

**COUNTY OF SIERRA**  
**AUDIT REPORT**  
**FOR THE FISCAL YEAR**  
**ENDED JUNE 30, 2012**

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# COUNTY OF SIERRA

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
County of Sierra  
Downieville, 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 Sierra, California, (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2012, 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 1, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Board of Supervisors  
County of Sierra  
Downieville, California

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

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California  
March 1, 2013

# COUNTY OF SIERRA

## Management's Discussion and Analysis For the Year Ended June 30, 2012

As management of Sierra County, we offer readers of the County of Sierra's financial statement this narrative overview and analysis of the financial activities of Sierra County for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages i-vi).

### Financial Highlights

- ❖ The County of Sierra's assets exceeded its liabilities at the close of the most recent fiscal year by \$23,707,824 (net assets). Of this amount (\$824,659) (negative unrestricted net assets) was available to meet the County's ongoing obligations to citizens and creditors.
- ❖ The County's total net assets decreased by (\$1,755,675). The primary causes for the decrease resulted from an overall decline in revenues due to the poor economy and the state of the State's financial problems.
- ❖ At the close of the current fiscal year, the County's combined (all funds) ending fund balance was \$7,278,115. This was a decrease of (\$169,208) in comparison with the prior year. Approximately 1% of this total amount, or \$81,389, is available for spending in the following year's budget.
- ❖ Unreserved fund balance for the General Fund at the close of the current fiscal year was \$119,602, or 1%, of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Sierra's basic financial statements. The County's basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Individual Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains additional supplementary information to the basic Financial Statements.

**Government-wide Financial Statements.** The Government-wide Financial Statements are designed to provide readers with a broad overview of the County of Sierra's finances, in a manner similar to a private-sector business. It is comprised of a Statement of Net Assets and Statement of Activities.

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

The Statement of Activities presents information showing how the County's net assets changed during the current 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 cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-wide Financial Statements distinguish functions of the County of Sierra that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portion of their costs through user fees, fines and charges for service. The governmental activities of the County include: General Government, Public Protection, Public Ways and Facilities (Transportation), Health and Sanitation, Public Assistance, Education, Recreation and Culture, and Debt Service and Contingencies. Internal Service Funds that provide insurance coverage, computer software acquisition and vehicle replacement are also included in governmental activities.

The Government-wide Financial Statements include not only the County of Sierra itself (known as the primary government), but also five legally separate County Service Areas. Although legally separate, the County Service Areas function for all practical purposes as departments of the County, and therefore have been included as an integral part of the primary government.

# COUNTY OF SIERRA

## Management's Discussion and Analysis For the Year Ended June 30, 2012

The Government-wide Financial Statements can be found on pages 11-13 of this report.

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

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

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

The County of Sierra maintains twenty-six individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Road Fund, the Human Services Fund, Public Health and Drug Programs, and the Debt Service Fund, all of which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County of Sierra adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule (page 52) has been provided for the general fund to demonstrate compliance with this budget.

The basic Governmental Fund Financial Statements can be found on pages 15-18 of this report.

**Proprietary Funds.** The County maintains one type of proprietary funds – Enterprise Funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The County of Sierra maintains two enterprise funds. The Solid Waste Fund, a major fund, and the Transit Fund, a nonmajor fund. Both of these funds are reported separately in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 19-22 of this report.

**Fiduciary Funds.** 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 statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic Fiduciary Fund Financial Statement can be found on pages 23 and 24 of this report.

# COUNTY OF SIERRA

## Management's Discussion and Analysis For the Year Ended June 30, 2012

Notes to Financial Statements. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-49 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information can be found on pages 51-56 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual funds statements and schedules can be found on pages 59-72 of this report.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Sierra, assets exceeded liabilities by \$23,707,824 at the close of the 2011/2012 Fiscal Year.

By far the largest portion of the County's net assets (73.48%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County of Sierra'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.

#### County of Sierra's Net Assets

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Current and Other Assets	\$ 13,409,705	\$ 9,553,107	\$ 1,762,481	\$ 1,646,405	\$ 15,172,186	\$ 11,199,512
Capital Assets	17,772,769	18,423,109	195,376	237,699	17,968,145	18,660,808
Total Assets	<u>31,182,474</u>	<u>27,976,216</u>	<u>1,957,857</u>	<u>1,884,104</u>	<u>33,140,331</u>	<u>29,860,320</u>
Other Liabilities	357,680	731,985	48,497	27,599	406,177	759,584
Long-Term Liabilities	6,039,058	1,386,473	2,987,272	2,250,764	9,026,330	3,637,237
Total Liabilities	<u>6,396,738</u>	<u>2,118,458</u>	<u>3,035,769</u>	<u>2,278,363</u>	<u>9,432,507</u>	<u>4,396,821</u>
Invested in Capital Assets, net of related debt	17,224,705	17,856,532	195,376	235,528	17,420,081	18,092,060
Restricted	7,112,402	6,608,903	--	--	7,112,402	6,608,903
Unrestricted	448,629	1,392,323	(1,273,288)	(629,787)	(824,659)	762,536
Total Net Assets	<u>\$ 24,785,736</u>	<u>\$ 25,857,758</u>	<u>\$ (1,077,912)</u>	<u>\$ (394,259)</u>	<u>\$ 23,707,824</u>	<u>\$ 25,463,499</u>

Investments in capital assets are subject to various external restrictions on how they may be used.

- ❖ The County's total net assets decreased by (\$1,755,675). The primary cause for the decrease resulted from falling revenues.

# COUNTY OF SIERRA

## Management's Discussion and Analysis For the Year Ended June 30, 2012

**Governmental Activities.** Governmental activities decreased the County's net assets by (\$1,072,022). Key elements of this decrease are as follows:

### County of Sierra's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Revenues						
Program Revenues:						
Charges for Services	\$ 2,786,043	\$ 3,218,682	\$ 751,230	\$ 781,726	\$ 3,537,273	\$ 4,000,408
Operating grants/contributions	10,316,889	12,186,984	176,545	161,066	10,493,434	12,348,050
Capital grants/contributions	274,526	63,543	--	100,688	274,526	164,231
General Revenues:						
Property Taxes	2,970,846	3,730,453	--	--	2,970,846	3,730,453
Sales and Use Taxes	136,859	123,227	--	--	136,859	123,227
Other Taxes	667,536	342,174	--	--	667,536	342,174
Unrestricted Interest earnings	72,409	87,939	23,322	39,136	95,731	127,075
Total Revenues	<u>17,225,108</u>	<u>19,753,002</u>	<u>951,097</u>	<u>1,082,616</u>	<u>18,176,205</u>	<u>20,835,618</u>
Expenses						
General Government	3,486,493	3,067,914	--	--	3,486,493	3,067,914
Public Protection	4,783,497	4,389,218	--	--	4,783,497	4,389,218
Public Ways and Facilities	4,426,292	4,917,238	--	--	4,426,292	4,917,238
Health and Sanitation	2,745,060	3,233,327	--	--	2,745,060	3,233,327
Public Assistance	2,386,198	3,131,801	--	--	2,386,198	3,131,801
Education	47,952	43,001	--	--	47,952	43,001
Recreation	313,339	146,677	--	--	313,339	146,677
Interest and Fiscal Charges	108,299	40,847	--	--	108,299	40,847
Transit	--	--	168,006	152,899	168,006	152,899
Solid Waste	--	--	1,466,744	1,507,269	1,466,744	1,507,269
Total Expenses	<u>18,297,130</u>	<u>18,970,023</u>	<u>1,634,750</u>	<u>1,660,168</u>	<u>19,931,880</u>	<u>20,630,191</u>
Change in Net Assets	(1,072,022)	782,979	(683,653)	(577,552)	(1,755,675)	205,427
Net Assets - Beginning, restated	<u>25,857,758</u>	<u>25,074,779</u>	<u>(394,259)</u>	<u>183,293</u>	<u>25,463,499</u>	<u>25,258,072</u>
Net Assets - Ending	<u>\$ 24,785,736</u>	<u>\$ 25,857,758</u>	<u>\$ (1,077,912)</u>	<u>\$ (394,259)</u>	<u>\$ 23,707,824</u>	<u>\$ 25,463,499</u>

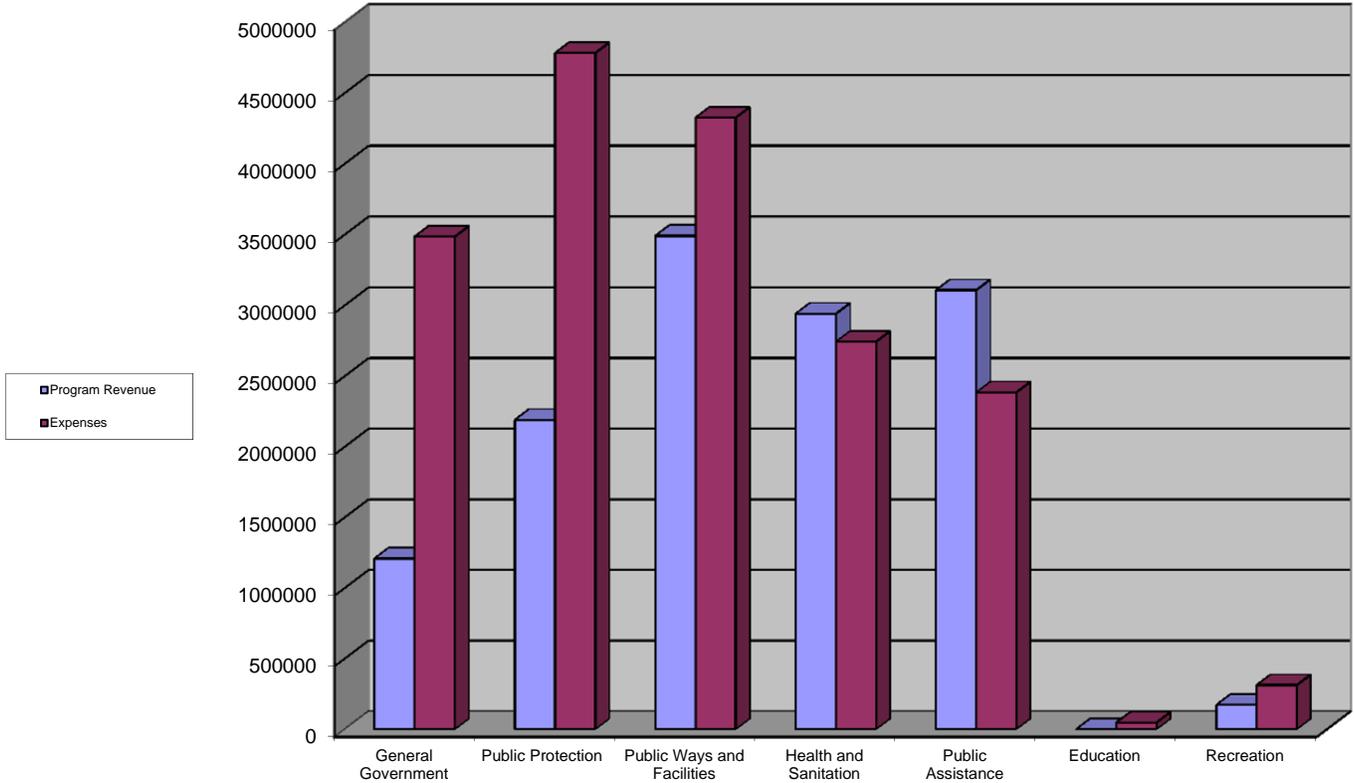
- ❖ Property taxes decreased by (\$759,607) (20.36%) during the year. This is due to the real estate bubble pop.
- ❖ Contributions from others are up primarily from increase in Road and Park projects.
- ❖ Expenditures are up solely do to the County issuing a pension bond in the amount of \$4,630,000 to pay off debt owed to PERS for the miscellaneous employee's side fund.

# COUNTY OF SIERRA

Management's Discussion and Analysis  
For the Year Ended June 30, 2012

## Expenses and Program Revenues – Governmental Activities

Expenses & Program Revenues

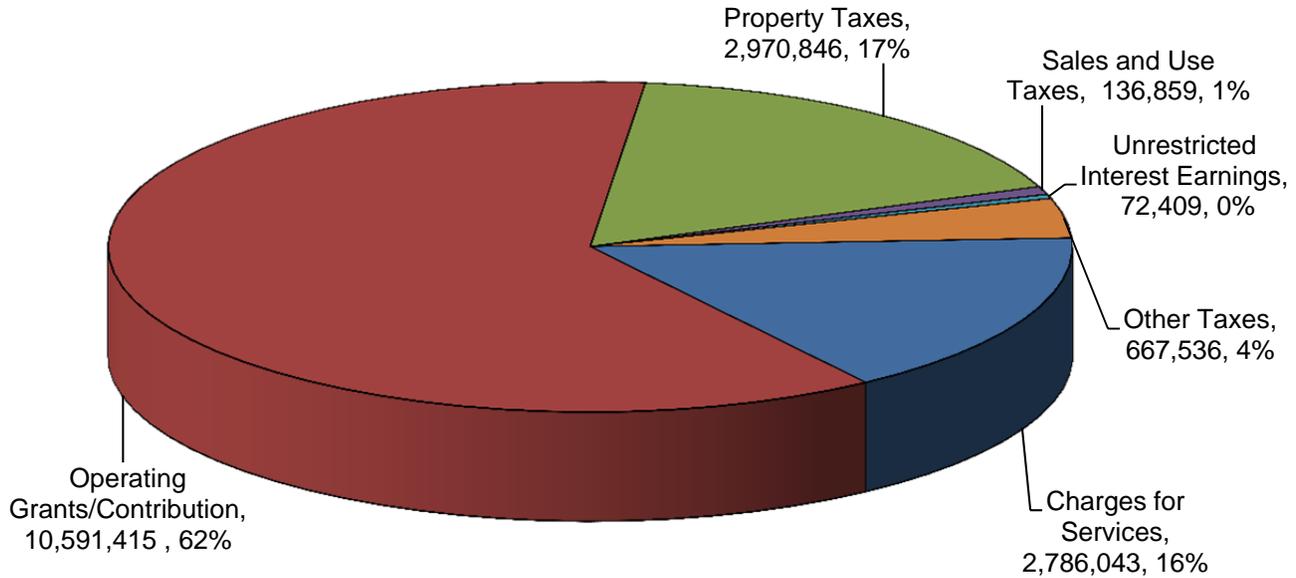


	<u>Program Revenue</u>	<u>Expenses</u>
General Government	\$ 1,209,726	\$ 3,486,493
Public Protection	2,191,508	4,783,497
Public Ways and Facilities	3,749,708	4,426,292
Health and Sanitation	2,942,367	2,745,060
Public Assistance	3,108,884	2,386,198
Education	1,496	47,952
Recreation	173,769	313,339

# COUNTY OF SIERRA

## Management's Discussion and Analysis For the Year Ended June 30, 2012

### Revenues by Source – Governmental Activities



The largest portion of revenue received by the County comes from Federal and State sources (approximately 61.5%). The second largest source comes from taxes (17.2%). However, it should be noted that of every \$1.00 collected in property tax approximately 34% benefits schools, with 54% going towards the funding of County services and programs. City receiving less than 1% and Special Districts receive 11%. Only 20% of total county revenue received is discretionary (not dedicated at the source of funding to particular services/programs).

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

**Business-type activities.** Two of Sierra County's funds are classified as business-type activities. The Solid Waste fund and the Transit fund. The transit fund is a pass through of State funds to operate two senior van programs.

The Solid Waste fund consists of the operation of a landfill and four transfer stations. The county does not provide curb side pickup.

### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the County of Sierra's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County of Sierra's governmental funds reported combined ending fund balances of \$7,278,115, a decrease of (\$169,208) from the prior year. Approximately 1% of this total amount (\$81,389) constitutes unassigned fund balance, which is available for spending on going operation. The remainder of the fund balance is reserved or classified as nonspendable to indicate that it is not available for new spending, (1) reserved for inventory (\$79,719); (2) for prepaids (\$2,399).

# COUNTY OF SIERRA

## Management's Discussion and Analysis For the Year Ended June 30, 2012

The General fund is the chief operating fund of the County of Sierra. The fund balance of the general fund decreased by (\$861,215) during the 2011/12 Fiscal Year. This was caused by expenditures exceeding operating revenues. At the end of the current fiscal year, fund balance of the general fund was a positive \$119,602. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Fund balance represents 1% of total general fund expenditures.

At the end of the current fiscal year, the Road Fund had a balance of \$236,197, while nonspendable fund balance was \$79,719, the difference representing inventory and special projects. As a measure of the Road Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 4.3% of total road fund expenditures, while total fund balance represents 6.6% of that same amount.

At the end of the current fiscal year, the Human Services fund had a balance of \$1,392,183. As a measure of the Human Services fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 62.08% of that same amount.

At the end of the current fiscal year, the Public Health and Drug fund had a balance of \$3,777,467. The Debt Service Fund had a balance of \$775.

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to (\$1,273,288).

### General Fund Budgetary Highlights

In prior years, the County of Sierra has experienced significant fund balances. Those available, unreserved fund balances were used to help finance either new or on-going levels of service or programs. However, due to the State's appropriation of local funds, increases in labor costs (health insurance, retirement, and workers compensation insurance) the County ended the fiscal year with expenditures exceeding revenues by (\$861,215).

### Capital Asset and Debt Administration

**Capital assets.** The County of Sierra's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$17,968,146 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, and bridges. The total increase in the County of Sierra's investment in capital assets for the current fiscal year was net of current year depreciation.

Major capital asset events during the current fiscal year included the following:

#### County of Sierra's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 937,606	\$ 937,606	\$ 47,088	\$ 47,088	\$ 984,694	\$ 984,694
Building and system	10,002,127	4,211,152	13,603	16,420	10,015,730	4,227,572
Machinery and equipment	1,937,310	2,024,540	134,685	174,191	2,071,995	2,198,731
Infrastructure	4,175,938	10,808,599	--	--	4,175,938	10,808,599
Construction in progress	687,775	409,199	--	--	687,775	409,199
Historical treasures	32,013	32,013	--	--	32,013	32,013
Total	<u>\$ 17,772,769</u>	<u>\$ 18,423,109</u>	<u>\$ 195,376</u>	<u>\$ 237,699</u>	<u>\$ 17,968,145</u>	<u>\$ 18,660,808</u>

## COUNTY OF SIERRA

### Management's Discussion and Analysis For the Year Ended June 30, 2012

Additional information of the County of Sierra's capital assets can be found in Note 4 on pages 39-40 of this report.

**Long-term debt.** At the end of the current fiscal year, the County of Sierra has total bonded debt outstanding of \$9,026,330, the debt consist of capital leases and a pension bond.

#### County of Sierra's Outstanding Liabilities

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Pension bond	\$ 4,630,000	\$ --	\$ --	\$ --	\$ 4,630,000	\$ --
Other (capital leases, comp balances & landfill closure)	1,409,058	1,386,473	2,987,272	2,250,764	4,396,330	3,637,237
Total	<u>\$ 6,039,058</u>	<u>\$ 1,386,473</u>	<u>\$ 2,987,272</u>	<u>\$ 2,250,764</u>	<u>\$ 9,026,330</u>	<u>\$ 3,637,237</u>

The County of Sierra's total debt increased by \$5,389,093 (148%) during the current fiscal year. The key factor in this increase was the issuance of a pension bond to replace debt incurred by CalPERS in the County's name and the increase in the post closure cost of the Landfill.

Additional information on the County of Sierra's long-term debt can be found in note 6 on page 41 of this report.

#### **Economic Factors which Impacted Budget**

All of the factors listed below were considered in preparing the County of Sierra's budget for the 2011-2012 fiscal year.

- ❖ The unemployment rate for the County of Sierra is currently 11.9% (6-30-2012), which is a decrease of 3.3% from a year ago. This compares to the state's average unemployment rate of 10.7% a decrease of 1.4% from a year ago.
- ❖ Deflationary trends on housing cost have had a detrimental effect on the tax bases. There is still a possibility of further decline in property values.
- ❖ Continued resection of the national, state & local economies. Specifically, State's budget deficit (60% of County revenues come from State and Federal sources. All this funding is passed through the State).
- ❖ The continuing State budget crises have caused the State not to make some of its payments to the County.
- ❖ Continued reductions in the County's portion of property

#### **Requests for Information**

The financial report is designed to provide a general overview of the County of Sierra'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 County of Sierra, Auditor/Controller Office, P.O. Box 425, Downieville, California, 95936.

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

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**COUNTY OF SIERRA**

Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 6,489,014	\$ 388,845	\$ 6,877,859
Imprest cash	6,315	--	6,315
Deposits with others	468,908	--	468,908
Receivables:			
Accounts receivable	--	727	727
Due from other agencies	1,563,435	41,152	1,604,587
Taxes	155,981	--	155,981
Prepays	2,399	--	2,399
Inventories	79,719	--	79,719
Restricted cash	--	1,331,757	1,331,757
Net pension asset	4,545,175	--	4,545,175
OPEB asset	98,759	--	98,759
Capital assets:			
Nondepreciable	1,657,394	47,088	1,704,482
Depreciable, net	16,115,375	148,288	16,263,663
Total Assets	<u>31,182,474</u>	<u>\$ 1,957,857</u>	<u>\$ 33,140,331</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 357,680	\$ 9,229	\$ 366,909
Unearned revenues	--	39,268	39,268
Long-Term Liabilities:			
Portion due or payable within one year:			
Liability for compensated absences	342,190	--	342,190
Capital leases	320,644	--	320,644
Bonds payable	332,000	--	332,000
Claims liability	518,804	--	518,804
Portion due or payable after one year:			
Capital leases	227,420	--	227,420
Bonds payable	4,298,000	--	4,298,000
Landfill closure/post closure care costs	--	2,987,272	2,987,272
Total Liabilities	<u>6,396,738</u>	<u>3,035,769</u>	<u>9,432,507</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,224,705	195,376	17,420,081
Restricted for:			
General government	732,897	--	732,897
Public protection	819,093	--	819,093
Public ways	385,934	--	385,934
Health and sanitation	3,777,467	--	3,777,467
Public assistance	1,392,958	--	1,392,958
Recreation	4,053	--	4,053
Unrestricted	448,629	(1,273,288)	(824,659)
Total Net Assets	<u>24,785,736</u>	<u>(1,077,912)</u>	<u>23,707,824</u>
Total Liabilities and Net Assets	<u>\$ 31,182,474</u>	<u>\$ 1,957,857</u>	<u>\$ 33,140,331</u>

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

**COUNTY OF SIERRA**

Statement of Activities  
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 3,486,493	\$ 717,064	\$ 492,662	\$ --
Public protection	4,783,497	545,191	1,646,317	--
Public ways and facilities	4,426,292	1,335,301	2,139,881	274,526
Health and sanitation	2,745,060	42,243	2,900,124	--
Public assistance	2,386,198	129,834	2,979,050	--
Education	47,952	1,496	--	--
Recreation and culture	313,339	14,914	158,855	--
Interest	108,299	--	--	--
Total Governmental Activities	<u>18,297,130</u>	<u>2,786,043</u>	<u>10,316,889</u>	<u>274,526</u>
Business-Type Activities:				
Solid Waste	\$ 1,466,744	\$ 737,327	\$ 50,647	\$ --
Transit	168,006	13,903	125,898	--
Total Business-type Activities	<u>1,634,750</u>	<u>751,230</u>	<u>176,545</u>	<u>--</u>
Total Sierra County	<u>\$ 19,931,880</u>	<u>\$ 3,537,273</u>	<u>\$ 10,493,434</u>	<u>\$ 274,526</u>

General Revenues:

Taxes:

Property taxes

Sales and use taxes

Transient occupancy tax

Other

Unrestricted interest and investment earnings

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

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
\$ (2,276,767)	\$ --	\$ (2,276,767)
(2,591,989)	--	(2,591,989)
(676,584)	--	(676,584)
197,307	--	197,307
722,686	--	722,686
(46,456)	--	(46,456)
(139,570)	--	(139,570)
(108,299)	--	(108,299)
<u>(4,919,672)</u>	<u>--</u>	<u>(4,919,672)</u>
\$ --	\$ (678,770)	\$ (678,770)
--	(28,205)	(28,205)
<u>--</u>	<u>(706,975)</u>	<u>(706,975)</u>
<u>(4,919,672)</u>	<u>(706,975)</u>	<u>(5,626,647)</u>
\$ 2,970,846	--	\$ 2,970,846
136,859	--	136,859
378,674	--	378,674
288,862	--	288,862
72,409	23,322	95,731
<u>3,847,650</u>	<u>23,322</u>	<u>3,870,972</u>
(1,072,022)	(683,653)	(1,755,675)
<u>25,857,758</u>	<u>(394,259)</u>	<u>25,463,499</u>
<u>\$ 24,785,736</u>	<u>\$ (1,077,912)</u>	<u>\$ 23,707,824</u>

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

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**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

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**COUNTY OF SIERRA**

Balance Sheet  
Governmental Funds  
June 30, 2012

	General	Road	Human Services	Public Health and Drug Programs	Debt Service Fund	Other Governmental	Total
<b>Assets</b>							
Cash and investments	\$ 83,201	\$ --	\$ 1,403,401	\$ 3,379,231	\$ --	\$ 1,623,181	\$ 6,489,014
Imprest cash	2,265	--	--	4,050	--	--	6,315
Deposits with others	468,133	--	--	--	775	--	468,908
Receivables:							
Due from other agencies	180,181	570,689	--	604,109	--	208,456	1,563,435
Taxes	155,125	--	--	--	--	856	155,981
Due from other funds	--	--	--	--	--	122,441	122,441
Prepays	--	--	--	--	--	2,399	2,399
Inventory	--	79,719	--	--	--	--	79,719
<b>Total Assets</b>	<b>\$ 888,905</b>	<b>\$ 650,408</b>	<b>\$ 1,403,401</b>	<b>\$ 3,987,390</b>	<b>\$ 775</b>	<b>\$ 1,957,333</b>	<b>\$ 8,888,212</b>
<b>Liabilities</b>							
Accounts payable	\$ 149,143	\$ 38,722	\$ 11,218	\$ 61,731	\$ --	\$ 20,873	281,687
Due to other funds	--	75,993	--	--	--	122,441	198,434
Deferred revenue	101,356	299,496	--	148,192	--	62,128	611,172
Liability for self-insurance	518,804	--	--	--	--	--	518,804
<b>Total Liabilities</b>	<b>769,303</b>	<b>414,211</b>	<b>11,218</b>	<b>209,923</b>	<b>--</b>	<b>205,442</b>	<b>1,610,097</b>
<b>Fund Balances</b>							
Nonspendable:							
Inventory and prepaids	--	79,719	--	--	--	2,399	82,118
Restricted for:							
General government	--	--	--	--	--	732,897	732,897
Public protection	--	--	--	--	--	819,093	819,093
Public ways and facilities	--	156,478	--	--	--	229,456	385,934
Health and sanitation	--	--	--	3,777,467	--	--	3,777,467
Public assistance	--	--	1,392,183	--	775	--	1,392,958
Recreation	--	--	--	--	--	4,053	4,053
Assigned							
Capital projects	--	--	--	--	--	2,206	2,206
Unassigned	119,602	--	--	--	--	(38,213)	81,389
<b>Total Fund Balances</b>	<b>119,602</b>	<b>236,197</b>	<b>1,392,183</b>	<b>3,777,467</b>	<b>775</b>	<b>1,751,891</b>	<b>7,278,115</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 888,905</b>	<b>\$ 650,408</b>	<b>\$ 1,403,401</b>	<b>\$ 3,987,390</b>	<b>\$ 775</b>	<b>\$ 1,957,333</b>	<b>\$ 8,888,212</b>

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

**COUNTY OF SIERRA**

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Assets - Governmental Activities  
June 30, 2012

Fund Balance - total governmental funds (page 15)	\$ 7,278,115
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.	17,772,769
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	611,172
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Other post employment benefit asset	98,759
The pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore not reported in the funds.	4,545,175
Long-term liabilities, including capital leases, are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Capital leases	(548,064)
Bonds payable	(4,630,000)
Compensated absences	(342,190)
Net assets of governmental activities (page 11)	<u>\$ 24,785,736</u>

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

**COUNTY OF SIERRA**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

	General	Road	Human Services	Public Health and Drug Programs	Debt Service Fund	Other Governmental	Total
<b>Revenues:</b>							
Taxes	\$ 3,569,969	\$ --	\$ --	\$ --	\$ --	\$ 205,272	\$ 3,775,241
Licenses and permits	91,525	--	--	--	--	--	91,525
Fines, forfeitures and penalties	58,447	--	--	--	--	36,383	94,830
Use of money and property	22,086	1,960	7,546	33,364	--	7,453	72,409
Intergovernmental	1,502,764	2,390,730	2,904,508	2,843,476	--	1,519,158	11,160,636
Charges for services	1,221,828	460,000	--	74,509	--	297,654	2,053,991
Other revenues	183,050	16,239	13,262	9,314	--	18,469	240,334
<b>Total Revenues</b>	<b>6,649,669</b>	<b>2,868,929</b>	<b>2,925,316</b>	<b>2,960,663</b>	<b>--</b>	<b>2,084,389</b>	<b>17,488,966</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	3,247,991	--	--	--	1,823,967	209,864	5,281,822
Public protection	4,463,399	--	--	--	40,736	264,374	4,768,509
Public ways and facilities	38,290	3,603,667	--	--	1,376,886	541,599	5,560,442
Health and sanitation	11,458	--	--	2,707,717	739,323	11	3,458,509
Public assistance	99,481	--	2,242,491	13,304	564,263	--	2,919,539
Education	47,952	--	--	--	--	4	47,956
Recreation and culture	280,689	--	--	--	--	--	280,689
Debt service - interest and cost	24,249	--	--	--	84,050	--	108,299
<b>Total Expenditures</b>	<b>8,213,509</b>	<b>3,603,667</b>	<b>2,242,491</b>	<b>2,721,021</b>	<b>4,629,225</b>	<b>1,015,852</b>	<b>22,425,765</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,563,840)	(734,738)	682,825	239,642	(4,629,225)	1,068,537	(4,936,799)
<b>Other Financing Sources (Uses):</b>							
Issuance of debt	--	--	--	--	4,630,000	--	4,630,000
Transfers in	764,087	14,163	--	120,877	--	94,255	993,382
Transfers out	(61,462)	(24,631)	(123,772)	--	--	(783,517)	(993,382)
Inception of capital lease	--	137,591	--	--	--	--	137,591
<b>Total Other Financing Sources (Uses)</b>	<b>702,625</b>	<b>127,123</b>	<b>(123,772)</b>	<b>120,877</b>	<b>4,630,000</b>	<b>(689,262)</b>	<b>4,767,591</b>
<b>Net Changes in Fund Balances</b>	<b>(861,215)</b>	<b>(607,615)</b>	<b>559,053</b>	<b>360,519</b>	<b>775</b>	<b>379,275</b>	<b>(169,208)</b>
<b>Fund Balances, Beginning of Year</b>	<b>980,817</b>	<b>843,812</b>	<b>833,130</b>	<b>3,416,948</b>	<b>--</b>	<b>1,372,616</b>	<b>7,447,323</b>
<b>Fund Balances, End of Year</b>	<b>\$ 119,602</b>	<b>\$ 236,197</b>	<b>\$ 1,392,183</b>	<b>\$ 3,777,467</b>	<b>\$ 775</b>	<b>\$ 1,751,891</b>	<b>\$ 7,278,115</b>

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

**COUNTY OF SIERRA**

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, 2012

Net change to fund balance - total governmental funds (page 17)	\$	(169,208)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$	826,188
Less: current year depreciation	<u>(1,476,528)</u>	(650,340)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(263,858)
Long-term debt proceeds provide current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Proceeds from debt		(4,767,591)
Repayment of capital leases		156,104
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 net pension asset		4,545,175
Change in compensated absences		27,101
Other post employment benefits are reported as an expenditure when contributions are made in the governmental funds, but are deferred assets for contributions made in excess of required amounts.		
		<u>50,595</u>
Change in net assets of governmental activities (page 12)	\$	<u><u>(1,072,022)</u></u>

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

**COUNTY OF SIERRA**

Statement of Fund Net Assets  
Proprietary Funds  
June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major Fund - Solid Waste</u>	<u>Other Fund - Transit Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 386,553	\$ 2,292	\$ 388,845
Accounts receivable	727	--	727
Due from other agencies	1,152	40,000	41,152
Total current assets	<u>388,432</u>	<u>42,292</u>	<u>430,724</u>
Noncurrent assets:			
Restricted cash	1,331,757	--	1,331,757
Capital assets:			
Nondepreciable assets	47,088	--	47,088
Depreciable, net	58,898	89,390	148,288
Total noncurrent assets	<u>1,437,743</u>	<u>89,390</u>	<u>1,527,133</u>
Total Assets	<u>\$ 1,826,175</u>	<u>\$ 131,682</u>	<u>\$ 1,957,857</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 9,229	\$ --	\$ 9,229
Deferred revenues	--	39,268	39,268
Total current liabilities	<u>9,229</u>	<u>39,268</u>	<u>48,497</u>
Noncurrent liabilities:			
Closure/post closure liability	2,987,272	--	2,987,272
Total Liabilities	<u>2,996,501</u>	<u>39,268</u>	<u>3,035,769</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	105,986	89,390	195,376
Unrestricted	(1,276,312)	3,024	(1,273,288)
Total Net Assets	<u>(1,170,326)</u>	<u>92,414</u>	<u>(1,077,912)</u>
Total Liabilities and Net Assets	<u>\$ 1,826,175</u>	<u>\$ 131,682</u>	<u>\$ 1,957,857</u>

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

**COUNTY OF SIERRA**

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Major Fund - Solid Waste	Other Fund - Transit Fund	Total
Operating Revenues:			
Charges for services	\$ 737,327	\$ 13,903	\$ 751,230
Total Operating Revenues	<u>737,327</u>	<u>13,903</u>	<u>751,230</u>
Operating Expenses:			
Salaries and benefits	157,418	--	157,418
Purchased transportation	--	133,784	133,784
Maintenance	23,360	--	23,360
Office expense	1,311	--	1,311
Professional services	80,817	--	80,817
Recycling grant	2,339	--	2,339
Depreciation	14,142	28,181	42,323
Operations	448,638	6,041	454,679
Closure/postclosure care costs	738,678	--	738,678
Total Operating Expenses	<u>1,466,703</u>	<u>168,006</u>	<u>1,634,709</u>
Operating Income (Loss)	<u>(729,376)</u>	<u>(154,103)</u>	<u>(883,479)</u>
Non-Operating Revenue (Expenses):			
Intergovernmental revenues	50,647	125,898	176,545
Interest revenue	23,298	24	23,322
Interest expense	(41)	--	(41)
Total Non-Operating Revenue (Expenses)	<u>73,904</u>	<u>125,922</u>	<u>199,826</u>
Change in net assets	(655,472)	(28,181)	(683,653)
Net Assets - Beginning of Year	<u>(514,854)</u>	<u>120,595</u>	<u>(394,259)</u>
Net Assets - End of Year	<u>\$ (1,170,326)</u>	<u>\$ 92,414</u>	<u>\$ (1,077,912)</u>

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

**COUNTY OF SIERRA**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Fund -</u>	<u>Other Fund -</u>	
	Solid Waste	Transit Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 738,989	\$ 13,903	\$ 752,892
Cash paid to suppliers for goods and services	(574,834)	(139,825)	(714,659)
Cash paid to employees for services	(157,418)	--	(157,418)
	<u>6,737</u>	<u>(125,922)</u>	<u>(119,185)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
State and federal grant receipts	50,647	40,000	90,647
Local transportation fund allocations	--	85,166	85,166
Interfund loans	--	(78,053)	(78,053)
	<u>50,647</u>	<u>47,113</u>	<u>97,760</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal paid	(2,171)	--	(2,171)
Interest paid	(41)	--	(41)
Capital grants	--	80,582	80,582
	<u>(2,212)</u>	<u>80,582</u>	<u>78,370</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	23,298	24	23,322
Net Cash Provided (Used) by Investing Activities	<u>23,298</u>	<u>24</u>	<u>23,322</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	78,470	1,797	80,267
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,639,840</u>	<u>495</u>	<u>1,640,335</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,718,310</u>	<u>\$ 2,292</u>	<u>\$ 1,720,602</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Fund Net Assets</b>			
Cash and investments	\$ 386,553	\$ 2,292	\$ 388,845
Restricted cash in Treasury	1,331,757	--	1,331,757
<b>Total Cash and Cash Equivalents</b>	<u>\$ 1,718,310</u>	<u>\$ 2,292</u>	<u>\$ 1,720,602</u>

continued

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

**COUNTY OF SIERRA**

Statement of Cash Flows (continued)  
 Proprietary Funds  
 For the Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Solid</u>	<u>Other Fund -</u>	
	<u>Waste</u>	<u>Transit</u>	<u>Total</u>
		<u>Fund</u>	
<b>Reconciliation of Operating Income (Loss)</b>			
<b>to Net Cash Provided (Used) by</b>			
<b>Operating Activities:</b>			
Operating income (loss)	\$ (729,376)	\$ (154,103)	\$ (883,479)
Adjustments to reconcile operating income to net			
cash provided (used) by operating activities:			
Depreciation	14,142	28,181	42,323
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	1,662	--	1,662
Increase (decrease) in:			
Accounts payable	(18,370)	--	(18,370)
Closure and postclosure liability	738,679	--	738,679
	<u>738,679</u>	<u>--</u>	<u>738,679</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 6,737</u>	<u>\$ (125,922)</u>	<u>\$ (119,185)</u>

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

**COUNTY OF SIERRA**

Statement of Fiduciary Net Assets  
June 30, 2012

	<u>Investment Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and investments	\$ 5,807,951	\$ 349,891
Taxes receivable	--	803,395
Due from other governments	130,034	--
Due from other funds	--	75,993
	<u>5,937,985</u>	<u>1,229,279</u>
Total Assets		
	<u>5,937,985</u>	<u>1,229,279</u>
<b>LIABILITIES</b>		
Accounts payable	--	76,948
Agency obligations	--	1,152,331
	<u>--</u>	<u>1,229,279</u>
Total Liabilities		
	<u>--</u>	<u>1,229,279</u>
<b>NET ASSETS</b>		
Net assets held in trust for investment pool participants	<u>5,937,985</u>	<u>\$ --</u>

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

**COUNTY OF SIERRA**

Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2012

	<u>Investment Trust</u>
<b>ADDITIONS</b>	
Contributions from pool participants	\$ 6,893,946
Revenue from use of money and property	<u>43,670</u>
Total Additions	<u>6,937,616</u>
<b>DEDUCTIONS</b>	
Distributions to pool participants	<u>7,093,309</u>
Total Deductions	<u>7,093,309</u>
Net increase (decrease) in net assets	(155,693)
Net Assets - Beginning of Year	<u>6,093,678</u>
Net Assets - End of Year	<u><u>\$ 5,937,985</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

The notes provided in the financial section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a Summary of Significant Accounting Policies for the County, and other necessary disclosure of pertinent matters relating to the financial position of the County. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.

## COUNTY OF SIERRA

### Notes to the Financial Statements For the Year Ended June 30, 2012

#### NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Description of Reporting Entity**

The County of Sierra (County) is a political subdivision of the State of California. It is governed by an elected board of five County Supervisors. These financial statements present all the fund types and account groups of the County and its component units.

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, as amended by Statement No. 35.

Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Blended component units are an extension of the County and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. Each component unit has a June 30th year end.

Blended Component Units. County Service Area No. 1, County Service Area No. 2, County Service Area No. 3, County Service Area No. 4, County Service Area No. 5, County Service Area No. 4A, Sierra Brooks Water, and Solid Waste Services Enterprise Fund are districts governed by the County Board of Supervisors. The component unit's governing body is substantially the same as the primary government, hence, these units are presented by blending them with the primary government.

Discretely Presented Component Units. There are no component units of the County which meet the criteria for discrete presentation.

##### **B. Basis of Presentation**

###### *Government-Wide Financial Statements*

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

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

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

## COUNTY OF SIERRA

### Notes to the Financial Statements For the Year Ended June 30, 2012

#### NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

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

###### *Fund Financial Statements*

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. *Operating* expenses include costs of providing services and delivering goods. All other expenses not meeting this definition are reported as *nonoperating* expenses.

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 public protection, health and sanitation, public assistance, education and general government administration functions.
- The *Road Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that relate to public ways not accounted for through other funds.
- The *Human Services Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that relate to public assistance and health and sanitation not accounted for through other funds.
- The *Public Health and Drug Programs Fund* is used to account for realignment revenues received from the State to fund certain health, mental health and social service programs.
- The *Debt Service Fund* is used to account for the accumulation of resources and payment of debt service obligations.

The County reports the following major enterprise fund:

- The *Solid Waste Fund* is used to account for all revenues and expenses necessary to carry out basic governmental activities of the County that relate to sanitation not accounted for through other funds.

The County reports the following additional fund types:

- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities.
- The *Agency Funds* account for assets held by the County as an agent for various local governments.

## COUNTY OF SIERRA

### Notes to the Financial Statements For the Year Ended June 30, 2012

#### NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

##### **C. Basis of Accounting**

The government-wide, proprietary and investment trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available ("susceptible to accrual"). Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

For its business-type activities and enterprise funds, the County has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

##### **D. Cash and Cash Equivalents**

Cash and cash equivalents represent the funds' share of cash and investments held in the treasury pool.

##### **E. Receivables**

Receivables consist of property taxes, sales taxes and grants from other governmental agencies. No amount has been provided as an allowance for doubtful accounts because in the opinion of management all material amounts are fully collectible.

##### **F. Inventory**

Road Fund inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**G. Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The County defines capital assets as assets with an initial, individual cost of more than \$7,500 and an estimated useful life in excess of one year. Repairs and upgrades to existing equipment or structures with a value of \$7,500 or more for equipment and \$10,000 or more for structures, and extends the useful life of the item for more than three years shall be capitalized. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

Infrastructure (except for the maintained pavement subsystem)	30 years
Structures and improvements	30 years
Equipment	5 to 50 years

GASB No. 34 requires the County to report and depreciate new infrastructure including roads, bridges, underground pipe (other than related to utilities), traffic signals, water/sewer, lighting, drainage and flood control. In some cases, governments are also required to capitalize and depreciate infrastructure acquired prior to the implementation of GASB 34. This retroactive reporting of infrastructure is not required for Phase 3 governments, those that had less than \$10 million in revenues for fiscal year 1999. The County qualifies as a Phase 3 government and therefore no retroactive reporting of infrastructure is required.

**H. Compensated Absences**

Vacation leave may be accumulated depending on the length of an employee's years of service, up to a maximum of 320 hours or 40 days. Sick leave is paid out only for employees with 15 years or more of employment with the County, at 40 percent of time accrued up to a maximum of 960 hours or 120 days.

**I. Deferred Revenue and Unearned Revenue**

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

**J. Interfund Transactions**

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

## COUNTY OF SIERRA

### Notes to the Financial Statements For the Year Ended June 30, 2012

#### NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

##### **K. Property Tax Revenue**

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

On December 7, 1993, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes, excluding assessments and debt repayment levies, are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95 percent of the total prior years' delinquent secured property taxes, penalties and interest (not including assessments and debt replacement levies) outstanding at June 30, 1993.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal year the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may, by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any tax levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls for that agency.

##### **L. Net Assets/Fund Balances**

###### Net Assets

The government-wide and business-type activities financial statements utilize a net assets presentation. Net assets represent the difference between assets and liabilities and are displayed in three components:

*Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

*Restricted Net Assets* – This category represents net assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

When both restricted and unrestricted net assets are available, restricted resources are used first, then unrestricted resources as they are needed.

## COUNTY OF SIERRA

### Notes to the Financial Statements For the Year Ended June 30, 2012

#### NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

##### L. **Net Assets/Fund Balances** (continued)

###### Fund Balances

Beginning with the fiscal year 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable fund balance* – This category represents amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.

*Restricted fund balance* – This category represents amounts with constraints placed on their use by those external to the County, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

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

*Assigned fund balance* – This category represents amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for that purpose.

*Unassigned fund balance* – This category represents the residual classification that includes amounts not contained in the other classifications.

The County's board establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, followed by the unrestricted resources that are committed, assigned and unassigned, in this order as they are needed.

###### *Fund Balance Policy*

The County's goal is to use unrestricted fund balance as a source to finance one-time investments, reserves and/or commitments. Committed, assigned and unassigned fund balances are considered unrestricted. The County's general financial guidelines permit the County's Board of Supervisors to use unbudgeted unassigned fund balance in the following manner as recommended by the County Finance Committee and Department Heads:

- A capital project fund
- Strategic reserve equal to 3 percent of current general fund revenues
- One-time investments or assignments

## COUNTY OF SIERRA

### Notes to the Financial Statements For the Year Ended June 30, 2012

#### NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

##### L. **Net Assets/Fund Balances** (continued)

###### Fund Balances

###### *Strategic Reserve Policy*

The County has established a strategic reserve reported as a separate committed fund balance constraint. The target funding level is equal to three percent of the total general fund final budgeted estimated revenues. Funding for the strategic reserve is appropriated annually by the Board of Supervisors as part of the budget approval process.

The purpose of the County's general fund strategic reserve is to cover short-term revenue reductions due to economic downturns, for natural disasters as determined by the County Board of Supervisors, and for one-term only State budget reductions that could not be addressed through the annual appropriations for contingencies in the general fund.

##### M. **Estimates**

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

#### NOTE 2: **CASH AND INVESTMENTS**

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds using a formula based on the average daily cash balance of each fund.

The investment pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The County investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust.

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 2: **CASH AND INVESTMENTS** (CONTINUED)

At June 30, 2012, total County cash and investments were as follows:

*Cash:*

Cash on hand and imprest cash	\$ 7,195
Deposits	438,528
Outstanding warrants	<u>(134,844)</u>
Total cash and deposits	<u>310,879</u>

*Investments:*

In Treasurer's pool	<u>14,062,894</u>
Total Cash and Investments	<u><u>\$ 14,373,773</u></u>

Total cash and investments at June 30, 2012, were presented on the County's financial statements as follows:

Primary government <sup>(1)</sup>	\$ 8,215,931
Investment trust fund	5,807,951
Agency funds	<u>349,891</u>
Total cash and investments	<u><u>\$ 14,373,773</u></u>

<sup>(1)</sup>Includes \$1,331,757 restricted for future closure/post-closure costs.

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 2: **CASH AND INVESTMENTS** (CONTINUED)

Investments

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

Authorized Investment Type	Maximum Allowable Maturity	* Limit Per Type of Investment	*Maximum Investment in One Issuer
U.S. Treasury Obligations	5 Years	100%	None
Federal Agency Obligations			
Government National Mortgage Assn.	5 Years	50%	None
Federal Farm Credit System	5 Years	50%	None
Federal Home Loan Bank	5 Years	50%	None
Federal Home Loan Mortgage Corporation	5 Years	50%	None
Federal National Mortgage Association	5 Years	50%	None
Bankers Acceptances	180 days	40%	15%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	20%	10%
Repurchase Agreements			
Less than 30 days	30 days	30%	20%
Greater than 30 days	1 year	30%	10%
Medium-Term Corporate Notes	5 years	30%	10%
Bank/Time Deposits	5 years	50%	15%
California Asset Management Program	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

\* Based on total of surplus funds at the time the investment decision is made.

Restricted Cash

The County is required by state and federal laws and regulations to make annual contributions to a trust fund to finance the future closure and post-closure costs of the landfill. The amount held and restricted at June 30, 2012 is \$1,331,757. The County makes annual contributions based on a predetermined formula. The County expects that future inflation costs related to closure/post closure costs will be paid from interest earnings on these annual contributions.

At June 30, 2012, the County had the following investments:

Investments in Investment Pool	Interest Rates	Maturities	Par	Fair Value	Carrying Value	Weighted Average Maturity (Years)
Federal Agency Obligations	1.125% - 2.500%	5/15/14 - 11/21/16	\$ 1,000,000	\$ 1,021,146	\$ 1,010,388	3.11
Commercial Paper	1.250% - 5.400%	10/10/12 - 2/11/15	4,300,000	4,433,077	4,432,919	1.52
LAIF	Variable	On Demand	8,618,755	8,618,755	8,618,755	0.00
CAMP	Variable	On Demand	832	832	832	0.00
<b>Total investments in investment pool</b>			<b>\$13,919,587</b>	<b>\$14,073,810</b>	<b>\$14,062,894</b>	<b>0.70</b>

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 2: **CASH AND INVESTMENTS** (CONTINUED)

At June 30, 2012, the difference between the cost and fair value of cash and investments was not material (fair value was 100.08% of carrying value). Therefore, an adjustment to fair value was not made. Fair value is based on information provided by the State for the Local Agency Investment Fund and investment custodians for all other types of investments.

Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

Credit Risk

State law and the County's Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law and the County's Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor's and Moody's Investors Service. The County does not have credit limits on government agency securities.

Concentration of Credit Risk

At June 30, 2012, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2012.

	<u>S&amp;P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Federal Agency Obligations	AA+	Aaa	7.26%
Commercial Paper	AAA	Aaa	3.59%
Commercial Paper	AA+	Aa2	7.37%
Commercial Paper	AA-	Aa3	3.73%
Commercial Paper	A+	Aa1	3.72%
Medium Term Corporate Notes	A+	Aa2	3.58%
Commercial Paper	A+	Aa3	5.75%
Commercial Paper	A+	A2	3.75%
California Local Agency Investment Fund	Unrated	Unrated	61.24%
California Asset Management Program (CA)	Unrated	Unrated	0.01%
Total			<u>100.00%</u>

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 2: **CASH AND INVESTMENTS** (CONTINUED)

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. The California Government Code requires that a financial institution secure the County's cash deposits by pledging 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.

Local Agency Investment Fund

The County Treasurer's 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 in 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.

At June 30, 2012, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$8,618,755, 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 \$60.5 billion. Of that amount, 3.47% was invested in structured notes and asset-backed securities with the remaining 96.53% invested in other non-derivative financial products.

County Investment pool Condensed Financial Statements

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2012:

**Statement of Net Assets**

Net assets held for pool participants	<u>\$ 14,367,458</u>
Equity of internal pool participants	8,559,507
Equity of external pool participants	<u>5,807,951</u>
Total net assets	<u>\$ 14,367,458</u>

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 2: **CASH AND INVESTMENTS** (CONTINUED)

County Investment pool Condensed Financial Statements (continued)

**Statement of Changes in Net Assets**

Investment earnings	\$ 140,391
Investment expenses	(33,344)
Net changes in investments by pool participants	<u>(539,368)</u>
 Change in Net Assets	 (432,321)
 Net assets at July 1, 2011	 <u>14,799,779</u>
 Net assets at June 30, 2012	 <u>\$ 14,367,458</u>

NOTE 3: **INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables**

Interfund receivables and payables represent borrowing between funds at year-end. The composition of interfund balances as of June 30, 2012, is as follows:

***Due to/from other funds***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Agency Fund	Road Fund	\$ 75,993
Nonmajor Governmental Funds	Nonmajor Governmental Funds	122,441
		<u>\$ 198,434</u>

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 3: **INTERFUND TRANSACTIONS** (CONTINUED)

**Interfund Receivables/Payables** (continued)

***Transfers:***

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

***Between Funds Within the Governmental:***

Transfers from	Transfers to	Amount
General Fund	Public Health and Drug	\$ 7,307
	Road Fund	9,163
	Nonmajor Governmental Funds	44,992
		<u>61,462</u>
Human Services	General Fund	10,202
	Public Health and Drug	113,570
		<u>123,772</u>
Road	Nonmajor Governmental Funds	<u>24,631</u>
Nonmajor Governmental Funds	General Fund	753,885
	Nonmajor Governmental Funds	24,632
	Road	5,000
		<u>783,517</u>
Total		<u><u>\$ 993,382</u></u>

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Transfers & Adjustments	Balance June 30, 2012
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 937,606	\$ --	\$ --	\$ --	\$ 937,606
Construction in progress	409,199	291,183	--	(12,607)	687,775
Historical treasures	32,013	--	--	--	32,013
Total capital assets, not being depreciated	<u>1,378,818</u>	<u>291,183</u>	<u>--</u>	<u>(12,607)</u>	<u>1,657,394</u>
Capital assets, being depreciated:					
Infrastructure	14,069,304	--	--	--	14,069,304
Structures and improvements	7,229,813	161,631	--	14,505	7,405,949
Equipment	7,019,454	393,430	(284,896)	19,562	7,147,550
Total capital assets, being depreciated	<u>28,318,571</u>	<u>555,061</u>	<u>(284,896)</u>	<u>34,067</u>	<u>28,622,803</u>
Less accumulated depreciation for:					
Infrastructure	(3,260,705)	(806,472)	--	--	(4,067,177)
Structures and improvements	(3,018,661)	(211,302)	--	(48)	(3,230,011)
Equipment	(4,994,914)	(458,754)	243,428	--	(5,210,240)
Total accumulated depreciation	<u>(11,274,280)</u>	<u>(1,476,528)</u>	<u>243,428</u>	<u>(48)</u>	<u>(12,507,428)</u>
Total capital assets, being depreciated, net	<u>17,044,291</u>	<u>(921,467)</u>	<u>(41,468)</u>	<u>34,019</u>	<u>16,115,375</u>
Governmental activities capital assets, net	<u>\$ 18,423,109</u>	<u>\$ (630,284)</u>	<u>\$ (41,468)</u>	<u>\$ 21,412</u>	<u>\$ 17,772,769</u>
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 47,088	\$ --	\$ --	\$ --	\$ 47,088
Total capital assets, not being depreciated	<u>47,088</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>47,088</u>
Capital assets, being depreciated:					
Structures and improvements	79,116	--	--	--	79,116
Equipment	257,150	--	--	--	257,150
Total capital assets, being depreciated	<u>336,266</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>336,266</u>
Less accumulated depreciation for:					
Structures and improvements	(62,696)	(2,817)	--	--	(65,513)
Equipment	(82,959)	(39,506)	--	--	(122,465)
Total accumulated depreciation	<u>(145,655)</u>	<u>(42,323)</u>	<u>--</u>	<u>--</u>	<u>(187,978)</u>
Total capital assets, being depreciated, net	<u>190,611</u>	<u>(42,323)</u>	<u>--</u>	<u>--</u>	<u>148,288</u>
Business-type activities capital assets, net	<u>\$ 237,699</u>	<u>\$ (42,323)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 195,376</u>

Historical treasures consist of 159 gold nuggets weighing approximately 1,000 ounces in total. The nuggets were originally donated to the County and are currently on exhibit at the Los Angeles County Museum of Natural History. The gold is insured for a value of \$1,000,000, and is valued at the fair market value at the time of donation.

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 4: **CAPITAL ASSETS** (CONTINUED)

**DEPRECIATION**

Depreciation expense was charged to governmental functions as follows:

**Governmental Activities:**

General government	\$ 42,763
Public protection	266,240
Public ways and facilities	1,035,910
Health and sanitation	40,802
Public assistance	42,747
Recreation and culture	<u>48,066</u>
 Total	 <u>\$ 1,476,528</u>

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

**Business-Type Activities:**

Solid Waste Fund	\$ 14,142
Transit	<u>28,181</u>
 Total	 <u>\$ 42,323</u>

NOTE 5: **SHORT-TERM LIABILITIES**

During the fiscal year, the County issued a Revenue Anticipation Note (RAN) in the amount of \$1,034,000, with an interest rate of 2.802%. The note has a maturity date of June 30, 2012. Proceeds of the funds were used for cash flow purposes as needed by the County.

	<u>Balance</u> July 1, 2011	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> June 30, 2012
RAN	<u>\$ --</u>	<u>\$ 1,034,000</u>	<u>\$ (1,034,000)</u>	<u>\$ --</u>

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
<b>Governmental Activities</b>					
Pension obligation bonds	\$ --	\$ 4,630,000	\$ --	\$ 4,630,000	\$ 332,000
Capital leases payable	566,577	137,591	(156,104)	548,064	320,644
Compensated absences	369,291	--	(27,101)	342,190	342,190
Claims liability	450,605	588,463	(520,264)	518,804	518,804
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 1,386,473</b>	<b>\$ 5,356,054</b>	<b>\$ (703,469)</b>	<b>\$ 6,039,058</b>	<b>\$ 1,513,638</b>
<b>Business-type Activities</b>					
Capital leases payable	\$ 2,171	\$ --	\$ (2,171)	\$ --	\$ --
Liability for closure and post-closure	2,248,593	738,679	--	2,987,272	--
<b>Total Business-type Activities Long-term Liabilities</b>	<b>\$ 2,250,764</b>	<b>\$ 738,679</b>	<b>\$ (2,171)</b>	<b>\$ 2,987,272</b>	<b>\$ --</b>

Capital lease retirements and related interest payments are paid from the Road Fund. Compensated absences liabilities will be paid by several of the County's funds, including the general fund, two special revenue funds, one special district under the board of supervisors, and one enterprise fund. Historically, 99 percent of these costs has been paid from the County's government funds, with the remaining 1 percent paid from its proprietary funds. Claims liability will be liquidated by the County's General Fund.

**NEW DEBT ISSUANCE**

June 19, 2012, the County of Sierra issued 2012 Refinancing Pension Bond in the amount of \$4,630,000 to discharge the CalPERS Side Fund obligation of the miscellaneous PERS Members Group. The new bonds bear interest of 4.6% and are due in annual installments ranging from \$546,487 to \$644,482 through June 30, 2022. The bonds are payable pursuant to an agreement with UMPQUA BANK. The new issue will reduce debt service payments for CalPERS Side Fund by \$3,784,614.

**NOTE 7: PLEGGED REVENUES**

The Sierra County Board of Supervisors Solid Waste has pledged Solid Waste assessments and fees to secure the payment of Post Closure Costs of the land fill in accordance with the terms and the provisions of the agreement with the California Department of Resources Recycling and Recovery (CalRecycle). The amount of the pledged revenue shall be equal to \$51,900 per year for the thirty (30) year period of postclosure maintenance, representing the most recent monitoring and postclosure maintenance cost estimate for the Loyalton Landfill. It is agreed that the amount of this pledge may increase or decrease to match any adjustments to the identified cost estimate, which is mutually agreed to by the County of Sierra and CalRecycle.

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

**NOTE 8: CAPITAL LEASES**

The County has entered into lease agreements for large equipment for the Road department and other equipment. Stated interest rates on capital leases range between 4.00% and 5.85%. Included in the governmental activities and business-type activities are the following capital asset amounts under capital leases and the related accumulated depreciation as of June 30, 2012:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equipment	\$ 1,656,617	\$ 113,245
Less: Accumulated Depreciation	<u>(1,008,692)</u>	<u>(67,947)</u>
 Net Capital Assets	 <u>\$ 647,925</u>	 <u>\$ 45,298</u>

The future minimum lease obligations and the net present value of these minimum lease payments for governmental activities as of June 30, 2012, were as follows:

<u>Year Ended June 30:</u>	<u>Governmental Activities</u>
2013	343,527
2014	91,014
2015	91,014
2016	30,294
2017	<u>30,294</u>
Totals	586,143
Less: Amounts representing interest	<u>(38,079)</u>
Present value of future minimum lease payments	<u>\$ 548,064</u>

**NOTE 9: COUNTY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)**

**A. Plan Description**

The County of Sierra contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities with the State of California. Copies of CalPERS annual financial report may be obtained from their Executive Office – 400 Q Street, Sacramento, CA 95814.

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 9: **COUNTY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)** (CONTINUED)

**B. Funding Policy**

The County makes the contributions required of County employees on their behalf and for their account. The rates are set by statute and therefore generally remain unchanged from year to year. The present actuarially determined rates of annual covered payroll are as follows:

<u>Category</u>	<u>Member Rates as a Percentage of Wages</u>	<u>County Rates as a Percentage of Wages</u>
Local miscellaneous members	8%	21.180%
Local safety members with benefits	9%	33.823%

The contribution requirements of the plan members are established by State statutes and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2011/2012, the County of Sierra's annual pension cost was \$1,791,955 and the County actually contributed \$6,337,130. The required contribution for fiscal year 2011/2012 was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30 to 14.20 percent for miscellaneous members and safety members; (c) no cost-of-living adjustment; and (d) payroll growth of 3.00 percent. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of the County's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a 15 year period. The County's excess assets are being amortized as a level percentage of projected payroll on a closed basis. There are averages of 20 years and 20 years remaining in the amortization period at June 30, 2011 (the valuation date) under the miscellaneous plan and safety plan, respectively.

The County's annual pension cost and prepaid pension asset, computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2012, were as follows (in thousands):

Annual required contribution (County fiscal year basis)	\$ 1,792
Annual pension cost (APC)	1,792
Contributions made	6,337
Increase (decrease) in pension asset	4,545
Net pension asset, beginning of year	-
Net pension asset, end of year	<u>\$ 4,545</u>

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

**NOTE 9: COUNTY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (CONTINUED)**

**B. Funding Policy** (continued)

The following table shows the County's annual pension cost and the percentage contributed for the fiscal year 2011-2012 and each of the two preceding fiscal years (in thousands):

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
2010	\$ 1,058	\$ 1,058	100%	\$ --
2011	1,148	1,148	100%	--
2012	1,792	6,337	354%	4,545

The County issued pension obligation bonds during the fiscal year ended June 30, 2012. Proceeds of the debt were used to retire the CalPERS Side Fund obligation of the miscellaneous PERS members group.

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The County contributes to the miscellaneous plan of the County of Sierra and the safety plan of the County of Sierra (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 who meet the following requirements:

- For miscellaneous and safety non-management employees, those who terminate or retire with at least 20 years of service with the County. Benefits do not begin unless/until the employee commences his or her retirement benefit under PERS.
- For management employees, those who terminate or retire with at least 10 years of service with the County. PERS retirement is not required for employees to begin receiving the benefit.

For those employees who meet the requirements, the County will pay 100% of the cost of healthcare coverage for the employee and spouse up to an amount fixed at the time of termination or retirement. The retiree is required to pay any excess amount should healthcare premiums exceed the retiree's cap.

Benefits and coverage end under the following circumstances:

- A non-management employee hired prior to September 1, 1990 becomes eligible for Medicare
- A non-management employee hired on or after September 1, 1990 has received benefits for 5 years, or if earlier, becomes eligible for Medicare
- A management employee becomes eligible for Medicare

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 10: **OTHER POST-EMPLOYMENT BENEFITS (OPEB)** (CONTINUED)

- At the retiree's death.

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 2011/2012, the County contributed \$203,398, or 133.1%, of the actuarially required contributions.

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.

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 plan:

Annual required contribution	\$ 152,803
Annual OPEB cost (expense)	<u>152,803</u>
Contributions made	<u>(203,398)</u>
Increase in net OPEB obligation (asset)	(50,595)
Net OPEB obligation (asset) - beginning of year	(48,164)
Net OPEB obligation (asset) - end of year	<u><u>\$ (98,759)</u></u>

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the Plan (as described in the funding policy above), and the Net OPEB Obligation for fiscal year 2011/2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$ 155,234	135%	\$ -- *
6/30/2011	155,234	131%	(48,164)
6/30/2012	152,803	133%	(98,759)

\*Revised

COUNTY OF SIERRA

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 10: **OTHER POST-EMPLOYMENT BENEFITS (OPEB)** (CONTINUED)

Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of June 30, 2009, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	2,171,098
Actuarial value of plan assets		--
Unfunded actuarial accrued liability (UAAL)	\$	2,171,098
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active Plan members)	\$	5,250,178
UAAL as a percentage of covered payroll		41%

Actuarial Methods and Assumptions

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

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

In the July 1, 2011 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 an assumed increase for amortization payments of 3.25% per year. The OPEB plan's unfunded actuarial liability is being amortized by level percent of payroll contributions over 30 years. The remaining amortization period at June 30, 2012, was 30 years.

NOTE 11: **EMPLOYEE BENEFITS – DEFERRED COMPENSATION PLAN**

Employees of the County of Sierra may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the County. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

COUNTY OF SIERRA

Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 11: **EMPLOYEE BENEFITS – DEFERRED COMPENSATION PLAN** (CONTINUED)

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries is to be held in trust for the exclusive benefit of plan participants and their beneficiaries.

The deferred compensation balance is not considered an asset of the County and, therefore, does not appear in the financial statements.

NOTE 12: **RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters.

Trindel Insurance Fund, a joint powers agency (JPA) that the County is a member of, is classified as a claims-servicing or account pool, which results in the County retaining the risk of loss and being considered self-insured with regard to liability coverage for the first \$100,000 of general liability per occurrence. The County maintains reserves on hand with the JPA for all known claims as calculated by the actuary and a prudent reserve for the deductibles for future claims.

The County also belongs to another larger JPA called the County Supervisors Association of California Excess Insurance Authority (CSACEIA). CSACEIA along with other commercial carriers increases the coverage for general liability to \$25 million. Also, CSACEIA, with other commercial carriers, covers replacement cost on property to \$50 million with a \$1,000 deductible per occurrence. The County has funded the first \$300,000 coverage for Workers' Compensation insurance through a JPA.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years and there has not been a significant reduction in coverage in fiscal year 2011/2012.

Changes in the balances of claims liability during the fiscal years ended June 30, 2012, and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Unpaid claims, July 1	\$ 450,605	\$ 399,795
Current year claims and changes in estimates	588,463	305,164
Claim payments	<u>(520,264)</u>	<u>(254,354)</u>
Unpaid claims, June 30	<u>\$ 518,804</u>	<u>\$ 450,605</u>

NOTE 13: **COMMITMENTS AND CONTINGENCIES**

There are several threats of litigation pending in which the County is involved. County Counsel has indicated that the potential claims against the County that are not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

**COUNTY OF SIERRA**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

**NOTE 14: CLAIMS AND JUDGMENTS**

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government.

If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

**NOTE 15: MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal law and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. For the year ended June 30, 2012, engineers revised the estimate of tons deposited in the landfill from 77,800 to 89,227, an increase of 11,427 tons. This resulted in an increase of the landfill liability of \$738,679, from \$2,298,593 to \$2,987,272. The \$2,987,272 reported as landfill closure liability at June 30, 2012 represents the cumulative amount reported to date based on the use of 81.456 percent of the estimated capacity of the landfill. Approximately 89,227 tons have been deposited, leaving 20,273 tons available to be filled.

The County will recognize the remaining estimated cost of closure and postclosure care of \$678,729 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. The County expects to close the landfill in the year 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulation.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and at June 30, 2012, investments of \$1,331,757 are held for these purposes.

State law also requires the County to set aside funds for the clean-up of spills and the clean-up and testing of contaminates found in the test wells. As of June 30, 2012, the amount restricted for these purposes was \$215,546.

**NOTE 16: DEFICIT FUND BALANCES/NET ASSETS**

The following funds had deficit fund balances at June 30, 2012:

	<u>Deficit Fund Balance</u>
Office of Emergency Fund	\$ 36,466
CSA #3 Fund	1,747
Solid Waste Fund	1,170,326

The Office of Emergency fund had deficit fund balance of \$36,466 as of June 30, 2012. The deficit fund balance for the Office of Emergency fund primarily resulted from reimbursement delays. The County has implemented expenditure reductions to eliminate the deficit fund balance.

## COUNTY OF SIERRA

### Notes to the Financial Statements For the Year Ended June 30, 2012

#### NOTE 16: **DEFICIT FUND BALANCES/NET ASSETS** (CONTINUED)

The CSA #3 fund had deficit fund balance of \$1,747 as of June 30, 2012. The deficit fund balance for the CSA #3 fund primarily resulted from reduction in amount of tax revenue to meet its obligations. The County is looking into consolidating all the special districts into one county wide district or dissolution of these districts and having the general fund provide the services on its behalf.

The Solid Waste fund had deficit fund balance of \$1,170,326 as of June 30, 2012. The deficit fund balance for the Solid Waste fund primarily resulted from estimated future liability associated with post-closure costs of its landfills. The County is setting aside cash to meet its future obligations under this fund.

#### NOTE 17: **EXCESS APPROPRIATIONS**

Expenditures were in excess of budgeted appropriations in the Road Fund, other financing uses, by \$24,631.

#### NOTE 18: **NEW ACCOUNTING PRONOUNCEMENTS**

GASB recently released several new accounting and financial reporting standards. The following new standards may have a significant impact on the District's financial reporting process.

**GASB Statement No. 61, *The Financial Reporting Entity: Omnibus***, is effective in financial statements for periods beginning after June 15, 2012. It improves financial reporting for a governmental financial reporting entity.

**GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, is effective in financial statements for periods beginning after December 15, 2011. It establishes accounting and financial reporting standards for the financial statements of state and local governments.

**GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, is effective for periods beginning after December 15, 2011. It provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

**GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, is effective for periods beginning after December 15, 2012. It improves financial reporting for state and local governments by reclassifying, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**GASB Statement No. 66, *Technical Corrections – 2012***, is effective for periods beginning after December 15, 2012. It improves financial reporting for state and local governments by resolving conflicting guidance that resulted from issuance of GASB Statements Nos. 54 and 62.

**GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, is effective for periods beginning after June 15, 2014. The principal objective of this statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees – both active employees and inactive employees – are provided with pensions. An additional objective is to improve the information provided in government financial reports about pension-related financial support provided by certain non-employer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**COUNTY OF SIERRA**

Required Supplementary Information  
For the Year Ended June 30, 2012

**SCHEDULE OF FUNDING PROGRESS – RETIREMENT PLAN**

Information for the individual plans with less than 100 employees is no longer available. Information is available on a pooled-basis only and can be obtained from CalPERS, P.O. Box 942709, Sacramento, CA 94229-2709.

**SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTH PLAN**

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:

<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	\$ 2,306,169	\$ --	\$ 2,306,169	0.00%	\$ 5,489,039	42.0%
6/30/2011	\$ 2,171,098	\$ --	\$ 2,171,098	0.00%	\$ 5,250,178	41.4%

**COUNTY OF SIERRA**

Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Budgetary fund balances, July 1	\$ 980,817	\$ 980,817	980,817	\$ --
<b>Resources (inflows):</b>				
Taxes	3,482,668	3,482,668	3,569,969	87,301
Licenses and permits	109,300	109,300	91,525	(17,775)
Fines, forfeitures and penalties	51,000	51,000	58,447	7,447
Use of money and property	17,000	17,000	22,086	5,086
Intergovernmental	1,559,221	1,559,221	1,502,764	(56,457)
Charges for services	1,291,107	1,291,107	1,221,828	(69,279)
Other revenues	233,510	233,510	183,050	(50,460)
Other financing sources	755,407	755,407	764,087	8,680
Amounts available for appropriation	<u>7,499,213</u>	<u>7,499,213</u>	<u>7,413,756</u>	<u>(85,457)</u>
<b>Charges to appropriations (outflows):</b>				
General government	3,321,277	3,344,568	3,247,991	96,577
Public protection	4,541,620	4,552,855	4,463,399	89,456
Public ways and facilities	65,175	65,175	38,290	26,885
Health and sanitation	9,023	12,373	11,458	915
Public assistance	101,642	101,642	99,481	2,161
Education	45,696	47,952	47,952	--
Recreation and culture	521,955	521,955	280,689	241,266
Debt service - principal	44,536	32,286	--	32,286
Debt service - interest and costs	--	--	24,249	(24,249)
Other financing uses	164,910	137,027	61,462	75,565
Total charges to appropriation	<u>8,815,834</u>	<u>8,815,833</u>	<u>8,274,971</u>	<u>540,862</u>
Budgetary fund balances, June 30	<u>\$ (335,804)</u>	<u>\$ (335,803)</u>	<u>\$ 119,602</u>	<u>\$ 455,405</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement \$ 7,413,756

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes (764,087)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 6,649,669

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 8,274,971

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes (61,462)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 8,213,509

**COUNTY OF SIERRA**

Budgetary Comparison Schedule  
Road Fund  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Budgetary fund balances, July 1	\$ 843,812	\$ 843,812	\$ 843,812	\$ --
Resources (inflows):				
Use of money and property	5,000	5,000	1,960	(3,040)
Intergovernmental	3,483,473	3,483,473	2,390,730	(1,092,743)
Charges for services	325,000	325,000	460,000	135,000
Other revenues	207,485	207,485	16,239	(191,246)
Other financing sources	9,122	9,122	151,754	142,632
Amounts available for appropriation	4,030,080	4,030,080	3,020,683	(1,009,397)
Charges to appropriations (outflows):				
Public ways and facilities	4,530,080	4,515,737	3,603,667	912,070
Debt service - interest	--	14,343	--	14,343
Other financing uses	--	--	24,631	(24,631)
Total charges to appropriation	4,530,080	4,530,080	3,628,298	901,782
Budgetary fund balances, June 30	\$ 343,812	\$ 343,812	\$ 236,197	\$ (107,615)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement \$ 3,020,683

Differences - budget to GAAP:

  Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes (14,163)  
  Inception of capital lease (137,591)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 2,868,929

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 3,628,298

Differences - budget to GAAP:

  Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes (24,631)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 3,603,667

**COUNTY OF SIERRA**

Budgetary Comparison Schedule  
Human Services  
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
Budgetary fund balances, July 1	\$ 833,130	\$ 833,130	\$ 833,130	\$ --
Resources (inflows):				
Use of money and property	13,000	13,000	7,546	(5,454)
Intergovernmental	2,653,117	2,653,117	2,904,508	251,391
Other revenues	--	--	13,262	13,262
Other financing sources	<u>399,816</u>	<u>399,816</u>	<u>--</u>	<u>(399,816)</u>
Amounts available for appropriation	<u>3,065,933</u>	<u>3,065,933</u>	<u>2,925,316</u>	<u>(140,617)</u>
Charges to appropriations (outflows):				
Public assistance	2,998,889	2,998,889	2,242,491	756,398
Other financing uses	<u>574,326</u>	<u>563,326</u>	<u>123,772</u>	<u>439,554</u>
Total charges to appropriation	<u>3,573,215</u>	<u>3,562,215</u>	<u>2,366,263</u>	<u>1,195,952</u>
Budgetary fund balances, June 30	<u>\$ 325,848</u>	<u>\$ 336,848</u>	<u>\$ 1,392,183</u>	<u>\$ 1,055,335</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 2,366,263

Differences - budget to GAAP:

    Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes (123,772)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 2,242,491

**COUNTY OF SIERRA**

Budgetary Comparison Schedule  
Public Health and Drug Programs  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Budgetary fund balances, July 1, as restated	\$ 3,416,948	\$ 3,416,948	\$ 3,416,948	\$ --
Resources (inflows):				
Use of money and property	8,000	8,000	33,364	25,364
Intergovernmental	3,395,307	3,395,307	2,843,476	(551,831)
Charges for services	122,543	146,403	74,509	(71,894)
Other revenues	15,000	15,000	9,314	(5,686)
Other financing sources	<u>3,755,753</u>	<u>3,755,753</u>	<u>120,877</u>	<u>(3,634,876)</u>
Amounts available for appropriation	<u>7,296,603</u>	<u>7,320,463</u>	<u>3,081,540</u>	<u>(4,238,923)</u>
Charges to appropriations (outflows):				
Health and sanitation	4,730,876	4,754,736	2,707,717	2,047,019
Public assistance	--	--	13,304	(13,304)
Other financing uses	<u>2,906,527</u>	<u>2,917,527</u>	<u>--</u>	<u>2,917,527</u>
Total charges to appropriation	<u>7,637,403</u>	<u>7,672,263</u>	<u>2,721,021</u>	<u>4,951,242</u>
Budgetary fund balances, June 30	<u>\$ 3,076,148</u>	<u>\$ 3,065,148</u>	<u>\$ 3,777,467</u>	<u>\$ 712,319</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:				
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement				\$ 3,081,540
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes				<u>(120,877)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 2,960,663</u>

## COUNTY OF SIERRA

### Note to Required Supplementary Information For the Year Ended June 30, 2012

#### **BUDGETARY BASIS OF ACCOUNTING**

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares a budget for each fiscal year on or before August 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Resolution. This resolution mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors.

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the major categories level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds must be approved by the Board of Supervisors. Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Supervisors. Pursuant to Board Resolution No. 01-83 adopted as of June 19, 2001 and revised as per Resolution No. 02-122, effective June 18, 2002, the County Auditor is authorized to approve transfers and revision of appropriations within major categories within a department budget as deemed necessary and appropriate. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and amended during the fiscal year by resolutions approved by the Board of Supervisors.

The budget approved by the Board of Supervisors for the general fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other Governmental Funds. Actual reimbursements for these items have been eliminated in the accompanying budgetary financial schedules. Accordingly, the related budgets for these items have also been eliminated in order to provide a meaningful comparison of actual and budgeted results of operations.

The budgets for the governmental funds may include an object level known as "intrafund transfers" in the charges for appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund (an example would be the General Fund).

## **SUPPLEMENTARY INFORMATION**

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## **NONMAJOR GOVERNMENTAL FUNDS**

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Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Capital Project Funds are used to account for the financial resources to be used for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

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**COUNTY OF SIERRA**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012

	Special Revenue			
	Fish and Game	Aviation	Predator Control	Gallows Restoration
<u>Assets</u>				
Cash and investments	\$ 14,175	\$ 33,133	\$ 354	\$ 4,053
Due from other governments	--	--	--	--
Due from other funds	--	--	--	--
Taxes Receivable	--	--	--	--
Prepays	--	--	--	--
	<u>14,175</u>	<u>33,133</u>	<u>354</u>	<u>4,053</u>
Total Assets	<u>\$ 14,175</u>	<u>\$ 33,133</u>	<u>\$ 354</u>	<u>\$ 4,053</u>
<u>Liabilities</u>				
Accounts payable	\$ --	174	\$ --	\$ --
Due to other funds	--	--	--	--
Deferred revenue	--	--	--	--
	<u>--</u>	<u>174</u>	<u>--</u>	<u>--</u>
Total Liabilities	<u>--</u>	<u>174</u>	<u>--</u>	<u>--</u>
<u>Fund Balances</u>				
Nonspendable	--	--	--	--
Restricted for:				
General government	--	--	--	--
Public Protection	14,175	--	354	--
Public ways and facilities	--	32,959	--	--
Recreation	--	--	--	4,053
Assigned:				
Capital Projects	--	--	--	--
Unassigned	--	--	--	--
	<u>14,175</u>	<u>32,959</u>	<u>354</u>	<u>4,053</u>
Total Fund Balances	<u>14,175</u>	<u>32,959</u>	<u>354</u>	<u>4,053</u>
	<u>\$ 14,175</u>	<u>\$ 33,133</u>	<u>\$ 354</u>	<u>\$ 4,053</u>
Total Liabilities and Fund Balances	<u>\$ 14,175</u>	<u>\$ 33,133</u>	<u>\$ 354</u>	<u>\$ 4,053</u>

continued

**COUNTY OF SIERRA**

Combining Balance Sheet (continued)  
 Nonmajor Governmental Funds  
 June 30, 2012

	Special Revenue			
	Clerk Recorder	Court Fines	Law Enforcement	Board of Supervisors
<u>Assets</u>				
Cash and investments	\$ 123,698	\$ 41,698	\$ 213,491	\$ 118,351
Due from other governments	--	--	--	--
Due from other funds	--	--	--	--
Taxes Receivable	--	--	--	--
Prepays	--	--	--	--
<b>Total Assets</b>	<u>\$ 123,698</u>	<u>\$ 41,698</u>	<u>\$ 213,491</u>	<u>\$ 118,351</u>
<u>Liabilities</u>				
Accounts payable	\$ 200	\$ --	\$ 60	\$ --
Due to other funds	--	--	--	--
Deferred revenue	--	--	--	--
<b>Total Liabilities</b>	<u>200</u>	<u>--</u>	<u>60</u>	<u>--</u>
<u>Fund Balances</u>				
Nonspendable	--	--	--	--
Restricted for:				
General government	123,498	--	--	118,351
Public Protection	--	41,698	213,431	--
Public ways and facilities	--	--	--	--
Recreation	--	--	--	--
Assigned:				
Capital Projects	--	--	--	--
Unassigned	--	--	--	--
<b>Total Fund Balances</b>	<u>123,498</u>	<u>41,698</u>	<u>213,431</u>	<u>118,351</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 123,698</u>	<u>\$ 41,698</u>	<u>\$ 213,491</u>	<u>\$ 118,351</u>

continued

**COUNTY OF SIERRA**

Combining Balance Sheet (continued)  
 Nonmajor Governmental Funds  
 June 30, 2012

	Special Revenue			
	Risk Manager's Trust	Fire Safe	Trans- portation	Tax Related Costs Trust
<u>Assets</u>				
Cash and investments	\$ 17,631	\$ 133,799	\$ 140,851	\$ 23,996
Due from other governments	--	--	58,235	--
Due from other funds	--	121,512	--	--
Taxes Receivable	--	--	--	--
Prepays	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 17,631</u>	<u>\$ 255,311</u>	<u>\$ 199,086</u>	<u>\$ 23,996</u>
<u>Liabilities</u>				
Accounts payable	\$ --	\$ --	\$ 2,589	\$ --
Due to other funds	--	--	--	--
Deferred revenue	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>--</u>	<u>--</u>	<u>2,589</u>	<u>--</u>
<u>Fund Balances</u>				
Nonspendable	--	--	--	--
Restricted for:				
General government	17,631	--	--	23,996
Public Protection	--	255,311	--	--
Public ways and facilities	--	--	196,497	--
Recreation	--	--	--	--
Assigned:				
Capital Projects	--	--	--	--
Unassigned	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>17,631</u>	<u>255,311</u>	<u>196,497</u>	<u>23,996</u>
Total Liabilities and Fund Balances	<u>\$ 17,631</u>	<u>\$ 255,311</u>	<u>\$ 199,086</u>	<u>\$ 23,996</u>

continued

**COUNTY OF SIERRA**

Combining Balance Sheet (continued)  
 Nonmajor Governmental Funds  
 June 30, 2012

	Special Revenue			
	Office of Emergency Services	Special Districts Under the Board	Rural Crime Prevention	Special Revenue Total
<u>Assets</u>				
Cash and investments	\$ --	\$ 461,621	\$ 294,124	\$ 1,620,975
Due from other governments	143,632	--	6,589	208,456
Due from other funds	--	929	--	122,441
Taxes Receivable	--	856	--	856
Prepays	--	2,399	--	2,399
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 143,632</u>	<u>\$ 465,805</u>	<u>\$ 300,713</u>	<u>\$ 1,955,127</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,047	\$ 14,803	\$ --	\$ 20,873
Due to other funds	121,512	929	--	122,441
Deferred revenue	55,539	--	6,589	62,128
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>180,098</u>	<u>15,732</u>	<u>6,589</u>	<u>205,442</u>
<u>Fund Balances</u>				
Nonspendable	--	2,399	--	2,399
Restricted for:				
General government	--	449,421	--	732,897
Public Protection	--	--	294,124	819,093
Public ways and facilities	--	--	--	229,456
Recreation	--	--	--	4,053
Assigned:				
Capital Projects	--	--	--	--
Unassigned	(36,466)	(1,747)	--	(38,213)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>(36,466)</u>	<u>450,073</u>	<u>294,124</u>	<u>1,749,685</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 143,632</u>	<u>\$ 465,805</u>	<u>\$ 300,713</u>	<u>\$ 1,955,127</u>

continued

**COUNTY OF SIERRA**

Combining Balance Sheet (continued)  
 Nonmajor Governmental Funds  
 June 30, 2012

	Capital Projects Total	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>
<u>Assets</u>		
Cash and investments	\$ 2,206	\$ 1,623,181
Due from other governments	--	208,456
Due from other funds		122,441
Taxes Receivable	--	856
Prepays	--	2,399
	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 2,206</u>	<u>\$ 1,957,333</u>
<u>Liabilities</u>		
Accounts payable	\$ --	\$ 20,873
Due to other funds	--	122,441
Deferred revenue	--	62,128
	<u>          </u>	<u>          </u>
Total Liabilities	<u>          </u>	<u>205,442</u>
<u>Fund Balances</u>		
Nonspendable	--	2,399
Restricted for:		
General government	--	732,897
Public Protection	--	819,093
Public ways and facilities	--	229,456
Recreation	--	4,053
Assigned:		
Capital Projects	2,206	2,206
Unassigned	--	(38,213)
	<u>          </u>	<u>          </u>
Total Fund Balances	<u>2,206</u>	<u>1,751,891</u>
Total Liabilities and Fund Balances	<u>\$ 2,206</u>	<u>\$ 1,957,333</u>

**COUNTY OF SIERRA**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue			
	Fish and Game	Aviation	Predator Control	Gallows Restoration
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Fines, forfeitures and penalties	1,048	--	--	--
Use of money and property	--	--	27	31
Intergovernmental	77	73	2	--
Charges for services	--	--	--	--
Other revenues	--	--	--	--
Total Revenues	1,125	73	29	31
Expenditures:				
Current:				
General government	2,868	--	--	--
Public protection	--	--	(29)	--
Public ways and facilities	--	13,244	--	--
Health and sanitation	--	--	--	--
Education	--	--	--	4
Total Expenditures	2,868	13,244	(29)	4
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,743)	(13,171)	58	27
Other Financing Sources (Uses):				
Transfers in	--	30,000	--	--
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	--	30,000	--	--
Net Change in Fund Balances	(1,743)	16,829	58	27
Fund Balances - Beginning of Year	15,918	16,130	296	4,026
Fund Balances - End of Year	\$ 14,175	\$ 32,959	\$ 354	\$ 4,053

continued

**COUNTY OF SIERRA**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue			
	Clerk Recorder	Court Fines	Law Enforcement	Board of Supervisors
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Fines, forfeitures and penalties	--	1,404	6,450	27,481
Use of money and property	255	--	719	535
Intergovernmental	--	212	354,232	16
Charges for services	85,281	--	--	50
Other revenues	3,578	--	276	542
Total Revenues	<u>89,114</u>	<u>1,616</u>	<u>361,677</u>	<u>28,624</u>
Expenditures:				
Current:				
General government	77,857	--	--	18
Public protection	--	27	1,698	40
Public ways and facilities	--	--	--	24,630
Health and sanitation	--	11	--	--
Education	--	--	--	--
Total Expenditures	<u>77,857</u>	<u>38</u>	<u>1,698</u>	<u>24,688</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,257</u>	<u>1,578</u>	<u>359,979</u>	<u>3,936</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	(9,332)	--	(283,457)	--
Total Other Financing Sources (Uses)	<u>(9,332)</u>	<u>--</u>	<u>(283,457)</u>	<u>--</u>
Net Change in Fund Balances	1,925	1,578	76,522	3,936
Fund Balances - Beginning of Year	<u>121,573</u>	<u>40,120</u>	<u>136,909</u>	<u>114,415</u>
Fund Balances - End of Year	<u>\$ 123,498</u>	<u>\$ 41,698</u>	<u>\$ 213,431</u>	<u>\$ 118,351</u>

continued

**COUNTY OF SIERRA**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue			
	Risk Manager's Trust	Fire Safe	Trans- portation	Tax Related Costs Trust
Revenues:				
Taxes	\$ --	\$ --	\$ 55,242	\$ 1,340
Fines, forfeitures and penalties	--	--	--	--
Use of money and property	19	1,210	594	61
Intergovernmental	--	38,730	243,745	--
Charges for services	--	--	--	2,108
Other revenues	10,000	--	--	4,073
Total Revenues	<u>10,019</u>	<u>39,940</u>	<u>299,581</u>	<u>7,582</u>
Expenditures:				
Current:				
General government	923	--	--	12,212
Public protection	--	75,014	--	--
Public ways and facilities	--	--	261,005	--
Health and sanitation	--	--	--	--
Education	--	--	--	--
Total Expenditures	<u>923</u>	<u>75,014</u>	<u>261,005</u>	<u>12,212</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,096</u>	<u>(35,074)</u>	<u>38,576</u>	<u>(4,630)</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	9,096	(35,074)	38,576	(4,630)
Fund Balances - Beginning of Year	<u>8,535</u>	<u>290,385</u>	<u>157,921</u>	<u>28,626</u>
Fund Balances - End of Year	<u>\$ 17,631</u>	<u>\$ 255,311</u>	<u>\$ 196,497</u>	<u>\$ 23,996</u>

continued

**COUNTY OF SIERRA**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue			
	Office of Emergency Services	Special Districts Under the Board	Rural Crime Prevention	Special Revenue Total
Revenues:				
Taxes	\$ --	\$ 148,690	\$ --	\$ 205,272
Fines, forfeitures and penalties	--	--	--	36,383
Use of money and property	(11)	3,237	1,147	7,824
Intergovernmental	215,236	--	666,835	1,519,158
Charges for services	--	69,167	--	156,606
Other revenues	--	--	--	18,469
Total Revenues	<u>215,225</u>	<u>221,094</u>	<u>667,982</u>	<u>1,943,712</u>
Expenditures:				
Current:				
General government	--	115,986	--	209,864
Public protection	146,701	--	40,923	264,374
Public ways and facilities	--	91,127	--	390,006
Health and sanitation	--	--	--	11
Education	--	--	--	4
Total Expenditures	<u>146,701</u>	<u>207,113</u>	<u>40,923</u>	<u>864,259</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>68,524</u>	<u>13,981</u>	<u>627,059</u>	<u>1,079,453</u>
Other Financing Sources (Uses):				
Transfers in	--	14,992	--	44,992
Transfers out	--	(32,185)	(458,543)	(783,517)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(17,193)</u>	<u>(458,543)</u>	<u>(738,525)</u>
Net Change in Fund Balances	68,524	(3,212)	168,516	340,928
Fund Balances - Beginning of Year	(104,990)	453,285	125,608	1,408,757
Fund Balances - End of Year	<u>\$ (36,466)</u>	<u>\$ 450,073</u>	<u>\$ 294,124</u>	<u>\$ 1,749,685</u>

continued

**COUNTY OF SIERRA**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Capital Projects Total	Total Nonmajor Governmental Funds
Revenues:		
Taxes	\$ --	\$ 205,272
Fines, forfeitures and penalties	--	36,383
Use of money and property	(371)	7,453
Intergovernmental	--	1,519,158
Charges for services	141,048	297,654
Other revenues	--	18,469
Total Revenues	<u>140,677</u>	<u>2,084,389</u>
Expenditures:		
Current:		
General government	--	209,864
Public protection	--	264,374
Public ways and facilities	151,593	541,599
Health and sanitation	--	11
Education	--	4
Total Expenditures	<u>151,593</u>	<u>1,015,852</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,916)</u>	<u>1,068,537</u>
Other Financing Sources (Uses):		
Transfers in	49,263	94,255
Transfers out	--	(783,517)
Total Other Financing Sources (Uses)	<u>49,263</u>	<u>(689,262)</u>
Net Change in Fund Balances	38,347	379,275
Fund Balances - Beginning of Year	<u>(36,141)</u>	<u>1,372,616</u>
Fund Balances - End of Year	<u>\$ 2,206</u>	<u>\$ 1,751,891</u>

**COUNTY OF SIERRA**

Combining Balance Sheet  
 Nonmajor Special Districts Under the Board of Supervisors  
 June 30, 2012

	<u>CSA #1</u>	<u>CSA #2</u>	<u>CSA #3</u>
<u>Assets</u>			
Cash and investments	2,288	7,729	--
Taxes receivable	194	402	260
Due from other funds	--	--	--
Prepays	--	--	--
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2,482</u>	<u>\$ 8,131</u>	<u>\$ 260</u>
<u>Liabilities</u>			
Accounts payable	664	379	1,078
Due to other funds	--	--	929
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>664</u>	<u>379</u>	<u>2,007</u>
<u>Fund Balances</u>			
Nonspendable	--	--	--
Restricted for:			
General government	1,818	7,752	--
Unassigned	--	--	(1,747)
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,818</u>	<u>7,752</u>	<u>(1,747)</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 2,482</u>	<u>\$ 8,131</u>	<u>\$ 260</u>

continued

**COUNTY OF SIERRA**

Combining Balance Sheet (continued)  
 Nonmajor Special Districts Under the Board of Supervisors  
 June 30, 2012

	<u>CSA #4</u>	<u>CSA #5</u>	<u>Sierra Brooks Water</u>	<u>Total</u>
<u>Assets</u>				
Cash and investments	26,033	6,302	419,269	\$ 461,621
Taxes receivable	--	--	--	856
Due from other funds	929	--	--	929
Prepays	131	335	1,933	2,399
	<u>131</u>	<u>335</u>	<u>1,933</u>	<u>2,399</u>
Total Assets	<u>\$ 27,093</u>	<u>\$ 6,637</u>	<u>\$ 421,202</u>	<u>\$ 465,805</u>
<u>Liabilities</u>				
Accounts payable	5,000	70	7,612	\$ 14,803
Due to other funds	--	--	--	929
	<u>5,000</u>	<u>70</u>	<u>7,612</u>	<u>15,732</u>
Total Liabilities	<u>5,000</u>	<u>70</u>	<u>7,612</u>	<u>15,732</u>
<u>Fund Balances</u>				
Nonspendable	131	335	1,933	2,399
Restricted for:				
General government	21,962	6,232	411,657	449,421
Unassigned	--	--	--	(1,747)
	<u>22,093</u>	<u>6,567</u>	<u>413,590</u>	<u>450,073</u>
Total Fund Balances	<u>22,093</u>	<u>6,567</u>	<u>413,590</u>	<u>450,073</u>
Total Liabilities and Fund Balances	<u>\$ 27,093</u>	<u>\$ 6,637</u>	<u>\$ 421,202</u>	<u>\$ 465,805</u>

**COUNTY OF SIERRA**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Districts Under the Board of Supervisors  
For the Year Ended June 30, 2012

	<u>CSA #1</u>	<u>CSA #2</u>	<u>CSA #3</u>
Revenues:			
Taxes	8,731	22,420	13,111
Use of money and property	(37)	157	(18)
Charges for services	--	--	--
Total Revenues	<u>8,694</u>	<u>22,577</u>	<u>13,093</u>
Expenditures:			
Current:			
General government	18,514	15,841	15,926
Public ways and facilities	--	--	--
Total Expenditures	<u>18,514</u>	<u>15,841</u>	<u>15,926</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,820)</u>	<u>6,736</u>	<u>(2,833)</u>
Other Financing Sources (Uses):			
Transfers in	12,159	--	2,833
Transfers out	(73)	(31,130)	(929)
Total Other Financing Sources (Uses)	<u>12,086</u>	<u>(31,130)</u>	<u>1,904</u>
Net Change in Fund Balances	2,266	(24,394)	(929)
Fund Balances, Beginning of Year	<u>(448)</u>	<u>32,146</u>	<u>(818)</u>
Fund Balances, End of Year	<u>\$ 1,818</u>	<u>\$ 7,752</u>	<u>\$ (1,747)</u>

continued

**COUNTY OF SIERRA**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Special Districts Under the Board of Supervisors  
For the Year Ended June 30, 2012

	<u>CSA #4</u>	<u>CSA #5</u>	<u>Sierra Brooks Water</u>	<u>Total</u>
Revenues:				
Taxes	6,393	14,327	83,708	148,690
Use of money and property	148	45	2,942	3,237
Charges for services	<u>3,312</u>	<u>--</u>	<u>65,855</u>	<u>69,167</u>
Total Revenues	<u>9,853</u>	<u>14,372</u>	<u>152,505</u>	<u>221,094</u>
Expenditures:				
Current:				
General government	6,472	19,995	39,238	115,986
Public ways and facilities	<u>--</u>	<u>--</u>	<u>91,127</u>	<u>91,127</u>
Total Expenditures	<u>6,472</u>	<u>19,995</u>	<u>130,365</u>	<u>207,113</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,381</u>	<u>(5,623)</u>	<u>22,140</u>	<u>13,981</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	14,992
Transfers out	<u>(42)</u>	<u>(11)</u>	<u>--</u>	<u>(32,185)</u>
Total Other Financing Sources (Uses)	<u>(42)</u>	<u>(11)</u>	<u>--</u>	<u>(17,193)</u>
Net Change in Fund Balances	3,339	(5,634)	22,140	(3,212)
Fund Balances, Beginning of Year	<u>18,754</u>	<u>12,201</u>	<u>391,450</u>	<u>453,285</u>
Fund Balances, End of Year	<u>\$ 22,093</u>	<u>\$ 6,567</u>	<u>\$ 413,590</u>	<u>\$ 450,073</u>

**COUNTY OF SIERRA**

**Management Report  
with Required Communication**

**For the Year Ended June 30, 2012**

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**COUNTY OF SIERRA**

Management Report  
For the Year Ended June 30, 2012

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GALLINA<sub>LLP</sub>

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Supervisors and Grand Jury  
of the County of Sierra  
Downieville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Sierra (County) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 4, 2012. Professional standards also require that we communicate to you the following information related to our audit as discussed in the Required Communications section of this report.

In planning and performing our audit of the basic financial statements of the County for the fiscal year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

We previously reported on the County's internal control in our Single Audit report dated March 1, 2013, which contains our report on significant deficiencies and material weaknesses in the County's internal control. This letter does not affect our report dated March 1, 2013, on the basic financial statements of the County of Sierra. During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding certain recommendations made in the County's prior year audit.

The County's management has provided responses to the comments described in the memorandum that accompanies this letter. We did not audit the County's responses and accordingly, we express no opinion on it.

This report is intended for the use of management, the Board of Supervisors, the Grand Jury and officials of the federal and state grantor agencies.

We thank the County's staff for its cooperation during our audit.

Roseville, California  
March 1, 2013

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## COUNTY OF SIERRA

Management Report  
Required Communication  
For the Year Ended June 30, 2012

### **The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated June 4, 2012, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles and to express opinions based on the assurance obtained. Because an audit is designed to provide reasonable, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

### **Planned Scope of Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated June 4, 2012.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### **Significant Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Liability for solid waste landfill closure and post-closure costs
- Liability for self-insurance claims.

## **COUNTY OF SIERRA**

### **Management Report Required Communication For the Year Ended June 30, 2012**

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated March 1, 2013.

#### **Management Consultations with Other Independent Auditors**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Other Supplementary Information Accompanying the Audited Financial Statements**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

**COUNTY OF SIERRA**

Management Report  
Status of Prior Year Comments and Recommendations  
June 30, 2012

**MISCLASSIFICATION OF INSURANCE REIMBURSEMENT**

Recommendation

We recommend the County record insurance reimbursements as a reduction in expense of the fund that was initially charged the expense rather than other revenue.

Management Response

The County will reclassify insurance reimbursements from other revenue to expense at year-end for financial reporting purposes.

Status

Implemented during fiscal year 2011-2012.

**CAPITAL ASSET TRACKING AND REPORTING**

Recommendation

We recommend the County consider implementing a more in-depth review process over capital asset balances at year-end to ensure all additions, deletions, and depreciation expense are accurately reported.

Management Response

Management concurs with the Auditor's recommendation and will implement procedures to prevent these types of errors in the future.

Status

Implemented during fiscal year 2011-2012.