u>	<u>90,237</u>
Expenditures:				
Current:				
General government	--	--	6,629	--
Public protection	--	--	--	270,721
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Community development	--	--	--	--
Debt Service:				
Principal	--	--	--	--
Interest	--	--	--	--
Capital outlay	--	--	--	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>6,629</u>	<u>270,721</u>
Excess of Revenues Over (Under) Expenditures	<u>1,052</u>	<u>1,060</u>	<u>--</u>	<u>(180,484)</u>
Other Financing Sources (Uses)				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Changes in Fund Balances	1,052	1,060	--	(180,484)
Fund balances, beginning of year, restated	<u>46,424</u>	<u>46,795</u>	<u>--</u>	<u>278,415</u>
Fund balances, end of year	<u>\$ 47,476</u>	<u>\$ 47,855</u>	<u>\$ --</u>	<u>\$ 97,931</u>

continued

COUNTY OF SUTTER

Combining Statement of Revenues, Expenses and
 Changes in Net Assets (continued)
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2010

	Special Revenue			
	Automated County Warrants	ORC Collections	Plan Check Inspection Fees	Community Services
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses and permits	--	--	--	90
Fines and forfeitures	24,244	--	--	--
Use of money and property	--	--	5,554	171
Intergovernmental	--	--	--	--
Charges for services	--	20,178	--	--
Other revenues	--	--	--	--
Total Revenues	<u>24,244</u>	<u>20,178</u>	<u>5,554</u>	<u>261</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	--	9,774	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Community development	--	--	--	--
Debt Service:				
Principal	--	--	--	--
Interest	--	--	--	--
Capital outlay	--	--	--	--
Total Expenditures	<u>--</u>	<u>9,774</u>	<u>--</u>	<u>--</u>
Excess of Revenues Over (Under) Expenditures	<u>24,244</u>	<u>10,404</u>	<u>5,554</u>	<u>261</u>
Other Financing Sources (Uses)				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Changes in Fund Balances	24,244	10,404	5,554	261
Fund balances, beginning of year, restated	<u>163,830</u>	<u>108,507</u>	<u>243,658</u>	<u>7,510</u>
Fund balances, end of year	<u>\$ 188,074</u>	<u>\$ 118,911</u>	<u>\$ 249,212</u>	<u>\$ 7,771</u>

continued

COUNTY OF SUTTER

Combining Statement of Revenues, Expenses and Changes in Net Assets (continued) Nonmajor Governmental Funds For the Year Ended June 30, 2010

	Special Revenue		
	Animal Control Spay/Neuter	Vital Statistics Recorder	Child Passenger Restraint
Revenues:			
Taxes	\$ --	\$ --	\$ --
Licenses and permits	--	--	--
Fines and forfeitures	426	--	2,292
Use of money and property	4,055	3,791	1,266
Intergovernmental	--	--	--
Charges for services	22,120	11,386	--
Other revenues	--	--	--
Total Revenues	26,601	15,177	3,558
Expenditures:			
Current:			
General government	--	--	--
Public protection	19,179	35,860	--
Public ways and facilities	--	--	--
Health and sanitation	--	--	--
Community development	--	--	--
Debt Service:			
Principal	--	--	--
Interest	--	--	--
Capital outlay	--	--	--
Total Expenditures	19,179	35,860	--
Excess of Revenues Over (Under) Expenditures	7,422	(20,683)	3,558
Other Financing Sources (Uses)			
Transfers in	--	--	--
Transfers out	--	--	--
Total Other Financing Sources (Uses)	--	--	--
Net Changes in Fund Balances	7,422	(20,683)	3,558
Fund balances, beginning of year, restated	167,041	161,695	54,880
Fund balances, end of year	\$ 174,463	\$ 141,012	\$ 58,438

continued

COUNTY OF SUTTER

Combining Statement of Revenues, Expenses and
Changes in Net Assets (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue			
	Bioterrorism	County Service Areas	Water Agencies	Other Special Districts
Revenues:				
Taxes	\$ --	\$ 2,608,564	\$ 248,854	\$ 73,708
Licenses and permits	--	--	--	--
Fines and forfeitures	--	105	--	--
Use of money and property	9,890	26,603	49,359	60,202
Intergovernmental	166,679	55,213	5,689	871
Charges for services	--	429,031	6,805	1,809
Other revenues	--	6,279	--	186,495
Total Revenues	<u>176,569</u>	<u>3,125,795</u>	<u>310,707</u>	<u>323,085</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	190,400	2,701,661	269,906	237,072
Public ways and facilities	--	--	--	703
Health and sanitation	--	--	--	--
Community development	--	--	--	--
Debt Service:				
Principal	--	--	--	--
Interest	--	--	--	--
Capital outlay	--	273,184	--	--
Total Expenditures	<u>190,400</u>	<u>2,974,845</u>	<u>269,906</u>	<u>237,775</u>
Excess of Revenues Over (Under) Expenditures	<u>(13,831)</u>	<u>150,950</u>	<u>40,801</u>	<u>85,310</u>
Other Financing Sources (Uses)				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Changes in Fund Balances	<u>(13,831)</u>	<u>150,950</u>	<u>40,801</u>	<u>85,310</u>
Fund balances, beginning of year, restated	<u>422,955</u>	<u>346,830</u>	<u>2,034,785</u>	<u>2,607,019</u>
Fund balances, end of year	<u>\$ 409,124</u>	<u>\$ 497,780</u>	<u>\$ 2,075,586</u>	<u>\$ 2,692,329</u>

continued

COUNTY OF SUTTER

Combining Statement of Revenues, Expenses and Changes in Net Assets (continued) Nonmajor Governmental Funds For the Year Ended June 30, 2010

	<u>Special Revenue</u>		Capital Projects	<u>Permanent</u>	Total Nonmajor Governmental Funds
	<u>Landscape Districts</u>	<u>Total Special Revenue</u>		Live Oak Library Endowment	
Revenues:					
Taxes	\$ 3,384	\$ 3,469,334	\$ --	\$ --	\$ 3,469,334
Licenses and permits	--	471,431	--	--	471,431
Fines and forfeitures	--	542,751	--	--	542,751
Use of money and property	85	740,071	3,871	--	743,942
Intergovernmental	--	25,060,468	--	--	25,060,468
Charges for services	--	1,039,960	--	--	1,039,960
Other revenues	--	907,990	--	30,000	937,990
Total Revenues	<u>3,469</u>	<u>32,232,005</u>	<u>3,871</u>	<u>30,000</u>	<u>32,265,876</u>
Expenditures:					
Current:					
General government	--	606,629	--	--	606,629
Public protection	--	13,477,266	--	--	13,477,266
Public ways and facilities	2,281	6,014,765	--	--	6,014,765
Health and sanitation	--	14,585,863	--	--	14,585,863
Community development	--	243,041	--	--	243,041
Debt Service:					
Principal	--	127,820	--	--	127,820
Interest	--	81,617	--	--	81,617
Capital outlay	--	446,134	--	--	446,134
Total Expenditures	<u>2,281</u>	<u>35,583,135</u>	<u>--</u>	<u>--</u>	<u>35,583,135</u>
Excess of Revenues Over (Under) Expenditures	<u>1,188</u>	<u>--</u>	<u>3,871</u>	<u>30,000</u>	<u>(3,317,259)</u>
Other Financing Sources (Uses)					
Transfers in	--	7,256,738	--	--	7,256,738
Transfers out	--	(2,876,838)	--	--	(2,876,838)
Total Other Financing Sources (Uses)	<u>--</u>	<u>4,379,900</u>	<u>--</u>	<u>--</u>	<u>4,379,900</u>
Net Changes in Fund Balances	1,188	1,028,770	3,871	30,000	1,062,641
Fund balances, beginning of year, restated	<u>3,483</u>	<u>36,148,137</u>	<u>170,888</u>	<u>--</u>	<u>36,319,025</u>
Fund balances, end of year	<u>\$ 4,671</u>	<u>\$ 37,176,907</u>	<u>\$ 174,759</u>	<u>\$ 30,000</u>	<u>\$ 37,381,666</u>

COUNTY OF SUTTER

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

	Risk Management		Fleet Management	Information Technology	Totals
	General Liability	Workers' Compensation			
Assets					
Current Assets:					
Cash and investments	\$ 1,571,992	\$ 271,969	\$ 631,970	\$ 1,420,734	\$ 3,896,665
Accounts receivable, net	--	--	1,513	2,939	4,452
Due from other governments	--	--	--	1,650	1,650
Interest receivable	9,575	2,009	1,725	4,196	17,505
Due from other funds	--	971	101,168	604,960	707,099
Prepaid expenses	--	--	--	52,746	52,746
Inventory	--	--	8,704	--	8,704
Total current assets	<u>1,581,567</u>	<u>274,949</u>	<u>745,080</u>	<u>2,087,225</u>	<u>4,688,821</u>
Noncurrent Assets:					
Capital assets					
Nondepreciable	--	--	--	64,859	64,859
Depreciable, net	--	--	60,436	519,609	580,045
Total noncurrent assets	<u>--</u>	<u>--</u>	<u>60,436</u>	<u>584,468</u>	<u>644,904</u>
Total Assets	<u>\$ 1,581,567</u>	<u>\$ 274,949</u>	<u>\$ 805,516</u>	<u>\$ 2,671,693</u>	<u>\$ 5,333,725</u>
Liabilities					
Current Liabilities:					
Accounts payable	\$ 86,777	\$ 6,407	\$ 71,689	\$ 96,318	\$ 261,191
Salaries and benefits payable	--	9,713	14,438	61,287	85,438
Compensated absences payable	--	5,311	14,598	117,119	137,028
Claims payable	760,625	--	--	--	760,625
Due to other funds	--	1,361	17,641	637,582	656,584
Total current liabilities	<u>847,402</u>	<u>22,792</u>	<u>118,366</u>	<u>912,306</u>	<u>1,900,866</u>
Noncurrent Liabilities:					
Compensated absences payable	--	2,432	6,687	53,647	62,766
Total noncurrent liabilities	<u>--</u>	<u>2,432</u>	<u>6,687</u>	<u>53,647</u>	<u>62,766</u>
Total liabilities	<u>847,402</u>	<u>25,224</u>	<u>125,053</u>	<u>965,953</u>	<u>1,963,632</u>
Net Assets					
Invested in capital assets, net of related debt	--	--	60,436	584,468	644,904
Unrestricted	<u>734,165</u>	<u>249,725</u>	<u>620,027</u>	<u>1,121,272</u>	<u>2,725,189</u>
Total net assets	<u>734,165</u>	<u>249,725</u>	<u>680,463</u>	<u>1,705,740</u>	<u>3,370,093</u>
Total liabilities and net assets	<u>\$ 1,581,567</u>	<u>\$ 274,949</u>	<u>\$ 805,516</u>	<u>\$ 2,671,693</u>	<u>\$ 5,333,725</u>

COUNTY OF SUTTER

Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2010

	<u>Risk Management</u>				<u>Totals</u>
	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Information Technology</u>	
Operating Revenues:					
Charges for services	\$ 630,148	\$ 1,645,002	\$ 1,447,365	\$ 4,008,904	\$ 7,731,419
Other revenue	--	514	1,589	245	2,348
Total Operating Revenues	<u>630,148</u>	<u>1,645,516</u>	<u>1,448,954</u>	<u>4,009,149</u>	<u>7,733,767</u>
Operating Expenses:					
Salaries and benefits	--	322,325	520,750	2,103,362	2,946,437
Services and supplies	990,746	1,418,502	847,181	1,780,375	5,036,804
Depreciation	--	--	19,549	146,566	166,115
Total Operating Expenses	<u>990,746</u>	<u>1,740,827</u>	<u>1,387,480</u>	<u>4,030,303</u>	<u>8,149,356</u>
Net Operating Income (Loss)	<u>(360,598)</u>	<u>(95,311)</u>	<u>61,474</u>	<u>(21,154)</u>	<u>(415,589)</u>
Non-Operating Revenues and Expenses:					
Interest income	33,099	5,038	6,222	7,439	51,798
Total Non-Operating Revenues and Expenses	<u>33,099</u>	<u>5,038</u>	<u>6,222</u>	<u>7,439</u>	<u>51,798</u>
Change in Net Assets	(327,499)	(90,273)	67,696	(13,715)	(363,791)
Net Assets, Beginning of Year	<u>1,061,664</u>	<u>339,998</u>	<u>612,767</u>	<u>1,719,455</u>	<u>3,733,884</u>
Net Assets, End of Year	<u>\$ 734,165</u>	<u>\$ 249,725</u>	<u>\$ 680,463</u>	<u>\$ 1,705,740</u>	<u>\$ 3,370,093</u>

COUNTY OF SUTTER

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010

	Risk Management				Total
	General Liability	Workers' Compensation	Fleet Management	Information Technology	
Cash Flows from Operating Activities:					
Receipts from customers	\$ 630,148	\$ 1,645,516	\$ 1,451,731	\$ 4,007,632	\$ 7,735,027
Payments to suppliers	(885,695)	(1,412,758)	(861,316)	(1,707,169)	(4,866,938)
Payments to employees	--	(320,592)	(522,595)	(2,087,083)	(2,930,270)
Net Cash Provided (Used) by Operating Activities	<u>(255,547)</u>	<u>(87,834)</u>	<u>67,820</u>	<u>213,380</u>	<u>(62,181)</u>
Cash Flows from Noncapital Financing Activities:					
Interfund loans received	--	485	--	32,492	32,977
Interfund loans paid	--	--	(102,074)	--	(102,074)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>--</u>	<u>485</u>	<u>(102,074)</u>	<u>32,492</u>	<u>(69,097)</u>
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	--	--	(12,060)	(178,808)	(190,868)
Net Cash Provided (Used) by Capital Related Financing Activities	<u>--</u>	<u>--</u>	<u>(12,060)</u>	<u>(178,808)</u>	<u>(190,868)</u>
Cash Flows from Investing Activities:					
Interest on investments	<u>33,193</u>	<u>5,215</u>	<u>6,635</u>	<u>3,666</u>	<u>48,709</u>
Net Cash Provided (Used) by Investing Activities	<u>33,193</u>	<u>5,215</u>	<u>6,635</u>	<u>3,666</u>	<u>48,709</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(222,354)	(82,134)	(39,679)	70,730	(273,437)
Balances - Beginning of Year	<u>1,794,346</u>	<u>354,103</u>	<u>671,649</u>	<u>1,350,004</u>	<u>4,170,102</u>
Balances - End of Year	<u><u>\$ 1,571,992</u></u>	<u><u>\$ 271,969</u></u>	<u><u>\$ 631,970</u></u>	<u><u>\$ 1,420,734</u></u>	<u><u>\$ 3,896,665</u></u>

continued

COUNTY OF SUTTER

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2010

	Risk Management		Fleet Management	Information Technology	Total
	General Liability	Workers' Compensation			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (360,598)	\$ (95,311)	\$ 61,474	\$ (21,154)	\$ (415,589)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation	--	--	19,549	146,566	166,115
Decrease (increase) in:					
Accounts receivable	--	--	2,777	133	2,910
Due from other governments	--	--	--	(1,650)	(1,650)
Prepaid costs	--	--	--	70,058	70,058
Inventory	--	--	(1,080)	--	(1,080)
Increase (decrease) in:					
Accounts payable	82,232	5,744	(13,055)	3,148	78,069
Salaries and benefits payable	--	1,205	604	3,220	5,029
Compensated absences payable	--	528	(2,449)	13,059	11,138
Claims payable	22,819	--	--	--	22,819
Net Cash Provided (Used) by Operating Activities	<u>\$ (255,547)</u>	<u>\$ (87,834)</u>	<u>\$ 67,820</u>	<u>\$ 213,380</u>	<u>\$ (62,181)</u>