

**COUNTY OF HUMBOLDT  
AUDIT REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2015**

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**COUNTY OF HUMBOLDT**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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## **INTRODUCTORY SECTION**

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**COUNTY OF HUMBOLDT**  
**BOARD OF SUPERVISORS AND FINANCE ADMINISTRATORS**  
**JUNE 30, 2015**

BOARD OF SUPERVISORS  
(as of June 30, 2015)

<u>Name</u>	<u>Office</u>
Rex Bohn	Supervisor, District 1
Estelle Fennell	Supervisor, District 2
Mark Lovelace	Supervisor, District 3
Virginia Bass	Supervisor, District 4
Ryan Sundberg	Supervisor, District 5

FINANCE ADMINISTRATORS

<u>Name</u>	<u>Office</u>
Phillip Smith-Hanes	County Administrative Officer
Joseph Mellett	Auditor/Controller
John Bartholomew	Treasurer/Tax Collector

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors  
County of Humboldt  
Eureka, California

### Report on the Financial Statements

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 Humboldt, California (the "County"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### 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, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

*Implementation of New Accounting Pronouncement*

As discussed in the Note 1 to the financial statements, the County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedule of change in the net pension liability and related ratios and schedule of contributions, schedule of funding progress – postemployment health plan, and budgetary comparison 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2016 on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance.



Roseville, California  
January 6, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## COUNTY OF HUMBOLDT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Within this section of Humboldt County's annual financial report, the County's management provides narrative discussion and analysis of the financial activities of the County for the fiscal year ended June 30, 2015. Readers are encouraged to consider the information presented here in conjunction with the accompanying financial statements and disclosures following this section. The discussion focuses on the County's primary government and, unless otherwise noted, does not include separately reported component units.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the County exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$240,449,353 (*net position*). Net position of \$106,682,432 are restricted for specific purposes (*restricted net position*), and \$346,057,661 represents net investment in capital assets. Unrestricted net position was a negative \$212,290,740, primarily due to the presentation of long-term pension liabilities as unrestricted net position. The government's total net position decreased by \$210,428,114 in comparison with the prior year.
- The County's net investment in capital assets, decreased by \$387,108.
- The County's governmental funds reported combined fund balances of \$119,374,368, an increase of \$7,512,475 in comparison with the prior year. The unassigned portion of those fund balances was \$9,858,668.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The *statement of net position* presents information on all County assets and liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position 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 expenditures are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and interest expense. The business-type activities of the County consist solely of the Eureka-Arcata Airport. Fiduciary activities are not included in the government-wide statements since these assets are not available to fund County programs.

## COUNTY OF HUMBOLDT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

The County's financial reporting includes the funds of the County (primary government) and organizations for which the County is accountable (component units). Most of these legally separated organizations operate like County departments, serve as financing vehicles for County services (revenue bond issuers), or are governed by a board that is substantively identical to the County's board. An example of this is the Humboldt County Public Property Leasing Corporation, which while legally separate is in substance an extension of the County operations. Financial data for the Humboldt County Public Property Leasing Corporation are combined with the presentation of the primary government's financial data and thus it is referred to as a "blended" component unit. A "discretely presented" component unit is one that is presented separately in the financial statements to emphasize its independence from the primary government. Humboldt County has no discretely presented component units.

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

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

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

The County maintains 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, Headwaters Mitigation Fund, Road Fund, and the other governmental funds combined into a single, aggregated column. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the supplementary information.

*Proprietary funds* are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the operations of the Eureka-Arcata Airport. *Internal services funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses five internal service funds to account for its fleet maintenance, risk management, information systems, facilities management, and County utilities functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Individual fund data for the internal service funds is provided in the form of *combining statements* in the supplementary information.



**COUNTY OF HUMBOLDT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

**Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information** provides the schedule of funding progress for the County Employees Retirement Plan and Other Post-Employment Benefits. Also presented are the County's General Fund and Major Special Revenue Funds budgetary schedules. The County adopts an annual appropriated budget for each fiscal year. A budgetary comparison schedule has been provided for the General Fund and Road Fund to demonstrate compliance with this budget.

**Other Supplementary Information** presented is the combining statements referred to earlier in connection with the non-major governmental funds and internal service funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, combined assets and deferred outflows exceeded liabilities and deferred inflows by \$240,449,353 at the close of the most recent fiscal year. Of this combined net position, \$346,057,661 reflects the County's investment in capital assets, net of related debt. Another \$106,682,432 of the County's net position is subject to external restrictions on how they may be used. The unrestricted portion of net position is negative due to the net pension liability presentation requirements of GASB 54, as discussed earlier in this document.

The County's Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Current and Other Assets	\$ 147,035,593	\$ 144,860,241	\$ 313,716	\$ 401,155	\$ 147,349,309	\$ 145,261,396
Capital Assets	327,306,196	327,729,045	34,227,758	35,791,059	361,533,954	363,520,104
Total Assets	<u>474,341,789</u>	<u>472,589,286</u>	<u>34,541,474</u>	<u>36,192,214</u>	<u>508,883,263</u>	<u>508,781,500</u>
Deferred Inflows of Resources:						
Deferred pension	22,073,425	--	155,412	--	22,228,837	--
Current Liabilities	12,734,341	12,710,866	49,625	84,806	12,783,966	12,795,672
Long-Term Liabilities	238,566,991	45,014,583	1,467,981	93,778	240,034,972	45,108,361
Total Liabilities	<u>251,301,332</u>	<u>57,725,449</u>	<u>1,517,606</u>	<u>178,584</u>	<u>252,818,938</u>	<u>57,904,033</u>
Deferred Outflows of Resources:						
Deferred pension	37,579,225	--	264,584	--	37,843,809	--
Net investment in capital assets	311,829,903	310,653,710	34,227,758	35,791,059	346,057,661	346,444,769
Restricted	106,682,432	108,086,358	--	--	106,682,432	108,086,358
Unrestricted	(210,977,678)	(3,876,231)	(1,313,062)	222,571	(212,290,740)	(3,653,660)
Total Net Position	<u>\$ 207,534,657</u>	<u>\$ 414,863,837</u>	<u>\$ 32,914,696</u>	<u>\$ 36,013,630</u>	<u>\$ 240,449,353</u>	<u>\$ 450,877,467</u>

A significant portion of the County's net position, \$346,057,661, reflects the amount invested in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in 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 HUMBOLDT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The restricted portion of the County's net position, \$106,682,432, represents resources that are subject to external restrictions by grantors and other governments on how they may be used.

The unrestricted portion of the County's net position due to governmental activities is a negative \$212,290,740 primarily due to the classification of long-term pension liabilities to the unrestricted category. These liabilities are required by new accounting standards in order to communicate to potential lenders and the public the potential liability the County bears for future pension expense. These liabilities accumulate over decades as part of the County's employment agreements and the timing for their translation into current year expense is not subject to precise projection.

The County's net position, as adjusted for these pension liabilities, decreased by \$210,428,114 during the current fiscal year. The decrease in net position mainly represents the effect of the \$195,313,757 change for the new accounting standard regarding pension liabilities.

The County's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
<b>Revenues</b>						
<b>Program Revenues:</b>						
Fees, fines and charges for services	\$ 37,929,658	\$ 41,752,561	\$ 2,698,446	\$ 2,766,992	\$ 40,628,104	\$ 44,519,553
Operating grants/contributions	169,349,762	170,890,299	293,253	18,845	169,643,015	170,909,144
Capital grants/contributions	11,309,942	1,105,043	224,115	2,306,394	11,534,057	3,411,437
<b>General Revenues:</b>						
Property taxes	42,419,529	42,016,530	--	--	42,419,529	42,016,530
Sales taxes	7,710,537	7,577,821	--	--	7,710,537	7,577,821
Transient occupancy tax	2,152,363	1,447,887	--	--	2,152,363	1,447,887
Other taxes	3,241,952	3,021,058	--	--	3,241,952	3,021,058
Interest and investment income	1,054,914	905,718	5,692	5,661	1,060,606	911,379
Other	5,180,963	3,566,461	139,621	21,699	5,320,584	3,588,160
<b>Total Revenues</b>	<b>280,349,620</b>	<b>272,283,378</b>	<b>3,361,127</b>	<b>5,119,591</b>	<b>283,710,747</b>	<b>277,402,969</b>
<b>Expenses</b>						
General government	15,710,178	17,143,782	--	--	15,710,178	17,143,782
Public protection	64,397,313	72,910,766	--	--	64,397,313	72,910,766
Public ways and facilities	32,596,089	26,849,579	--	--	32,596,089	26,849,579
Health and sanitation	61,547,865	60,252,305	--	--	61,547,865	60,252,305
Public assistance	94,429,433	91,041,708	--	--	94,429,433	91,041,708
Education	3,704,849	3,561,908	--	--	3,704,849	3,561,908
Recreation and cultural services	2,309,883	1,666,591	--	--	2,309,883	1,666,591
Interest and long-term debt	384,882	397,469	--	--	384,882	397,469
Aviation	--	--	4,887,971	4,338,427	4,887,971	4,338,427
<b>Total Expenses</b>	<b>275,080,492</b>	<b>273,824,108</b>	<b>4,887,971</b>	<b>4,338,427</b>	<b>279,968,463</b>	<b>278,162,535</b>
Increase(decrease) in net position before transfers	5,269,128	(1,540,730)	(1,526,844)	781,164	3,742,284	(759,566)
Transfers	74,725	(772,188)	(74,725)	772,188	--	--
<b>Change in Net Position</b>	<b>5,343,853</b>	<b>(2,312,918)</b>	<b>(1,601,569)</b>	<b>1,553,352</b>	<b>3,742,284</b>	<b>(759,566)</b>
Net Position - Beginning, Restated	202,190,804	417,176,755	34,516,265	34,460,278	236,707,069	451,637,033
<b>Net Position - Ending</b>	<b>\$ 207,534,657</b>	<b>\$ 414,863,837</b>	<b>\$ 32,914,696</b>	<b>\$ 36,013,630</b>	<b>\$ 240,449,353</b>	<b>\$ 450,877,467</b>

**COUNTY OF HUMBOLDT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

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

At June, 30, 2015, the County's governmental funds reported combined fund balances of \$119,374,368. Of these combined fund balances, \$9,858,668 constitutes unassigned fund balance of the General Fund, which is available to meet the County's current and future needs. The restricted fund balance, \$109,507,443 consists of amounts with constraints imposed on their use by external creditors, grantors, laws, regulations, or enabling legislation.

The General Fund is the chief operating fund of the County. At June 30, 2015, unassigned fund balance was \$9,858,668, while total fund balance was \$87,493,587. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 4.1% of total General Fund expenditures, while the total fund balance represents 36.1% of total General Fund expenditures.

The Headwaters Mitigation Fund had a total fund balance of \$18,009,868, all of which is restricted for economic development. The overall fund balance decreased by \$109,009 during the current fiscal year.

The County's management also assigns (earmarks) unassigned fund balance to a particular function, project, or activity. Fund balance may also be assigned for purposes beyond the current year. However, assigned fund balance is available for appropriation at any time. None of the General Fund balance is currently assigned.

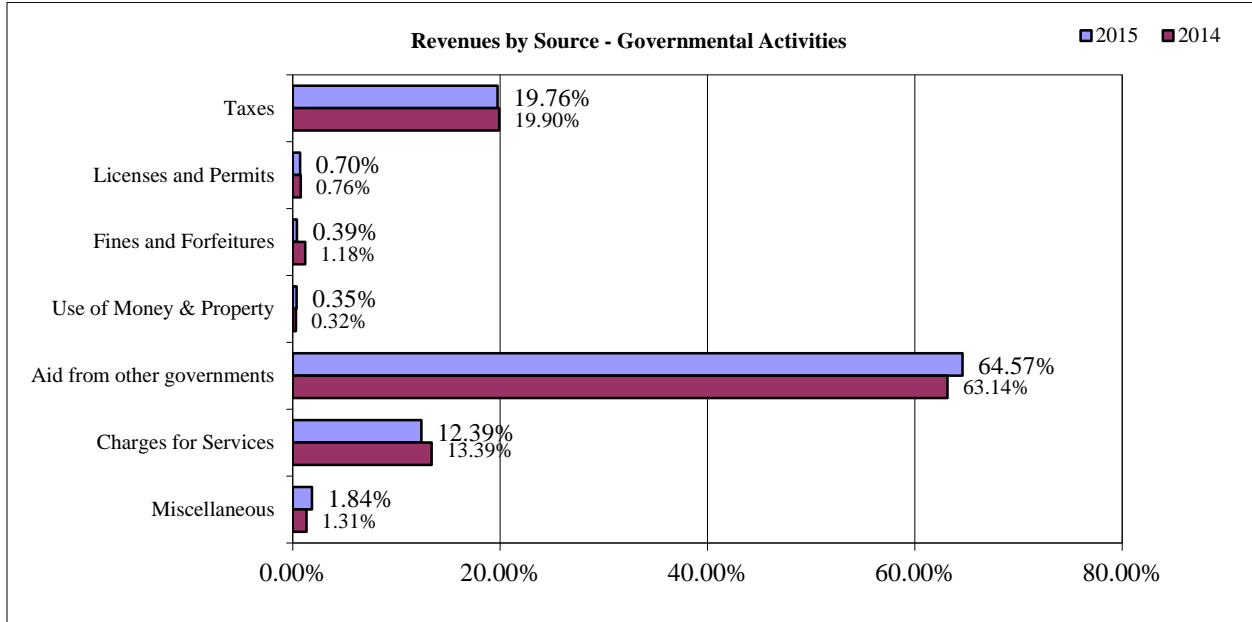
Total governmental funds Fund Balance increased by \$7,512,475 in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund increased \$6,341,661, and Headwaters Mitigation Fund decreased \$109,109. The non-major governmental funds increased by \$1,279,923.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

Revenues Classified by Source Governmental Funds						
	FY 2015		FY 2014		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 55,524,381	19.76%	\$ 54,063,296	19.90%	\$ 1,461,085	2.70%
Licenses and permits	1,968,602	0.70%	2,064,176	0.76%	(95,574)	-4.63%
Fines and forfeitures	1,104,291	0.39%	3,214,033	1.18%	(2,109,742)	-65.64%
Use of money & property	982,129	0.35%	858,202	0.32%	123,927	14.44%
Aid from other governments	181,485,273	64.57%	171,564,557	63.14%	9,920,716	5.78%
Charges for services	34,812,088	12.39%	36,384,267	13.39%	(1,572,179)	-4.32%
Miscellaneous	5,180,963	1.84%	3,566,461	1.31%	1,614,502	45.27%
Total by Function	<u>\$ 281,057,727</u>	<u>100.00%</u>	<u>\$ 271,714,992</u>	<u>100.00%</u>	<u>\$ 9,342,735</u>	

**COUNTY OF HUMBOLDT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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



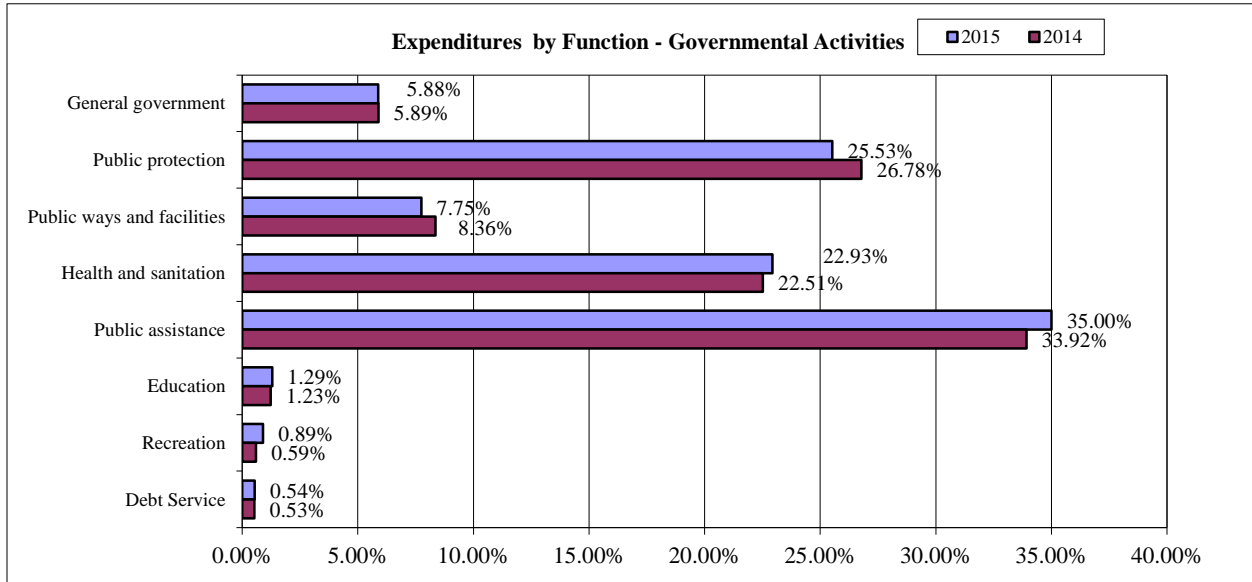
The following table presents expenditures by function compared to prior year amounts.

**Expenditures Classified by Function**  
**Governmental Funds**

	FY 2015		FY 2014		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 16,049,469	5.88%	\$ 15,849,573	5.89%	\$ 199,896	1.26%
Public protection	69,638,723	25.53%	72,052,465	26.78%	(2,413,742)	-3.35%
Public ways and facilities	21,147,839	7.75%	22,480,591	8.36%	(1,332,752)	-5.93%
Health and sanitation	62,565,441	22.93%	60,573,161	22.51%	1,992,280	3.29%
Public assistance	95,502,142	35.00%	91,256,910	33.92%	4,245,232	4.65%
Education	3,533,032	1.29%	3,304,895	1.23%	228,137	6.90%
Recreation	2,440,212	0.89%	1,595,064	0.59%	845,148	52.99%
Debt Service	1,478,873	0.54%	1,425,194	0.53%	53,679	3.77%
Capital outlay	468,795	0.17%	511,176	0.19%	(42,381)	-8.29%
<b>Total by Function</b>	<b>\$ 272,824,526</b>	<b>100.00%</b>	<b>\$ 269,049,029</b>	<b>100.00%</b>	<b>\$ 3,775,497</b>	

**COUNTY OF HUMBOLDT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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



**Proprietary funds** reporting focuses on determining operating income, changes in net position (or cost recovery), financial position, and cash flows using the full accrual basis of accounting.

*Enterprise funds* report the business-type activities of the County. Enterprise funds are used to account for the operations of the airport.

Enterprise fund net position net investment in capital assets at fiscal year-end was \$34,227,758. Unrestricted net position of the enterprise funds at fiscal year-end was a negative \$1,313,062. The net position of the enterprise funds decreased \$3,098,934 from the prior fiscal year when taking into account the restatement of net position due to the new pension liability.

*Internal service funds* are an accounting device to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to account for its information technology services, vehicle maintenance, risk management, facilities maintenance, and utilities functions.

Total net position of the internal service funds at fiscal year-end were \$17,927,379 and include \$9,477,537 invested in capital assets. The net position of the internal service funds increased \$2,447,852 over the prior fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

**COUNTY OF HUMBOLDT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

Differences between the General Fund's original budget and the final amended budget resulted in a \$10,609,433 increase in appropriations. The major components of the appropriations increase are briefly summarized as follows: \$2,850,227 increase in public protection, a \$1,622,999 increase in health and sanitation and a \$4,500,235 increase in general government. Other budgetary categories were increased by lesser amounts.

Even with these adjustments, actual expenditures were \$57,805,189 below final budget amounts. Revenues available for appropriation were \$46,176,087 below final budget amounts.

Differences between the original budget and the final amended budget is summarized in the table below:

	Budgetary Comparison General Fund			
	Original Budget	Final Budget	Net Change	
			Amount	Percent
Total Revenues	\$ 286,339,904	\$ 295,599,778	\$ 9,259,874	3.13%
Total Expenditures	(288,857,537)	(299,466,970)	(10,609,433)	3.54%
Other Financing Sources (Uses)	(700,762)	(644,262)	56,500	-8.77%
Net Change in Fund Balances	<u>\$ (3,218,395)</u>	<u>\$ (4,511,454)</u>	<u>\$ (1,293,059)</u>	

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

	Budgetary Comparison General Fund			
	Final Budget	Actual Amounts	Net Change	
			Amount	Percent
Total Revenues	\$ 295,599,778	\$ 249,423,691	\$ (46,176,087)	-18.51%
Total Expenditures	(299,466,970)	(241,661,781)	57,805,189	-23.92%
Other Financing Sources (Uses)	(644,262)	(2,387,722)	(1,743,460)	73.02%
Net Change in Fund Balances	<u>\$ (4,511,454)</u>	<u>\$ 5,374,188</u>	<u>\$ 9,885,642</u>	

**CAPITAL ASSETS**

The County's investment in capital assets for its governmental and business type activities as of June 30, 2015, amounted to \$361,532,954 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, leasehold improvements, equipment, and infrastructure (roads and bridges).

**COUNTY OF HUMBOLDT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 10,697,856	\$ 3,912,856	\$ 1,976,177	\$ 1,976,177	\$ 12,674,033	\$ 5,889,033
Construction in Progress	7,660,680	5,853,126	--	5,443,384	7,660,680	11,296,510
Structures & Improvements	101,928,279	98,921,251	53,503,813	47,716,885	155,432,092	146,638,136
Equipment	34,966,182	33,217,136	287,514	287,514	35,253,696	33,504,650
Infrastructure	607,718,836	603,685,240	--	--	607,718,836	603,685,240
Total	762,971,833	745,589,609	55,767,504	55,423,960	818,739,337	801,013,569
Accumulated Depreciation	(435,665,637)	(417,860,564)	(21,539,746)	(19,632,901)	(457,205,383)	(437,493,465)
Net Capital Assets	<u>\$ 327,306,196</u>	<u>\$ 327,729,045</u>	<u>\$ 34,227,758</u>	<u>\$ 35,791,059</u>	<u>\$ 361,533,954</u>	<u>\$ 363,520,104</u>

Additional information regarding capital assets is presented in note 4.

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the County had total outstanding debt obligations of \$15,476,293. Of this amount, \$14,365,000 comprise bonds that are secured by the County's lease rental payments and other dedicated sources of revenue. The remainder of the County's debt represents loans secured solely by specified revenue sources.

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

	Long-Term Debt Obligations					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Certificates of participation	\$ 14,365,000	\$ 15,545,000	\$ --	\$ --	\$ 14,365,000	\$ 15,545,000
Capital lease obligations	1,111,293	1,530,335	--	--	1,111,293	1,530,335
Total Debt	15,476,293	17,075,335	--	--	15,476,293	17,075,335
Less current portion	(1,654,512)	(1,604,198)	--	--	(1,654,512)	(1,604,198)
Net Long-Term Debt	<u>\$ 13,821,781</u>	<u>\$ 15,471,137</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 13,821,781</u>	<u>\$ 15,471,137</u>

During the year ended June 30, 2015 outstanding debt was decreased by \$1,649,356.

Other obligations include compensated absences (accrued vacation and sick leave), workers' compensation and general liability insurance claims liability. More detailed information about the County's long-term liabilities is presented in note 6.

**COUNTY OF HUMBOLDT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County's fiscal year 2015-16 budget takes into consideration the overall financial health of the County and related impacts of the California State Budget.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor-Controller at 825 Fifth Street, Room 126, Eureka, California, 95501-1153.



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

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**COUNTY OF HUMBOLDT**

Statement of Net Position  
June 30, 2015

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and investments	\$ 102,430,476	\$ 843,598	\$ 103,274,074
Receivables, net	18,695,539	139,710	18,835,249
Inventory	327,991	125,703	453,694
Deposits and other assets	1,549,967	--	1,549,967
Due from external parties	318,753	--	318,753
Loan receivable	22,917,572	--	22,917,572
Internal balances	795,295	(795,295)	--
Capital assets:			
Nondepreciable	18,358,536	1,976,177	20,334,713
Depreciable, net	308,947,660	32,251,581	341,199,241
Total Assets	<u>474,341,789</u>	<u>34,541,474</u>	<u>508,883,263</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension	<u>22,073,425</u>	<u>155,412</u>	<u>22,228,837</u>
<b>LIABILITIES</b>			
Accounts payable	6,564,684	29,368	6,594,052
Accrued salaries and benefits	3,420,390	20,120	3,440,510
Interest payable	69,035	--	69,035
Unearned revenue	2,163,917	--	2,163,917
Other liabilities	516,315	137	516,452
Long-Term Liabilities:			
Portion due or payable within one year:			
Certificates of participation	1,215,000	--	1,215,000
Capital leases	439,512	--	439,512
Compensated absences	8,768,836	42,760	8,811,596
Claims liability	2,518,822	--	2,518,822
Portion due or payable after one year:			
Certificates of participation	13,150,000	--	13,150,000
Capital leases	671,781	--	671,781
Compensated absences	6,861,645	59,692	6,921,337
OPEB liability	10,993,167	--	10,993,167
Net pension liability	193,948,228	1,365,529	195,313,757
Total Liabilities	<u>251,301,332</u>	<u>1,517,606</u>	<u>252,818,938</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension	<u>37,579,225</u>	<u>264,584</u>	<u>37,843,809</u>
<b>NET POSITION</b>			
Net Investment in capital assets	311,829,903	34,227,758	346,057,661
Restricted for:			
Economic development	36,196,576	--	36,196,576
Debt service and capital projects	1,439,946	--	1,439,946
Other grants and special taxes	69,045,910	--	69,045,910
Unrestricted	(210,977,678)	(1,313,062)	(212,290,740)
Total Net Position	<u>\$ 207,534,657</u>	<u>\$ 32,914,696</u>	<u>\$ 240,449,353</u>

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

**COUNTY OF HUMBOLDT**

Statement of Activities  
For the Year Ended June 30, 2015

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	\$ 15,710,178	\$ 4,923,202	\$ 3,853,509	\$ --
Public protection	64,397,313	6,727,619	31,868,761	--
Public ways and facilities	32,596,089	1,488,192	9,931,345	4,524,942
Health and sanitation	61,547,865	19,087,336	32,583,246	--
Public assistance	94,429,433	5,085,320	90,054,722	--
Education	3,704,849	75,043	515,324	--
Recreation and culture	2,309,883	542,946	542,855	6,785,000
Debt Service				
Interest	384,882	--	--	--
Total Governmental Activities	<u>275,080,492</u>	<u>37,929,658</u>	<u>169,349,762</u>	<u>11,309,942</u>
Business-Type Activities:				
Aviation	<u>4,887,971</u>	<u>2,698,446</u>	<u>293,253</u>	<u>224,115</u>
Total Business-type Activities	<u>4,887,971</u>	<u>2,698,446</u>	<u>293,253</u>	<u>224,115</u>
Total Humboldt County	<u>\$ 279,968,463</u>	<u>\$ 40,628,104</u>	<u>\$ 169,643,015</u>	<u>\$ 11,534,057</u>

General Revenues:

  Taxes:

    Property taxes

    Sales and use taxes

    Transient occupancy tax

    Other

  Unrestricted interest and investment earnings

  Miscellaneous

Transfers

  Total General Revenues

Change in Net Position

  Net Position - Beginning of Year, restated

  Net Position - End of Year

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (6,933,467)	\$ --	\$ (6,933,467)
(25,800,933)	--	(25,800,933)
(16,651,610)	--	(16,651,610)
(9,877,283)	--	(9,877,283)
710,609	--	710,609
(3,114,482)	--	(3,114,482)
5,560,918	--	5,560,918
<u>(384,882)</u>	<u>--</u>	<u>(384,882)</u>
<u>(56,491,130)</u>	<u>--</u>	<u>(56,491,130)</u>
--	<u>(1,672,157)</u>	<u>(1,672,157)</u>
--	<u>(1,672,157)</u>	<u>(1,672,157)</u>
<u>(56,491,130)</u>	<u>(1,672,157)</u>	<u>(58,163,287)</u>
42,419,529	--	42,419,529
7,710,537	--	7,710,537
2,152,363	--	2,152,363
3,241,952	--	3,241,952
1,054,914	5,692	1,060,606
5,180,963	139,621	5,320,584
74,725	(74,725)	--
<u>61,834,983</u>	<u>70,588</u>	<u>61,905,571</u>
5,343,853	(1,601,569)	3,742,284
<u>202,190,804</u>	<u>34,516,265</u>	<u>236,707,069</u>
<u>\$ 207,534,657</u>	<u>\$ 32,914,696</u>	<u>\$ 240,449,353</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 HUMBOLDT**

Balance Sheet  
Governmental Funds

	General Fund	Headwaters Mitigation Fund	Other Governmental	Total
<u>Assets</u>				
Cash and investments	\$ 64,907,964	\$ 12,658,426	\$ 13,738,104	\$ 91,304,494
Department cash funds	--	--	865	865
Receivables, net	17,246,346	129,736	1,082,699	18,458,781
Due from other funds	318,753	--	--	318,753
Advances to other funds	--	74,341	--	74,341
Loans receivable	17,770,207	5,147,365	--	22,917,572
Prepays and other assets	8,182	--	75	8,257
Total Assets	<u>\$ 100,251,452</u>	<u>\$ 18,009,868</u>	<u>\$ 14,821,743</u>	<u>\$ 133,083,063</u>
<u>Liabilities</u>				
Accounts payable	\$ 5,461,041	\$ --	\$ 602,791	\$ 6,063,832
Accrued salaries and benefits	3,058,055	--	293,569	3,351,624
Unearned revenue	678,775	--	--	678,775
Other liabilities	142	--	--	142
Total Liabilities	<u>9,198,013</u>	<u>--</u>	<u>896,360</u>	<u>10,094,373</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	<u>3,559,852</u>	<u>--</u>	<u>54,470</u>	<u>3,614,322</u>
<u>Fund Balances</u>				
Nonspendable	8,182	--	75	8,257
Restricted	77,626,737	18,009,868	13,870,838	109,507,443
Unassigned	9,858,668	--	--	9,858,668
Total Fund Balances	<u>87,493,587</u>	<u>18,009,868</u>	<u>13,870,913</u>	<u>119,374,368</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 100,251,452</u>	<u>\$ 18,009,868</u>	<u>\$ 14,821,743</u>	<u>\$ 133,083,063</u>

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

**COUNTY OF HUMBOLDT**

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Position - Governmental Activities  
June 30, 2015

Fund Balance - total governmental funds (page 19)	\$ 119,374,368
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	317,828,659
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	3,614,322
Deferred outflows of resources reported in the statement of net position.	22,073,425
Internal service funds are used by the County to charge the cost of its motor pool and copier pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	17,927,379
Interest payable on long-term debt does not require the use of current financial resources and, therefor, is not accrued as a liability in the governmental funds.	(69,035)
Deferred inflows of resources reported in the statement of net position.	(37,579,225)
Long-term liabilities, including capital leases, are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Certificates of participation	(14,365,000)
Capital leases	(1,111,293)
Other post employment benefits liability	(10,993,167)
Net pension liability	(193,948,228)
Compensated absences	<u>(15,217,548)</u>
Net position of governmental activities (page 15)	<u><u>\$ 207,534,657</u></u>

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

**COUNTY OF HUMBOLDT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2015

	General Fund	Headwaters Mitigation Fund	Other Governmental	Total
<b>Revenues:</b>				
Taxes	\$ 49,385,818	\$ --	\$ 6,138,563	\$ 55,524,381
Licenses and permits	1,899,069	--	69,533	1,968,602
Fines, forfeitures and penalties	588,067	--	516,224	1,104,291
Use of money and property	508,117	377,704	96,308	982,129
Aid from other governments	161,089,263	542,855	19,853,155	181,485,273
Charges for services	33,306,569	--	1,505,519	34,812,088
Other revenues	4,315,875	292,325	572,763	5,180,963
<b>Total Revenues</b>	<b>251,092,778</b>	<b>1,212,884</b>	<b>28,752,065</b>	<b>281,057,727</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	16,049,469	--	--	16,049,469
Public protection	64,806,367	3,184	4,829,172	69,638,723
Public ways and facilities	2,164,512	--	18,983,327	21,147,839
Health and sanitation	62,565,441	--	--	62,565,441
Public assistance	95,502,142	--	--	95,502,142
Education	154,061	--	3,378,971	3,533,032
Recreation and culture	1,121,403	1,318,809	--	2,440,212
<b>Debt service:</b>				
Principal	--	--	1,478,873	1,478,873
Interest and other charges	--	--	468,795	468,795
<b>Total Expenditures</b>	<b>242,363,395</b>	<b>1,321,993</b>	<b>29,139,138</b>	<b>272,824,526</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>8,729,383</b>	<b>(109,109)</b>	<b>(387,073)</b>	<b>8,233,201</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	--	1,899,248	1,899,248
Transfers out	(2,387,722)	--	(232,252)	(2,619,974)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,387,722)</b>	<b>--</b>	<b>1,666,996</b>	<b>(720,726)</b>
<b>Net Changes in Fund Balances</b>	<b>6,341,661</b>	<b>(109,109)</b>	<b>1,279,923</b>	<b>7,512,475</b>
<b>Fund Balances, Beginning of Year</b>	<b>81,151,926</b>	<b>18,118,977</b>	<b>12,590,990</b>	<b>111,861,893</b>
<b>Fund Balances, End of Year</b>	<b>\$ 87,493,587</b>	<b>\$ 18,009,868</b>	<b>\$ 13,870,913</b>	<b>\$ 119,374,368</b>

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

**COUNTY OF HUMBOLDT**

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, 2015

Net change to fund balance - total governmental funds (page 21) \$ 7,512,475

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	\$ 15,972,447	
Less: current year depreciation	<u>(16,749,315)</u>	(776,868)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(7,565,892)
---	--	-------------

Long-term debt proceeds provide resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on certificates of participation and capital leases		1,599,042
--	--	-----------

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 accrued interest on debt	84,330	
Change in other post employment benefits	(1,520,054)	
Changes in net pension liability and deferred inflows/outflows	3,219,005	
Change in compensated absences	<u>343,963</u>	2,127,244

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.		<u>2,447,852</u>
--	--	------------------

Change in net position of governmental activities (pages 16 and 17)		<u><u>\$ 5,343,853</u></u>
---	--	----------------------------

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

**COUNTY OF HUMBOLDT**

Statement of Net Position  
Proprietary Funds  
June 30, 2015

	Business -Type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	<u>Aviation</u>	<u>Funds</u>
<u>ASSETS</u>		
Current Assets:		
Cash and investments	\$ 843,198	\$ 11,125,117
Departmental cash funds	400	--
Accounts receivable	139,710	236,758
Due from other funds	--	1,347,738
Inventory	125,703	327,991
Prepaid expenses	--	1,541,710
Total Current Assets	<u>1,109,011</u>	<u>14,579,314</u>
Noncurrent Assets:		
Capital assets:		
Non-depreciable	1,976,177	--
Depreciable, net	<u>32,251,581</u>	<u>9,477,537</u>
Total Noncurrent Assets	<u>34,227,758</u>	<u>9,477,537</u>
Total Assets	<u>35,336,769</u>	<u>24,056,851</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred pension	<u>155,412</u>	<u>--</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	29,368	500,852
Accrued salaries and benefits	20,120	68,766
Due to other funds	720,954	626,784
Unearned revenue	--	1,485,142
Other liabilities	137	516,173
Advances from other funds	74,341	--
Provision for estimated claims	--	2,518,822
Compensated absences	42,760	346,755
Total Current Liabilities	<u>887,680</u>	<u>6,063,294</u>
Noncurrent Liabilities:		
Compensated absences	59,692	66,178
Net pension liability	<u>1,365,529</u>	<u>--</u>
Total Noncurrent Liabilities	<u>1,425,221</u>	<u>66,178</u>
Total Liabilities	<u>2,312,901</u>	<u>6,129,472</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred pension	<u>264,584</u>	<u>--</u>
<u>NET POSITION</u>		
Net investment in capital assets	34,227,758	9,477,537
Unrestricted	<u>(1,313,062)</u>	<u>8,449,842</u>
Total Net Position	<u>\$ 32,914,696</u>	<u>\$ 17,927,379</u>

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

**COUNTY OF HUMBOLDT**

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2015

	Business -Type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	<u>Aviation</u>	<u>Funds</u>
Operating Revenues:		
Charges for services	\$ 2,698,446	\$ 34,749,819
Other revenue	139,621	2,885,067
Total Operating Revenues	<u>2,838,067</u>	<u>37,634,886</u>
Operating Expenses:		
Salaries and benefits	866,049	3,152,949
Services and supplies	2,106,423	4,219,536
Claims expense	--	27,209,476
Depreciation	1,906,845	1,472,892
Total Operating Expenses	<u>4,879,317</u>	<u>36,054,853</u>
Operating Income (Loss)	<u>(2,041,250)</u>	<u>1,580,033</u>
Non-Operating Revenue (Expenses):		
Intergovernmental revenues	293,253	--
Investment income	5,692	72,785
Interest expense	(8,654)	(417)
Total Non-Operating Revenue (Expenses)	<u>290,291</u>	<u>72,368</u>
Income (Loss) Before Contributions and Transfers	(1,750,959)	1,652,401
Capital contributions	224,115	--
Transfers in	--	795,451
Transfers out	(74,725)	--
Change in Net Position	<u>(1,601,569)</u>	<u>2,447,852</u>
Net Position - Beginning of Year, restated	<u>34,516,265</u>	<u>15,479,527</u>
Net Position - End of Year	<u>\$ 32,914,696</u>	<u>\$ 17,927,379</u>

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

**COUNTY OF HUMBOLDT**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	Aviation	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers and other funds	\$ 2,892,115	\$ --
Cash receipts from internal fund services provided	--	37,460,870
Cash paid to suppliers for goods and services	(2,128,189)	(31,409,162)
Cash paid to employees for services	(861,006)	(3,152,461)
Net Cash Provided (Used) by Operating Activities	<u>(97,080)</u>	<u>2,899,247</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating grants	293,253	--
Due from other funds	--	(684,655)
Due to other funds	89,601	73,428
Advances from other funds	(47,303)	--
Transfers in	--	795,451
Transfers out	(74,725)	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>260,826</u>	<u>184,224</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants	224,115	--
Purchase of capital assets	(343,544)	(1,826,911)
Interest paid on capital debt	(8,654)	(131)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(128,083)</u>	<u>(1,827,042)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	5,692	72,499
Net Cash Provided (Used) by Investing Activities	<u>5,692</u>	<u>72,499</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	41,355	1,328,928
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>802,243</u>	<u>9,796,189</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 843,598</u>	<u>\$ 11,125,117</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Fund Net Position</b>		
Cash and investments	\$ 843,198	\$ 11,125,117
Department cash funds	400	--
<b>Total Cash and Cash Equivalents</b>	<u>\$ 843,598</u>	<u>\$ 11,125,117</u>

continued

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

**COUNTY OF HUMBOLDT**

Statement of Cash Flows (continued)  
 Proprietary Funds  
 For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	<u>Aviation</u>	<u>Fund</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ (2,041,250)	\$ 1,580,033
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,906,845	1,472,892
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	54,048	(221,922)
Inventories	32,448	--
Prepays	--	(48,090)
Increase (decrease) in:		
Accounts payable	(54,214)	59,391
Accrued salaries and benefits	19,033	(11,127)
Compensated absences	8,674	11,615
Claims payable	--	15,516
Net pension liability	(22,664)	--
Unearned revenue	--	47,723
Other liabilities	--	(6,784)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (97,080)</u></b>	<b><u>\$ 2,899,247</u></b>

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



**COUNTY OF HUMBOLDT**

Statement of Net Position  
Fiduciary Funds  
June 30, 2015

	Investment Trust Fund	Agency Funds
	<hr/>	<hr/>
<u>Assets</u>		
Pooled cash and investments	\$ 143,294,662	\$ 34,140,218
Taxes receivable	--	8,856,853
Due from other funds	--	271,699
	<hr/>	<hr/>
Total Assets	<u>\$ 143,294,662</u>	<u>\$ 43,268,770</u>
 <u>Liabilities</u>		
Due to other funds	\$ --	\$ 590,452
Agency funds held for others	--	42,678,318
	<hr/>	<hr/>
Total Liabilities	--	43,268,770
 <u>Net position</u>		
Net position held in trust for investment pool participants	<hr/> 143,294,662	<hr/> --
	<hr/>	<hr/>
Total Net Position	<u>\$ 143,294,662</u>	<u>\$ --</u>

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

**COUNTY OF HUMBOLDT**

Statement of Changes in Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2015

	<u>Investment Trust Fund</u>
<u>Additions</u>	
Contributions to pooled investments	\$ 367,375,420
Investment income	<u>1,774,834</u>
Total Additions	<u>369,150,254</u>
<u>Deductions</u>	
Distributions from pooled investments	<u>378,966,033</u>
Total Deductions	<u>378,966,033</u>
Change in net position	(9,815,779)
Net Position - Beginning of Year	<u>153,110,441</u>
Net Position - End of Year	<u>\$ 143,294,662</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 provide 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.

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**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**A. Description of the Reporting Entity**

The County of Humboldt (the "County") is a political subdivision created by the State of California. As such, it can exercise the powers specified by the Constitution and statutes of the State. The County is governed by a five member elected Board of Supervisors. The accompanying financial statements present the County's primary government and component units over which the County exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the County (as distinct from legal relationships). Blended component units, although legally separate entities, are, in substance, part of the County's operations.

The reporting entity excludes certain separate legal entities which may have "Humboldt" in their title, or which are required to keep their funds in the County Treasury or receive their tax apportionment from the County. Some examples are school districts, the community college district, cities, various redevelopment agencies established by local city governments and a variety of special purpose districts for cemeteries, recreation and parks. These entities are autonomous organizations with their own governmental powers and constituencies and over which the Board of Supervisors has no oversight responsibility. Accordingly, they are not included in the accompanying combined financial statements, except as to their assets held by the County (principally cash and investments held by the County Treasurer) as discussed under "fiduciary funds".

Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units, although legally separate entities, are in substance, part of the government's operations. Blended component units are an extension of the County and so data from these units are combined with the data of the 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. The County has no discretely presented component units. Each component unit has a June 30<sup>th</sup> year end.

**Blended Component Units**

The Public Facilities Corporation (the "Corporation") is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on December 11, 1985. The Corporation's Board of Directors are appointed by the County's Board of Supervisors. The Corporation has no employees. The County's Auditor-Controller functions as an agent of the Corporation. He does not receive additional compensation for work performed in this capacity.

The County exercises significant influence over operations of the Corporation as it is anticipated that the County will be the sole lessee of all facilities owned by the Corporation. All major financing arrangements, contracts, and other transactions of the Corporation will be reflected in the lease payments of the County. Any surpluses of the Corporation revert to the County at the end of the lease period.

The County has assumed "moral obligation", and potentially a legal obligation, for any debt incurred by the Corporation. The Corporation was formed to provide financing assistance to the County for construction and acquisition of major capital facilities. Upon completion, the County intends to occupy all Corporation facilities. The Corporation has assigned certain rights under the lease agreement to Bank of New York, Union Bank of California, and First Interstate Bank of Trustees. The Corporation has deposited with the Trustee the proceeds from the sales of Certificates of Participation which were used to finance various projects. The bond retirement costs have been factored into the County's lease payment amounts. The Corporation's financial activity is presented in the financial statements as the Debt Service Fund. Certificates of Participation issued by the Corporation are included in the Statement of Net Position – Governmental Activities column.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. **Description of the Reporting Entity** (continued)

Blended Component Units (continued)

Capital Assets acquired or constructed by the Corporation are included in the Statement of Net Position – Governmental Activities column.

The County has 14 special districts referred to as Special Districts Under the Board of Supervisors. Each is established for the purpose of providing specific services in a defined geographic area. Their board members are the same as the County Board of Supervisors. These agencies are reported in the Special Districts Under the Board of Supervisors special revenue fund. These districts are as follows: Fortuna Fire Protection District, Loleta Fire Protection District, Whitethorn Fire Protection District, Garberville Lighting District, Hydesville Lighting District, Loleta Lighting District, Rohnerville Lighting District, Weott Maintenance and Lighting District, Redcrest Lighting District, Myers Flat Lighting District, Pacific Manor Street Maintenance and Lighting District, Humboldt County Flood Control District – Subzone 1-1, and Janes Creek Drainage District.

B. **Basis of Presentation**

*Government-Wide Financial Statements*

The statement of net position 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 position are available, restricted resources are used only after the unrestricted resources are depleted.

*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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

*Fund Financial Statements* (continued)

The County reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education and recreation services.
- The *Headwaters Mitigation Fund* is used to reimburse the County for the loss of property and timber tax revenues subsequent to the Headwaters Forest purchase by State and Federal agencies. The Fund is also used to provide seed money for local economic development projects.

The County reports the following major enterprise funds:

- The *Aviation Fund* is used to fund general Airport operations, office and administrative expenses and the maintenance of Airport facilities, including the replacement of exterior lighting fixtures, runway, taxiway and ramp lighting, heating and air conditioning service. Major revenue sources include fuel flow fees, rents, land leases, airport royalties and interest earnings.

The County reports the following additional fund types:

- *Internal Service Funds* account for the County's fleet maintenance and other services provide to other departments or other governments, and self-insurance programs – worker's compensation, dental, medical, unemployment and general liability on a cost-reimbursement basis.
- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The *Agency Funds* account for assets held by the County as an agent for various local governments.

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**C. Basis of Accounting**

The government-wide, proprietary and fiduciary 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. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be 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.

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**

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

**E. Property Tax**

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County based on the assessed value as of the preceding January 1. January 1 is also the lien date. Tax rates are set no later than the first workday in September. Property taxes on the secured roll are due in two installments: November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively. Supplemental property taxes are levied based on changes in assessed values between the date of real property sales and construction and the next normal assessment date. The additional supplemental property taxes are prorated from the first of the month following the date of such occurrence. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent, if unpaid, on August 31.



COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. **Property Tax** (continued)

On September 21, 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 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.

By resolution the County has covenanted that, except for the purpose of securing borrowings, the proceeds of which would be deposited to the General Fund, the County will take no action to sell, assign, or otherwise encumber the future delinquent tax payments, penalties and interest receivable by the County under the Teeter Plan.

The County is required to create a tax loss reserve fund (an agency fund) under one or two alternative methods: (1) 1 percent of the total amount of taxes and assessments levied on the secured roll for the year or (2) 25 percent of the total delinquent secured taxes for participating entities in the County as calculated at the end of the fiscal year. For fiscal year 2014-2015, the County opted to use method (1) which required a tax loss reserve of at least 1 percent of total taxes and assessments levied on the secured roll.

F. **Loans Receivable**

The County has loans to low-income home owners for residential housing improvements and to developers for the construction of low-income qualified rental property. The loans are made through the Community Development Block Grant Program, the CalHOME Program and the HOME Program. The notes have interest rates from 0% to 6%. The terms of the notes range from five to fifty-five years. The notes are due upon sale of the property or maturity date. The notes are secured by real estate.

The County also makes business venture loans through the Headwaters Revolving Loan Fund. Such loans are generally secured by inventory, receivables and cash; as well as the personal assets of the business owners. The loan terms are from three to ten years with interest rates from 5.5% to 10%. The County believes that substantially all loan principal is collectible.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. **Inventories**

Inventories are stated at cost (first-in, first-out basis) for governmental funds and lower of average cost or market for proprietary funds. Inventory recorded by governmental funds includes postage and materials and supplies for roads. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed. Reported inventories of governmental funds are equally offset by a corresponding nonspendable portion of fund balance to indicate that portion of fund balance not available for future appropriation.

Inventory recorded in the proprietary funds mainly consists of maintenance supplies. Inventory is expensed as the supplies are consumed.

H. **Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include 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 \$5,000 and an estimated useful life in excess of one year.

Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds. Depreciation begins when the asset is placed in service and ends in the fiscal year that it is retired from service or is fully depreciated.

The estimated useful lives are as follows:

Infrastructure (except for the maintained pavement subsystem)	20 to 50 years
Structures and improvements	20 to 50 years
Equipment	3 to 15 years

Motor pool vehicles are depreciated using historical cost as required by accounting principles generally accepted in the United States of America.

The County has several networks of infrastructure assets – roads, lighting, drainage, and flood control. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, lighting, drainage and flood control. These infrastructure assets are likely to be the largest asset class of the County. Their historical cost and related depreciation has been reported in the financial statements.

I. **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows or resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County has one item, pension, which qualifies for reporting in this category.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. **Deferred Outflows/Inflows of Resources** (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of items which qualify for reporting in this category: pensions and unavailable revenue. The item, *unavailable revenue*, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: intergovernmental revenue and charges for services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. **Compensated Absences**

County employees are granted vacation, holiday, comp time and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation, holiday and comp time at 100%. Employees are reimbursed for accumulated sick leave based on years of service and date of hire.

The County accrues accumulated unpaid compensated absences when earned (or estimated to be earned) by the employee. The liability for governmental funds is reflected in the government-wide statement of net position. In the proprietary funds, accumulated compensated absences is recorded as an expense and liability as the benefits accrue to employees.

K. **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. **Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the governmental fund financial statements, are offset by a nonspendable portion of fund balance to indicate that they are not available for appropriation and are not available financial resources.

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 HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. **Net Position/Fund Balance**

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position components are categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the County, not restricted for any project or other purpose.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2015, fund balances for governmental funds consist of the following categories:

- *Nonspendable Fund Balance* – includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact (such as inventories or prepaid amounts).
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by external parties (such as creditors, grant providers, or contributors) or by law.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purpose determined by the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action. The formal action must occur prior to the end of the reporting period. The amount which will be subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance* – is comprised of amounts intended to be used by the government entity for specific purposes that are neither restricted nor committed. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board delegates the authority. Assigned fund balance can be used to eliminate a projected budgetary deficit in the subsequent year's budget.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purposes.

The Board of Supervisors establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution or an ordinance. This can be done through the adoption of the budget and subsequent budget amendments that occur throughout the year.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. **Net Position/Fund Balance** (continued)

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

*Fund Balance Policy*

The County has developed a fund balance policy to assist financial statement users in understanding the existing commitments and constraints that apply to fund balances of governments. Committed, assigned and unassigned fund balances are considered unrestricted. Additional detailed information, along with the complete *Fund Balance Policy*, can be obtained from the County Auditor-Controller's office.

N. **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.

O. **New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 68

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 nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities.

Governmental Accounting Standards Board Statement No. 69

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, is effective for periods beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

Governmental Accounting Standards Board Statement No. 71

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, is effective for periods beginning after June 15, 2014. This statement addresses the application of contributions made by a state or local government employer on nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**P. Future Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 72

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for periods beginning after June 15, 2015.

Governmental Accounting Standards Board Statement No. 73

GASB Statement No. 73, *Accounting for the Financial Reporting for Pension and Related Assets That are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, is effective for periods beginning after June 15, 2015 except those provisions that address employers and government nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

Governmental Accounting Standards Board Statement No. 74

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is effective for periods beginning after June 15, 2016.

Governmental Accounting Standards Board Statement No. 75

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, is effective for periods beginning after June 15, 2017.

Governmental Accounting Standards Board Statement No. 76

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for periods beginning after June 15, 2017.

**NOTE 2: CASH AND INVESTMENTS**

At June 30, 2015, total County cash and investments were as follows:

Cash:	
Cash on hand and imprest cash	\$ 26,245
Deposits	7,526,706
Total Cash and Deposits	<u>7,552,951</u>
Investments:	
In Treasurer's pool	281,597,296
Total Investments	<u>281,597,296</u>
In Transit:	
Outstanding checks	(8,213,610)
Other	(227,683)
	<u>(8,441,293)</u>
Total	<u>\$ 280,708,954</u>

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

Cash and investments were reported in the Basic Financial Statements as follows:

Primary Government:	
Governmental activities	\$ 102,430,476
Business-type activities	843,598
Investment trust fund	143,294,662
Agency funds	<u>34,140,218</u>
Total	<u>\$ 280,708,954</u>

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury and Agency Securities	5 years	100%	N/A
U.S. Treas. and Ag. Sec. - Headwaters Investment Portfolio	30 years	100%	N/A
Bonds and Notes issued by local agencies	5 years	100%	N/A
Bonds and Notes loc. ag. - Headwaters Investment Portfolio	30 years	100%	N/A
Registered State Warrants and Municipal Notes and Bonds	5 years	100%	N/A
Registered St. Warrants - Headwaters Investment Portfolio	30 years	100%	N/A
Muni. Notes and Bonds - Headwaters Investment Portfolio	30 years	100%	N/A
Bankers' Acceptances	180 days	40%	N/A
Commercial Paper	270 days	40%	N/A
Negotiable Certificates of Deposit	5 years	30%	N/A
Negotiable CDs - Headwaters Investment Portfolio	30 years	30%	N/A
Repurchase Agreements	1 year	100%	N/A
Reverse Repurchase Agreements and Securities	92 days	20%	N/A
Medium Terms Corporate Notes	5 years	30%	N/A
Mutual Funds & Money Market Funds	N/A	20%	N/A
California Asset Management Program	N/A	None	N/A
Joint Powers Agreement	N/A	20%	N/A
Local Agency Investment Fund (LAIF)	N/A	As limited by LAIF	N/A
Investment Trust of California (CalTRUST)	N/A	As limited by CalTRUST	N/A
Collateralized Time Deposits	5 years	N/A	N/A

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

Investments (continued)

At June 30, 2015, the County had the following investments:

<b>Investment Pool</b>	<b>Interest Rates</b>	<b>Maturities</b>	<b>Par</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>WAM (Years)</b>
Federal Agency Issues - Coupon	0.375 - 2.580	7/5/2016 - 12/22/2021	\$ 198,539,000	\$ 198,355,893	\$ 198,539,000	2.85
Negotiable CD's	0.550 - 3.100	7/5/2016 - 12/9/2024	16,675,000	16,675,000	16,675,000	1.09
Government National Mortgage Assoc.	8.000	7/15/2014	1,318	1,334	1,318	1.79
Municipal Bonds	1.25	11/1/2017	2,000,000	2,004,460	2,000,000	2.34
Money Markets	Variable	On Demand	25,025,116	25,025,116	25,043,363	
California Asset Management Program	Variable	On Demand	1,001,272	1,001,272	1,001,272	
Local Agency Investment Fund	Variable	On Demand	38,337,343	38,337,343	38,337,343	
<b>Total Investments</b>			<b>\$ 281,579,049</b>	<b>\$ 281,400,418</b>	<b>\$ 281,597,296</b>	

The fair value of the investments is obtained by the County's safekeeping agent. At June 30, 2015, the difference between the cost and fair value of cash and investments was not material (fair value was 99.93% of carrying value). The County is reporting its cash and investments at cost.

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

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, 2015.

	<b>Moody's</b>	<b>% of Portfolio</b>
Federal National Mortgage	AAA	18.47%
Federal Home Loan Bank	AAA	16.43%
Federal Home Loan Mortgage Corp.	AAA	22.09%
Federal Farm Credits	AAA	13.50%
Government National Mortgage Assoc.		0.00%
Municipal Bonds		0.71%
Certificates of deposit		5.93%
Money Market		8.89%
California Local Agency Investment Fund	Unrated	13.98%
<b>Total</b>		<b>100.00%</b>



COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

Concentration of Credit Risk (continued)

At June 30, 2015, the County had the following investments in any one issuer that represent 5 percent or more of the total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded because they are not a concentration of credit risk.

Federal National Mortgage	\$ 21,995,148	18.47%
Federal Home Loan Bank	46,278,807	16.43%
Federal Home Loan Mortgage Corp.	62,265,423	22.09%
Federal Farm Credits	38,025,988	13.50%
Certificates of Deposit	16,675,000	5.93%

Custodial Credit Risk

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

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 Agency Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

Local Agency Investment Fund

At June 30, 2015, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$38,337,343, which approximates fair value and is the same as the value of the pool shares which is determined on an amortized cost basis. The total amount invested by all public agencies in PMIA on that day was \$69,606,487,716. The PMIA portfolio includes .97% invested in structured notes and medium-term asset-backed securities and 1.11% invested in short term asset-backed commercial paper.

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

County Investment pool Condensed Financial Statements

The following represents a condensed statement of net position and changes in net position for the Treasurer's investment pool as of June 30, 2015:

**Statement of Net Position**

Net position held for pool participants	<u>\$ 280,687,109</u>
Equity of external pool participants	\$ 137,392,447
Equity of internal pool participants	<u>143,294,662</u>
Total net position	<u>\$ 280,687,109</u>

**Statement of Changes in Net Position**

Net position at July 1, 2014	\$ 280,165,001
Net change in investments by pool participants	<u>522,108</u>
Net position at June 30, 2015	<u>\$ 280,687,109</u>

NOTE 3: **INTERFUND TRANSACTIONS**

The composition of interfund balances as of June 30, 2015 are as follows:

***Due To/From Other Funds***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 318,753
Internal Service Funds	Internal Service Funds	626,784
Internal Service Funds	Aviation Fund	720,954
Agency Funds	Agency Funds	<u>271,699</u>
		<u>\$ 1,938,190</u>

The due to/from other funds account balance primarily resulted from interfund cash transactions to eliminate cash deficits at June 30, 2015 for reporting purposes.

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

***Advances To/From Other Funds***

Receivable Fund	Payable Fund	Amount
Headwaters Mitigation Funds	Aviation Fund	\$ 74,341
		\$ 74,341

The advances resulted from interfund loans from the Headwaters Fund to the Aviation Fund.

***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:

Transfer from	Transfer to	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 295,689	Library operating subsidy
	Nonmajor Governmental Funds	1,371,307	Debt service payments
	Internal Service Funds	720,726	Capital projects
Aviation Fund	Internal Service Funds	74,725	
Nonmajor Governmental Funds	Nonmajor Governmental Funds	232,252	Debt service payments
		\$ 2,694,699	

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2015
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 3,912,856	\$ 6,785,000	\$ --	\$ --	\$ 10,697,856
Construction in progress	5,853,126	6,940,833	--	(5,133,279)	7,660,680
Total capital assets, not being depreciated	<u>9,765,982</u>	<u>13,725,833</u>	<u>--</u>	<u>(5,133,279)</u>	<u>18,358,536</u>
Capital assets, being depreciated:					
Infrastructure	603,685,240	1,197,763	--	2,835,833	607,718,836
Structures and improvements	98,921,251	314,355	--	2,692,673	101,928,279
Equipment	33,217,136	2,707,139	(967,470)	9,377	34,966,182
Total capital assets, being depreciated	<u>735,823,627</u>	<u>4,219,257</u>	<u>(967,470)</u>	<u>5,537,883</u>	<u>744,613,297</u>
Less accumulated depreciation for:					
Infrastructure	(341,784,429)	(13,172,911)	--	--	(354,957,340)
Structures and improvements	(53,857,159)	(2,854,109)	--	(343,727)	(57,054,995)
Equipment	(22,218,976)	(2,195,187)	750,537	10,324	(23,653,302)
Total accumulated depreciation	<u>(417,860,564)</u>	<u>(18,222,207)</u>	<u>750,537</u>	<u>(333,403)</u>	<u>(435,665,637)</u>
Total capital assets, being depreciated, net	<u>317,963,063</u>	<u>(14,002,950)</u>	<u>(216,933)</u>	<u>5,204,480</u>	<u>308,947,660</u>
Governmental activities capital assets, net	<u>\$ 327,729,045</u>	<u>\$ (277,117)</u>	<u>\$ (216,933)</u>	<u>\$ 71,201</u>	<u>327,306,196</u>
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,976,177	\$ --	\$ --	\$ --	\$ 1,976,177
Construction in progress	5,443,384	338,300	--	(5,781,684)	--
Total capital assets, not being depreciated	<u>7,419,561</u>	<u>338,300</u>	<u>--</u>	<u>(5,781,684)</u>	<u>1,976,177</u>
Capital assets, being depreciated:					
Structures and improvements	47,716,885	5,244	--	5,781,684	53,503,813
Equipment	287,514	--	--	--	287,514
Total capital assets, being depreciated	<u>48,004,399</u>	<u>5,244</u>	<u>--</u>	<u>5,781,684</u>	<u>53,791,327</u>
Less accumulated depreciation for:					
Structures and improvements	(19,373,141)	(1,902,698)	--	--	(21,275,839)
Equipment	(259,760)	(4,147)	--	--	(263,907)
Total accumulated depreciation	<u>(19,632,901)</u>	<u>(1,906,845)</u>	<u>--</u>	<u>--</u>	<u>(21,539,746)</u>
Total capital assets, being depreciated, net	<u>28,371,498</u>	<u>(1,901,601)</u>	<u>--</u>	<u>5,781,684</u>	<u>32,251,581</u>
Business-type activities capital assets, net	<u>\$ 35,791,059</u>	<u>\$ (1,563,301)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 34,227,758</u>

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,366,014
Public protection	1,246,366
Public ways and facilities	13,283,747
Health and sanitation	177,625
Public assistance	334,386
Education	267,022
Recreation and culture	74,155
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset	1,472,892
Total Depreciation Expense - Governmental Functions	\$ 18,222,207

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

Aviation	\$ 1,906,845
----------	--------------

**NOTE 5: LEASE COMMITMENTS**

Operating Leases

The County is committed under various noncancellable operating leases, primarily for office buildings.

At June 30, 2015, the future minimum rental payments required under operating leases for buildings and equipment were as follows:

Fiscal Year Ending June 30,	
2016	\$ 3,909,034
2017	2,131,185
2018	849,066
2019	34,595
2020	21,900
	\$ 6,945,780

Rent expenditures were \$4,151,461 for the year ended June 30, 2015.

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5: **LEASE COMMITMENTS** (CONTINUED)

Capital Leases

The County has entered into certain capital lease agreements under which the related buildings and equipment will become the property of the County when all terms of the lease agreements are met.

The following is a summary of equipment leased under capital lease agreements by the County as of June 30, 2015:

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2015
Road equipment	2.61%	\$ 299,884
Building remodel	5.10%	811,409
Total		\$ 1,111,293

The cost of buildings and equipment under capital leases are as follows:

Road equipment	\$ 610,529
Building remodel	3,619,634
Less: accumulated depreciation	(1,291,583)
Total	\$ 2,938,580

As of June 30, 2015, future minimum lease payments under capital leases was as follows:

Year Ending June 30:			
2016		\$ 480,551	
2017		475,395	
2018		223,774	
Total Future Minimum Lease Payments		1,179,720	
Less: Interest		(68,427)	
Present Value of Minimum Lease Payments		\$ 1,111,293	

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
<b>Governmental Activities</b>					
Certificates of participation	\$ 15,545,000	\$ --	\$ (1,180,000)	\$ 14,365,000	\$ 1,215,000
Compensated absences	15,962,829	7,078,109	(7,410,457)	15,630,481	8,768,836
Capital lease obligations	1,530,335	--	(419,042)	1,111,293	439,512
Liability for unpaid claims	<u>2,503,306</u>	<u>1,514,196</u>	<u>(1,498,680)</u>	<u>2,518,822</u>	<u>2,518,822</u>
Total Governmental Activities Long-term liabilities	<u>\$ 35,541,470</u>	<u>\$ 8,592,305</u>	<u>\$ (10,508,179)</u>	<u>\$ 33,625,596</u>	<u>\$ 12,942,170</u>
<b>Business-type Activities</b>					
Compensated absences	\$ 93,778	\$ 47,897	\$ (39,223)	\$ 102,452	\$ 42,760
Total Business-type Activities Long-term liabilities	<u>\$ 93,778</u>	<u>\$ 47,897</u>	<u>\$ (39,223)</u>	<u>\$ 102,452</u>	<u>\$ 42,760</u>

The liability for unpaid claims is liquidated by the General Fund and the internal service funds. *Compensated absences* is generally liquidated by the General Fund and related special revenue funds.

As of June 30, 2015, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Certificates of Participation	
	Principal	Interest
2016	\$ 1,215,000	\$ 379,420
2017	1,250,000	347,189
2018	1,285,000	314,043
2019	1,330,000	279,973
2020	1,365,000	244,721
2021-2025	6,695,000	656,794
2026-2028	<u>1,225,000</u>	<u>39,837</u>
	<u>\$ 14,365,000</u>	<u>\$ 2,261,977</u>

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

Long-term debt at June 30, 2015, consisted of the following:

	Date of Issue	Date of Maturity	Interest Rates	Installments	Amount	Balance at June 30, 2015
<b><u>Governmental Activities</u></b>						
Certificates of Participation						
2012 issue to refund the outstanding principal of the County's COP 2003 Series A						
Certificates of Participation	2012	2026	2.53% - 2.80%	\$365,000 - \$670,000	\$ 9,490,000	\$ 7,510,000
2012 issue to refund the outstanding principal of the County's COP 2004 Series A						
Certificates of Participation	2012	2024	2.53% - 2.80%	\$185,000 - \$315,000	2,905,000	2,330,000
2012 issue for Capital Projects of Earthquake and Juvenile Hall						
Certificates of Participation	2012	2027	2.53% - 2.80%	\$266,680 - \$362,500	5,465,000	4,525,000
Total Governmental Activities					<u>\$ 17,860,000</u>	<u>\$ 14,365,000</u>

**NOTE 7: NET POSITION/FUND BALANCES**

**Classification**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned. A detailed schedule of fund balances at June 30, 2015 is as follows:

	General Fund	Headwaters Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Prepays and inventory	\$ 8,182	\$ --	\$ 75	\$ 8,257
Total Nonspendable	<u>8,182</u>	<u>--</u>	<u>75</u>	<u>8,257</u>
<b>Restricted for:</b>				
General government	4,921,180	--	--	4,921,180
Public protection	23,467,562	--	5,422,838	28,890,400
Public ways and facilities	2,639,335	--	6,441,667	9,081,002
Health and sanitation	7,073,923	--	--	7,073,923
Public assistance	20,862,093	--	--	20,862,093
Education	462,018	--	566,387	1,028,405
Recreation	13,918	--	--	13,918
Economic development	18,186,708	18,009,868	--	36,196,576
Debt service	--	--	1,439,946	1,439,946
Total Restricted	<u>77,626,737</u>	<u>18,009,868</u>	<u>13,870,838</u>	<u>109,507,443</u>
Unassigned	<u>9,858,668</u>	<u>--</u>	<u>--</u>	<u>9,858,668</u>
Total Fund Balance	<u>\$ 87,493,587</u>	<u>\$ 18,009,868</u>	<u>\$ 13,870,913</u>	<u>\$ 119,374,368</u>



**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 8: PENSION PLANS**

**A. General Information about the Pension Plans**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the County’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and County’s resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7% - 8%	6.25%
Required employer contribution rates	22.747%	22.747%
	<u>Safety</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	10.75%
Required employer contribution rates	29.097%	29.097%

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8: **PENSION PLANS** (CONTINUED)

A. **General Information about the Pension Plans** (continued)

**Employees Covered** – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	3,184	279
Inactive employees entitled to but not yet receiving benefits	2,749	199
Active employees	1,818	308
Total	7,751	786

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. **Net Pension Liability**

The County’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 8: PENSION PLANS (CONTINUED)**

**B. Net Pension Liability** (continued)

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds	
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 8: PENSION PLANS (CONTINUED)**

**B. Net Pension Liability** (continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11 + (b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
<b>Total</b>	<u><u>100.0%</u></u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 8: PENSION PLANS (CONTINUED)**

**C. Changes in the Net Pension Liability**

The changes in the Net Pension Liability for each Plan follows:

**Miscellaneous Plan:**

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2014</b>	\$ 544,989,205	\$ 361,667,922	\$ 183,321,283
<b>Changes in the Year:</b>			
Service cost	14,832,034	--	14,832,034
Interest on the total pension liability	40,445,800	--	40,445,800
Benefit payments, including refunds of employee contributions	(26,255,798)	(26,255,798)	--
Contribution - employer	--	17,041,711	(17,041,711)
Contribution - employee (paid by employer)	--	-	-
Contribution - employee	--	6,421,943	(6,421,943)
Net investment income	--	62,764,661	(62,764,661)
<b>Net changes</b>	<b>29,022,036</b>	<b>59,972,517</b>	<b>(30,950,481)</b>
<b>Balance at June 30, 2015</b>	<b>\$ 574,011,241</b>	<b>\$ 421,640,439</b>	<b>\$ 152,370,802</b>

**Safety Plan:**

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2014</b>	\$ 168,154,246	\$ 116,140,070	\$ 52,014,176
<b>Changes in the Year:</b>			
Service cost	4,185,384	--	4,185,384
Interest on the total pension liability	12,485,789	--	12,485,789
Benefit payments, including refunds of employee contributions	(7,539,487)	(7,539,487)	--
Contribution - employer	--	4,123,350	(4,123,350)
Contribution - employee	--	1,562,669	(1,562,669)
Net investment income	--	20,056,375	(20,056,375)
<b>Net changes</b>	<b>9,131,686</b>	<b>18,202,907</b>	<b>(9,071,221)</b>
<b>Balance at June 30, 2015</b>	<b>\$ 177,285,932</b>	<b>\$ 134,342,977</b>	<b>\$ 42,942,955</b>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the County for each Plan, calculated using the discount rate for each Plan, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8: **PENSION PLANS** (CONTINUED)

**C. Changes in the Net Pension Liability** (continued)

	Miscellaneous	Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	222,185,041	67,252,956
Current Discount Rate	7.50%	7.50%
Net Pension Liability	152,370,803	42,942,955
1% Increase	8.50%	8.50%
Net Pension Liability	93,788,297	22,959,569

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the County recognized pension expense of \$18,987,169. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 22,228,837	\$ --
Net differences between projected and actual earnings on plan investments	--	(37,843,809)
<b>Total</b>	<b>\$ 22,228,837</b>	<b>\$ (37,843,809)</b>

The County reported \$22,228,837 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (9,460,952)
2017	(9,460,952)
2018	(9,460,952)
2019	(9,460,952)

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**A. Plan Description**

The County sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the County through a flexible benefits plan, with contributions made to the plan up to a dollar amount determined by collective bargaining, including \$105.00 per month that the County designates for PEMHCA. The \$105.00 per month was increased by law to \$108.00 for 2011, and will be indexed with medical inflation (CPI) for years 2011 and thereafter.

Post-Retirement Coverage

The County also offers PEMHCA to its retirees. The County makes the required statutory PEMHCA contribution as described above. Prior to 2011, the County made additional contributions to a small number of retirees with special agreements, which have now been settled. The County pays a 0.36%-of-premium administrative fee to PEMHCA for each retiree.

Healthcare Premiums

The following table shows January 1, 2013 monthly PERS Health (PEMHCA) premiums for retirees within the Other Northern California region:

	Blue Shield NV HMO	PERS Select PPO	PERS Choice PPO	PERS Care PPO	PORAC
<u>Basic Plan</u>					
Retiree	\$ 664.15	\$ 474.61	\$ 649.78	\$ 1,055.10	\$ 581.00
Retiree + 1	1,328.30	949.22	1,299.56	2,110.20	1,088.00
Family	1,726.79	1,233.99	1,689.43	2,743.26	1,382.00
<u>Medicare Supplement</u>					
Retiree	\$ 261.32	\$ 325.74	\$ 325.74	\$ 370.43	\$ 418.00
Retiree + 1	522.64	651.48	651.48	740.86	833.00
Family	783.96	977.22	977.22	1,111.29	1,331.00

**B. Funding Policy**

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

GASB 45 does not require pre-funding of OPEB benefits. Therefore, the County's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The County has elected not to establish an irrevocable trust at this time.

The Board of Supervisors reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the County.

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation/(Asset)**

The following table shows the components of the County's Annual OPEB Cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation/(Asset):

Annual Required Contribution	\$ 2,139,500
Interest on Net OPEB Obligation/(Asset)	473,656
Adjustment to Annual Required Contribution	<u>(466,106)</u>
Annual OPEB cost (expense)	2,147,050
Contributions made	<u>(626,996)</u>
Increase in Net OPEB Obligation/(Asset)	1,520,054
Net OPEB Obligation/(Asset) - Beginning of year	<u>9,473,113</u>
Net OPEB Obligation/(Asset) - End of year	<u><u>\$ 10,993,167</u></u>

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal years ended June 30, 2015, 2014, and 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/13	\$ 1,741,772	\$ 536,337	30.79%	\$ 8,059,924
6/30/14	1,995,791	582,602	29.19%	9,473,113
6/30/15	2,147,050	626,996	29.20%	10,993,167

**D. Schedule of Funding Progress**

The funded status of the plan (In thousands) as of the most recent actuarial valuation was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Payroll
July 1, 2009	\$ --	\$ 13,517	\$ 13,517	0.0%	\$ 85,602	15.79%
July 1, 2011	--	15,338	15,338	0.0%	85,602	17.92%
July 1, 2013	--	19,676	19,676	0.0%	85,602	22.99%

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 County are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9: **OTHER POST EMPLOYMENT BENEFITS (OPEB)** (CONTINUED)

E. **Actuarial Methods and Assumptions**

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

The plan's most recent actuarial valuation was performed as of July 1, 2013. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 2 years. These assumptions reflect an implicit 4 percent general inflation assumption. The County's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2015 was 27 years. The County's plan is considered a single-employer plan under GASB 45.

NOTE 10: **RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and health and welfare of employees. The County has established a self-insurance fund (an internal service fund) to account for and finance these possible risks of loss. Under this program, the Self-Insurance Fund provides the following coverage per occurrence:

Property	\$	5,000
Liability		150,000
Auto physical damage		10,000
Dental		1,000
Unemployment		Various

The County purchases excess insurance through risk pools and commercial carriers for claims in excess of coverage provided by the fund and all other risks of loss. The County pays an annual basic premium for coverage and is assessed an annual risk premium based on an actuarial review that estimates each of the program's participant's ultimate liabilities. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the County participate in the program and make payments to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Changes in the Fund's claims liability amounts for the past fiscal years were:

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 10: RISK MANAGEMENT (CONTINUED)**

	<u>Balance at June 30, 2014</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at June 30, 2015</u>
Liability and auto	\$ 2,190,000	\$ 243,303	\$ (152,303)	\$ 2,281,000
Dental	100,184	1,316,998	(1,316,998)	100,184
Unemployment	213,122	135,895	(211,379)	137,638
	<u>\$ 2,503,306</u>	<u>\$ 1,696,196</u>	<u>\$ (1,680,680)</u>	<u>\$ 2,518,822</u>

	<u>Balance at June 30, 2013</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at June 30, 2014</u>
Liability and auto	\$ 1,538,000	\$ 3,142,922	\$ (2,490,922)	\$ 2,190,000
Dental	100,184	1,275,230	(1,275,230)	100,184
Unemployment	213,122	267,615	(267,615)	213,122
	<u>\$ 1,851,306</u>	<u>\$ 4,685,767</u>	<u>\$ (4,033,767)</u>	<u>\$ 2,503,306</u>

The claims liability, including incurred but not reported claims, were based on actuarial reviews. Actuarial reviews of unemployment and liability programs were performed by Bickmore Risk Services in December 2014 and December 2013, respectively. An actuarial review of the dental program was last performed by Demsey, Filliger and Associates in May 2012.

All claims are processed and administered by claims administrators as follows:

Property	Assigned by CSAC Excess Insurance Authority
Liability and Auto	County Risk Manager
Dental	Preferred Benefit Insurance Administration, Inc.
Unemployment	Tax Corporation

**NOTE 11: JOINT VENTURES**

The County participates in several joint ventures under joint powers agreement (JPAs). The relationship between the County and the JPAs is such that none of the JPAs is a component unit of the County for financial reporting purposes.

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11: **JOINT VENTURES** (CONTINUED)

The County participated in the following JPAs at June 30, 2015:

- CSAC Excess Insurance Authority
- Humboldt Transit Authority
- North Coast Air Quality Management District
- Humboldt County Association of Government Trusts
- Redwood Cost Energy Authority
- Redwood Regional Economic Development Commission
- North Coast Emergency Medical Services
- Humboldt County Waste Management Authority

The CSAC Excess Insurance Authority is a joint powers authority organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Code. The purpose of the entity is to develop and fund programs of primary and excess insurance for workers' compensation, comprehensive liability, and other insurance coverages for member counties. The Authority is under the control and direction of a board of directors consisting of representatives of the fifty-three member counties.

Financial Statements for the Authority are produced annually and may be obtained by writing to the CSAC Excess Insurance Authority, 3017 Gold Canal Drive, Suite 300, Rancho Cordova, CA 95670.

NOTE 12: **COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including the year ended June 30, 2015, have not yet been conducted. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The County believes that such disallowances, if any, would not have a material effect on the combined financial statements.

**B. Legal Actions**

In the opinion of County Counsel, there are potential liabilities as of June 30, 2015 which could result in monetary rewards against the County if unfavorable decisions are rendered. The County does not make provisions for potential awards.

**C. Construction Commitments**

The County had entered into contracts for the construction of certain projects. At June 30, 2015, there were outstanding commitments of \$1,944,189 for road and bridge projects.

**COUNTY OF HUMBOLDT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 13: DEFICIT FUND BALANCE OR NET POSITION**

The following funds had a fund balance/net position deficit as of the fiscal year end:

	Deficit
Liability insurance	\$ 822,745
Medical insurance	632,089

The Internal Service fund deficits are due to expenses in excess of user charges. These deficits will be funded by increased user charges.

**NOTE 14: RESTATEMENT OF FUND BALANCE/NET POSITION**

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

	Government- wide Statements	Proprietary Fund Statements
	Governmental Activities	Aviation Fund
Net position as of June 30, 2014, as previously reported	\$ 414,863,837	\$ 36,013,630
 <u>Implementation of New Accounting Standards - GASB Statement Nos. 68 and 71:</u>		
Net pension liability - beginning balance	(212,673,033)	(1,497,365)
Net position as of July 1, 2014, restated	\$ 202,190,804	\$ 34,516,265

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**COUNTY OF HUMBOLDT**

Required Supplementary Information  
For the Year Ended June 30, 2015

**SCHEDULE OF CHANGE IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Last 10 Fiscal Years\*

Schedule of Change in the Net Pension Liability and Related Ratios

	Safety June 30, 2014	Miscellaneous June 30, 2014
<b>Total Pension Liability</b>		
Service Cost	\$ 4,185,384	\$ 14,832,035
Interest on total pension liability	12,485,789	40,445,800
Benefit payments, including refunds of employee contributions	<u>(7,539,487)</u>	<u>(26,255,798)</u>
<b>Net change in total pension liability</b>	9,131,686	29,022,036
<b>Total pension liability - beginning</b>	168,154,246	544,989,205
<b>Total pension liability - ending</b>	<u>\$ 177,285,932</u>	<u>\$ 574,011,242</u>
<b>Plan fiduciary net position</b>		
Contributions- employer	\$ 4,123,350	\$ 17,041,711
Contributions- employee	1,562,669	6,421,943
Net investment income	20,056,375	62,764,661
Benefit payments	<u>(7,539,487)</u>	<u>(26,255,798)</u>
<b>Net change in plan fiduciary net position</b>	18,202,907	59,972,517
<b>Plan fiduciary net position - beginning</b>	116,140,070	361,667,922
<b>Plan fiduciary net position - ending</b>	<u>\$ 134,342,977</u>	<u>\$ 421,640,439</u>
Net pension liability - ending	<u>\$ 42,942,955</u>	<u>\$ 152,370,803</u>
Plan fiduciary net percentage as a percentage of the total pension liability	75.78%	73.46%
Covered - employee payroll	\$ 15,327,146	\$ 83,737,864
Net pension liability as a percentage of covered-employee payroll	280.18%	181.96%
<b>Notes to Schedule;</b>		
Valuation date:	6/30/13	6/30/13

**COUNTY OF HUMBOLDT**

Required Supplementary Information  
For the Year Ended June 30, 2015

**SCHEDULE OF CONTRIBUTIONS**

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:

	Safety June 30, 2014	Miscellaneous June 30, 2014
Actuarially determined contribution	\$ 4,123,350	\$ 17,041,711
Contributions related to the actuarially determined contribution	4,123,350	17,041,711
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
County's covered-employee payroll	\$ 15,327,146	\$ 83,737,864
Contributions as a percentage of covered-employee payroll	26.90%	20.35%

\*Fiscal year 2015 was the 1st year of implementation. Additional years will be presented as they become available.

**Notes to schedule**

Valuation date: 6/30/2013 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.5%, net of pension plan investment expens
Retirement age	59 years, Misc., 54 years, Safety
Mortality	Derived using CalPERS' Membership data for all funds

**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:

Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
July 1, 2009 <sup>1</sup>	\$ --	\$ 13,516,544	\$ 13,516,544	0.0%	\$ 85,602,335	15.79%
July 1, 2011	--	15,337,592	15,337,592	0.0%	85,602,335	17.92%
July 1, 2013	--	19,676,008	19,676,008	0.0%	85,602,335	22.99%

(1) Actuarials are not required for every fiscal year.



**COUNTY OF HUMBOLDT**

Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 47,524,746	\$ 47,924,760	\$ 49,345,597	\$ 1,420,837
Licenses and permits	1,766,305	1,785,405	1,899,069	113,664
Fines, forfeits and penalties	1,491,505	1,491,505	1,373,179	(118,326)
Use of money and property	231,612	231,612	250,439	18,827
Aid from other governments	179,429,131	182,789,258	158,621,841	(24,167,417)
Charges for services	47,972,729	48,807,728	33,443,892	(15,363,836)
Other revenue	7,923,876	12,569,510	4,489,674	(8,079,836)
Total Revenues	<u>286,339,904</u>	<u>295,599,778</u>	<u>249,423,691</u>	<u>(46,176,087)</u>
Expenditures:				
Current:				
General government	25,211,391	29,711,626	15,772,758	13,938,868
Public protection	78,273,109	81,123,336	64,390,988	16,732,348
Public way and facilities	2,328,908	2,333,917	2,154,988	178,929
Health and sanitation	69,539,022	71,162,021	62,565,441	8,596,580
Public assistance	109,064,145	109,605,420	95,502,142	14,103,278
Education	158,836	158,836	154,061	4,775
Recreation and culture	2,732,126	2,890,209	1,121,403	1,768,806
Debt Service:				
Interest	--	11,838	--	11,838
Contingencies	1,550,000	2,469,767	--	2,469,767
Total Expenditures	<u>288,857,537</u>	<u>299,466,970</u>	<u>241,661,781</u>	<u>57,805,189</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,517,633)</u>	<u>(3,867,192)</u>	<u>7,761,910</u>	<u>11,629,102</u>
Other Financing Sources (Uses):				
Transfers in	4,389,866	4,389,866	--	(4,389,866)
Transfers out	(5,090,628)	(5,034,128)	(2,387,722)	2,646,406
Total Other Financing Sources (Uses)	<u>(700,762)</u>	<u>(644,262)</u>	<u>(2,387,722)</u>	<u>(1,743,460)</u>
Net Change in Fund Balances	(3,218,395)	(4,511,454)	5,374,188	9,885,642
Budgetary Fund Balances - Beginning of Year	<u>12,982,682</u>	<u>12,982,682</u>	<u>12,982,682</u>	<u>--</u>
Budgetary Fund Balances - End of Year	<u>\$ 9,764,287</u>	<u>\$ 8,471,228</u>	<u>\$ 18,356,870</u>	<u>\$ 9,885,642</u>

continued

**COUNTY OF HUMBOLDT**

Budgetary Comparison Schedule (continued)  
General Fund  
For the Year Ended June 30, 2015

(1) Explanation of differences between statement of revenues, expenditures and changes in fund balance:

Sources/inflows of resources

Actual amounts from the budgetary comparison schedule	\$ 249,423,691
Receipts from funds reclassified from County Agency Funds, not budgeted	<u>1,669,087</u>

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 251,092,778</u>
--	-----------------------

Uses/outflows of resources

Actual amounts from the budgetary comparison schedule	\$ 241,661,781
Disbursements from funds reclassified from County Agency Funds, not budgeted	<u>701,614</u>

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 242,363,395</u>
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## COUNTY OF HUMBOLDT

Note to Required Supplementary Information  
For the Year Ended June 30, 2015

### **BUDGETARY BASIS OF ACCOUNTING**

#### General Budget Policies

By State law, the County Board of Supervisors must approve a tentative budget no later than June 30 of each year, and adopt a final budget no later than August 30. A public hearing must be conducted to receive comments prior to adoption. However, due to the lateness of the adoption of the State budget, the County by resolution R03-058 has extended these periods to August 10 and October 2, respectively.

From the effective date of the budget, which is adopted and controlled at the departmental level, the amounts stated therein as proposed expenditures become appropriations to the various County departments. However, the legal level of control is the fund level. The Board of Supervisors may amend the budget by resolution during the fiscal year. Department heads may, upon approval of the Auditor-Controller, make transfers from one object or purpose to another within the same budget unit. All other budget amendments must be approved by the Board. It is this final revised budget that is presented in the basic financial statements. Appropriations lapse at year end.

Budgets are adopted for the general fund and most special revenue funds. Accounting principles applied for purposes of developing data on a budgetary basis are materially the same as those used to present financial statements in conformity with GAAP. The County does not adopt a budget for the Headwaters Mitigation Fund.

Individual fund budgetary comparisons are not presented at the detail budget unit level due to their excessive length. A separate publication presenting this information is available.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

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Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources restricted, committed, or assigned to pay debt principal and interest.

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**COUNTY OF HUMBOLDT**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

	<u>Special Revenue</u>			
	<u>Road Fund</u>	<u>Family Support</u>	<u>Courthouse Construction</u>	<u>County Library</u>
<u>Assets</u>				
Cash and investments	\$ 6,126,150	\$ 1,573,700	\$ 1,439,081	\$ 652,086
Departmental cash funds	--	--	--	865
Receivables	1,082,699	--	--	--
Prepays	75	--	--	--
 Total Assets	 <u>\$ 7,208,924</u>	 <u>\$ 1,573,700</u>	 <u>\$ 1,439,081</u>	 <u>\$ 652,951</u>
<u>Liabilities</u>				
Accounts payable	\$ 547,635	\$ 12,384	\$ --	\$ 36,622
Salaries and benefits payable	165,077	78,550	--	49,942
 Total Liabilities	 <u>712,712</u>	 <u>90,934</u>	 <u>--</u>	 <u>86,564</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	54,470	--	--	--
<u>Fund Balance</u>				
Nonspendable	75	--	--	--
Restricted	6,441,667	1,482,766	1,439,081	566,387
 Total Fund Balances	 <u>6,441,742</u>	 <u>1,482,766</u>	 <u>1,439,081</u>	 <u>566,387</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 7,208,924</u>	 <u>\$ 1,573,700</u>	 <u>\$ 1,439,081</u>	 <u>\$ 652,951</u>

continued

**COUNTY OF HUMBOLDT**

Combining Balance Sheet  
 Nonmajor Governmental Funds (continued)  
 June 30, 2015

	Special Revenue		Debt Service	Total
	Fish and Game Propagation	Special Districts Under County Board of Supervisors	Public Property Leasing	
<u>Assets</u>				
Cash and investments	\$ 42,568	\$ 3,903,654	\$ 865	\$ 13,738,104
Departmental cash funds	--	--	--	865
Receivables	--	--	--	1,082,699
Prepays	--	--	--	75
<b>Total Assets</b>	<b>\$ 42,568</b>	<b>\$ 3,903,654</b>	<b>\$ 865</b>	<b>\$ 14,821,743</b>
<u>Liabilities</u>				
Accounts payable	\$ 5,000	\$ 1,150	\$ --	\$ 602,791
Salaries and benefits payable	--	--	--	293,569
<b>Total Liabilities</b>	<b>5,000</b>	<b>1,150</b>	<b>--</b>	<b>896,360</b>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	--	--	--	54,470
<u>Fund Balance</u>				
Nonspendable	--	--	--	75
Restricted	37,568	3,902,504	865	13,870,838
<b>Total Fund Balances</b>	<b>37,568</b>	<b>3,902,504</b>	<b>865</b>	<b>13,870,913</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 42,568</b>	<b>\$ 3,903,654</b>	<b>\$ 865</b>	<b>\$ 14,821,743</b>

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

	<u>Special Revenue</u>			
	<u>Road Fund</u>	<u>Family Support</u>	<u>Courthouse Construction</u>	<u>County Library</u>
Revenues:				
Taxes	\$ 3,002,540	\$ --	\$ --	\$ 2,292,504
Licenses and permits	69,533	--	--	--
Fines, forfeitures and penalties	--	--	504,506	--
Use of money and property	32,309	13,124	17,847	4,148
Intergovernmental	15,411,160	4,046,218	--	386,610
Charges for services	1,433,741	735	--	71,043
Miscellaneous	51,155	5,175	15,282	307,791
Total Revenues	<u>20,000,438</u>	<u>4,065,252</u>	<u>537,635</u>	<u>3,062,096</u>
Expenditures:				
Current:				
Public protection	--	4,160,180	--	--
Public ways and facilities	18,983,327	--	--	--
Education	--	--	--	3,378,971
Debt Service:				
Principal	--	--	298,873	--
Interest and Other Charges	--	--	55,861	--
Total Expenditures	<u>18,983,327</u>	<u>4,160,180</u>	<u>354,734</u>	<u>3,378,971</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,017,111</u>	<u>(94,928)</u>	<u>182,901</u>	<u>(316,875)</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	295,689
Transfers out	--	--	(177,616)	(54,636)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(177,616)</u>	<u>241,053</u>
Net Change in Fund Balances	1,017,111	(94,928)	5,285	(75,822)
Fund Balances - Beginning of Year	<u>5,424,631</u>	<u>1,577,694</u>	<u>1,433,796</u>	<u>642,209</u>
Fund Balances - End of Year	<u>\$ 6,441,742</u>	<u>\$ 1,482,766</u>	<u>\$ 1,439,081</u>	<u>\$ 566,387</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

	Special Revenue		Debt Service	Total
	Fish and Game Propagation	Special Districts Under County Board of Supervisors	Public Property Leasing	
Revenues:				
Taxes	\$ --	\$ 843,519	\$ --	\$ 6,138,563
Licenses and permits	--	--	--	69,533
Fines, forfeitures and penalties	11,718	--	--	516,224
Use of money and property	302	26,501	2,077	96,308
Intergovernmental	--	9,167	--	19,853,155
Charges for services	--	--	--	1,505,519
Miscellaneous	--	193,360	--	572,763
Total Revenues	<u>12,020</u>	<u>1,072,547</u>	<u>2,077</u>	<u>28,752,065</u>
Expenditures:				
Current:				
Public protection	12,940	656,052	--	4,829,172
Public protection	--	--	--	18,983,327
Education	--	--	--	3,378,971
Debt Service:				
Principal	--	--	1,180,000	1,478,873
Interest and Other Charges	--	--	412,934	468,795
Total Expenditures	<u>12,940</u>	<u>656,052</u>	<u>1,592,934</u>	<u>29,139,138</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(920)</u>	<u>416,495</u>	<u>(1,590,857)</u>	<u>(387,073)</u>
Other Financing Sources (Uses):				
Transfers in	--	--	1,603,559	1,899,248
Transfers out	--	--	--	(232,252)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>1,603,559</u>	<u>1,666,996</u>
Net Change in Fund Balances	(920)	416,495	12,702	1,279,923
Fund Balances - Beginning of Year	<u>38,488</u>	<u>3,486,009</u>	<u>(11,837)</u>	<u>12,590,990</u>
Fund Balances - End of Year	<u>\$ 37,568</u>	<u>\$ 3,902,504</u>	<u>\$ 865</u>	<u>\$ 13,870,913</u>

## **INTERNAL SERVICE FUNDS**

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**COUNTY OF HUMBOLDT**

Combining Statement of Net Position  
Internal Service Funds  
June 30, 2015

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,630,329	\$ 977,581	\$ 255,204
Accounts receivable	114,577	1,707	--
Due from other funds	--	--	--
Inventory	261,101	--	--
Prepaid expenses	--	--	--
Total Current Assets	<u>2,006,007</u>	<u>979,288</u>	<u>255,204</u>
Noncurrent Assets:			
Capital assets, net of depreciation	<u>3,129,726</u>	<u>401,208</u>	<u>--</u>
Total Noncurrent Assets	<u>3,129,726</u>	<u>401,208</u>	<u>--</u>
Total Assets	<u>5,135,733</u>	<u>1,380,496</u>	<u>255,204</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	61,086	55,398	9,833
Accrued payroll and benefits	16,843	30,609	5,201
Due to other funds	--	--	--
Other liabilities	--	--	--
Unearned revenue	--	--	--
Compensated absences	92,465	137,301	5,264
Provision for estimated claims	--	--	--
Total Current Liabilities	<u>170,394</u>	<u>223,308</u>	<u>20,298</u>
Long-term Liabilities:			
Compensated absences	<u>66,178</u>	<u>--</u>	<u>--</u>
Total Liabilities	<u>236,572</u>	<u>223,308</u>	<u>20,298</u>
<u>Net Position</u>			
Net investment in capital assets	3,129,726	401,208	--
Unrestricted	<u>1,769,435</u>	<u>755,980</u>	<u>234,906</u>
Total Net Position	<u>\$ 4,899,161</u>	<u>\$ 1,157,188</u>	<u>\$ 234,906</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Net Position (continued)  
Internal Service Funds  
June 30, 2015

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 128,850	\$ 3,022,798	\$ 5,110,355	\$ 11,125,117
Accounts receivable	--	113,287	7,187	236,758
Due from other funds	--	720,954	626,784	1,347,738
Inventory	--	66,890	--	327,991
Prepaid expenses	--	--	1,541,710	1,541,710
Total Current Assets	<u>128,850</u>	<u>3,923,929</u>	<u>7,286,036</u>	<u>14,579,314</u>
Noncurrent Assets:				
Capital assets, net of depreciation	221,142	5,716,640	8,821	9,477,537
Total Noncurrent Assets	<u>221,142</u>	<u>5,716,640</u>	<u>8,821</u>	<u>9,477,537</u>
Total Assets	<u>349,992</u>	<u>9,640,569</u>	<u>7,294,857</u>	<u>24,056,851</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	65,099	52,749	256,687	500,852
Accrued payroll and benefits	258	7,537	8,318	68,766
Due to other funds	--	--	626,784	626,784
Other liabilities	--	--	516,173	516,173
Unearned revenue	--	--	1,485,142	1,485,142
Compensated absences	--	22,168	89,557	346,755
Provision for estimated claims	--	--	2,518,822	2,518,822
Total Current Liabilities	<u>65,357</u>	<u>82,454</u>	<u>5,501,483</u>	<u>6,063,294</u>
Long-term Liabilities:				
Compensated absences	--	--	--	66,178
Total Liabilities	<u>65,357</u>	<u>82,454</u>	<u>5,501,483</u>	<u>6,129,472</u>
<u>Net Position</u>				
Net investment in capital assets	221,142	5,716,640	8,821	9,477,537
Unrestricted	63,493	3,841,475	1,784,553	8,449,842
Total Net Position	<u>\$ 284,635</u>	<u>\$ 9,558,115</u>	<u>\$ 1,793,374</u>	<u>\$ 17,927,379</u>



**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenses and  
Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2015

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
Operating Revenues:			
Charges for services	\$ 1,934,280	\$ 2,665,671	\$ 345,671
Miscellaneous revenues	628,866	6,621	24,013
	<u>2,563,146</u>	<u>2,672,292</u>	<u>369,684</u>
Total Operating Revenues			
Operating Expenses:			
Salaries and benefits	804,205	1,389,498	187,669
Services and supplies	1,166,385	1,259,016	49,306
Self-insurance claims and purchased premiums	--	--	--
Depreciation	506,152	70,625	--
	<u>2,476,742</u>	<u>2,719,139</u>	<u>236,975</u>
Total Operating Expenses			
Net Operating Income (Loss)	<u>86,404</u>	<u>(46,847)</u>	<u>132,709</u>
Non-Operating Revenues (Expenses):			
Interest income	12,569	--	--
Interest expense	--	--	--
	<u>12,569</u>	<u>--</u>	<u>--</u>
Total Non-Operating Revenues (Expenses)			
Income (Loss) Before Transfers	98,973	(46,847)	132,709
Transfers in	--	795,451	--
	<u>98,973</u>	<u>748,604</u>	<u>132,709</u>
Change in Net Position			
Net Position - Beginning of Year	<u>4,800,188</u>	<u>408,584</u>	<u>102,197</u>
Net Position - End of Year	<u>\$ 4,899,161</u>	<u>\$ 1,157,188</u>	<u>\$ 234,906</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenses and  
Changes in Net Position (continued)  
Internal Service Funds  
For the Year Ended June 30, 2015

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 97,537	\$ 1,466,688	\$ 28,239,972	\$ 34,749,819
Miscellaneous revenues	152,725	1,450,494	622,348	2,885,067
<b>Total Operating Revenues</b>	<b>250,262</b>	<b>2,917,182</b>	<b>28,862,320</b>	<b>37,634,886</b>
Operating Expenses:				
Salaries and benefits	18,794	400,663	352,120	3,152,949
Services and supplies	193,898	1,513,563	37,368	4,219,536
Self-insurance claims and purchased premiums	--	--	27,209,476	27,209,476
Depreciation	31,083	860,321	4,711	1,472,892
<b>Total Operating Expenses</b>	<b>243,775</b>	<b>2,774,547</b>	<b>27,603,675</b>	<b>36,054,853</b>
<b>Net Operating Income (Loss)</b>	<b>6,487</b>	<b>142,635</b>	<b>1,258,645</b>	<b>1,580,033</b>
Non-Operating Revenues (Expenses):				
Interest income	--	25,490	34,726	72,785
Interest expense	--	--	(417)	(417)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>--</b>	<b>25,490</b>	<b>34,309</b>	<b>72,368</b>
<b>Income (Loss) Before Transfers</b>	<b>6,487</b>	<b>168,125</b>	<b>1,292,954</b>	<b>1,652,401</b>
Transfers in	--	--	--	795,451
<b>Change in Net Position</b>	<b>6,487</b>	<b>168,125</b>	<b>1,292,954</b>	<b>2,447,852</b>
<b>Net Position - Beginning of Year</b>	<b>278,148</b>	<b>9,389,990</b>	<b>500,420</b>	<b>15,479,527</b>
<b>Net Position - End of Year</b>	<b>\$ 284,635</b>	<b>\$ 9,558,115</b>	<b>\$ 1,793,374</b>	<b>\$ 17,927,379</b>

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2015

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from interfund services provided	\$ 2,453,540	\$ 2,670,585	\$ 369,684
Cash paid to suppliers for goods and services	(1,196,899)	(1,225,823)	(40,405)
Cash paid to employees	<u>(797,593)</u>	<u>(1,356,151)</u>	<u>(187,632)</u>
Net Cash Provided (Used) by Operating Activities	<u>459,048</u>	<u>88,611</u>	<u>141,647</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING</b>			
Transfers in	--	795,451	--
Due from other funds	--	--	--
Due to other funds	--	--	--
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>795,451</u>	<u>--</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(586,329)	(391,691)	--
Interest paid on capital debt	--	--	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(586,329)</u>	<u>(391,691)</u>	<u>--</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received (paid)	12,569	--	--
Net Cash Provided (Used) by Investing Activities	<u>12,569</u>	<u>--</u>	<u>--</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(114,712)	492,371	141,647
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,745,041</u>	<u>485,210</u>	<u>113,557</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,630,329</u>	<u>\$ 977,581</u>	<u>\$ 255,204</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2015

	Communications	Motor Pool	Insurance Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from interfund services provided	\$ 250,262	\$ 2,803,936	\$28,912,863	\$37,460,870
Cash paid to suppliers for goods and services	(147,870)	(1,655,566)	(27,142,599)	(31,409,162)
Cash paid to employees	(20,471)	(408,270)	(382,344)	(3,152,461)
Net Cash Provided (Used) by Operating Activities	<u>81,921</u>	<u>740,100</u>	<u>1,387,920</u>	<u>2,899,247</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING</b>				
Transfers in	--	--	--	795,451
Due from other funds	--	(89,601)	(595,054)	(684,655)
Due to other funds	--	--	73,428	73,428
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>(89,601)</u>	<u>(521,626)</u>	<u>184,224</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(25,867)	(823,024)	--	(1,826,911)
Interest paid on capital debt	--	--	(131)	(131)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(25,867)</u>	<u>(823,024)</u>	<u>(131)</u>	<u>(1,827,042)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received (paid)	--	25,490	34,440	72,499
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>25,490</u>	<u>34,440</u>	<u>72,499</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	56,054	(147,035)	900,603	1,328,928
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>72,796</u>	<u>3,169,833</u>	<u>4,209,752</u>	<u>9,796,189</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 128,850</u>	<u>\$ 3,022,798</u>	<u>\$ 5,110,355</u>	<u>\$11,125,117</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2015

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 86,404	\$ (46,847)	\$ 132,709
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	506,152	70,625	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	(109,789)	(1,707)	--
Prepaid expenses	183	13,536	--
Increase (decrease) in:			
Payables	(30,514)	19,657	8,901
Accrued salaries and benefits	2,063	762	1,456
Compensated absences	4,549	32,585	(1,419)
Claims payable	--	--	--
Unearned revenue	--	--	--
Other liabilities	--	--	--
	<hr/>	<hr/>	<hr/>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 459,048</u>	<u>\$ 88,611</u>	<u>\$ 141,647</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2015

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 6,487	\$ 142,635	\$ 1,258,645	\$ 1,580,033
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	31,083	860,321	4,711	1,472,892
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	--	(113,246)	2,820	(221,922)
Prepaid expenses	--	2,561	(64,370)	(48,090)
Increase (decrease) in:				
Payables	46,028	(144,564)	159,883	59,391
Accrued salaries and benefits	(203)	12	(15,217)	(11,127)
Compensated absences	(1,474)	(7,619)	(15,007)	11,615
Claims payable	--	--	15,516	15,516
Unearned revenue	--	--	47,723	47,723
Other liabilities	--	--	(6,784)	(6,784)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 81,921</u></b>	<b><u>\$ 740,100</u></b>	<b><u>\$ 1,387,920</u></b>	<b><u>\$ 2,899,247</u></b>

## **INSURANCE FUNDS**

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**COUNTY OF HUMBOLDT**

Combining Statement of Net Position  
Insurance Funds  
June 30, 2015

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 279,203	\$ 481,209	\$ 1,906,138
Accounts receivable	6,009	--	--
Due from other funds	--	--	--
Prepaid expenses	28,000	--	--
Total Current Assets	<u>313,212</u>	<u>481,209</u>	<u>1,906,138</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	4,391	--
Total Noncurrent Assets	<u>--</u>	<u>4,391</u>	<u>--</u>
Total Assets	<u>313,212</u>	<u>485,600</u>	<u>1,906,138</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	52,965	1,023	28,400
Accrued payroll and benefits	--	8,318	--
Due to other funds	--	--	--
Other liabilities	--	--	--
Unearned revenue	--	--	--
Liability for compensated absences	--	89,557	--
Provision for estimated claims	100,184	--	--
Total Current Liabilities	<u>153,149</u>	<u>98,898</u>	<u>28,400</u>
Total Liabilities	<u>153,149</u>	<u>98,898</u>	<u>28,400</u>
<u>Net Position</u>			
Net investment in capital assets	--	4,391	--
Unrestricted	160,063	382,311	1,877,738
Total Net Position	<u>\$ 160,063</u>	<u>\$ 386,702</u>	<u>\$ 1,877,738</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Net Position (continued)  
Insurance Funds  
June 30, 2015

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,279,963	\$ --	\$ 362,987
Accounts receivable	36	--	--
Due from other funds	626,784	--	--
Prepaid expenses	--	1,479,837	--
Total Current Assets	<u>1,906,783</u>	<u>1,479,837</u>	<u>362,987</u>
Noncurrent Assets:			
Capital assets, net of depreciation	4,430	--	--
Total Noncurrent Assets	<u>4,430</u>	<u>--</u>	<u>--</u>
Total Assets	<u>1,911,213</u>	<u>1,479,837</u>	<u>362,987</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	80,958	--	52,589
Accrued payroll and benefits	--	--	--
Due to other funds	--	626,784	--
Other liabilities	372,000	--	48,517
Unearned revenue	--	1,485,142	--
Liability for compensated absences	--	--	--
Provision for estimated claims	2,281,000	--	137,638
Total Current Liabilities	<u>2,733,958</u>	<u>2,111,926</u>	<u>238,744</u>
Total Liabilities	<u>2,733,958</u>	<u>2,111,926</u>	<u>238,744</u>
<u>Net Position</u>			
Net investment in capital assets	4,430	--	--
Unrestricted	(827,175)	(632,089)	124,243
Total Net Position	<u>\$ (822,745)</u>	<u>\$ (632,089)</u>	<u>\$ 124,243</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Net Position (continued)  
Insurance Funds  
June 30, 2015

	Purchased Insurance Premium	Employee Benefits	Total
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 721,982	\$ 78,873	\$ 5,110,355
Accounts receivable	--	1,142	7,187
Due from other funds	--	--	626,784
Prepaid expenses	33,873	--	1,541,710
Total Current Assets	<u>755,855</u>	<u>80,015</u>	<u>7,286,036</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	--	8,821
Total Noncurrent Assets	<u>--</u>	<u>--</u>	<u>8,821</u>
 Total Assets	 <u>755,855</u>	 <u>80,015</u>	 <u>7,294,857</u>
 <u>Liabilities</u>			
Current Liabilities:			
Accounts payable	19,415	21,337	256,687
Accrued payroll and benefits	--	--	8,318
Due to other funds	--	--	626,784
Other liabilities	95,656	--	516,173
Unearned revenue	--	--	1,485,142
Liability for compensated absences	--	--	89,557
Provision for estimated claims	--	--	2,518,822
Total Current Liabilities	<u>115,071</u>	<u>21,337</u>	<u>5,501,483</u>
 Total Liabilities	 <u>115,071</u>	 <u>21,337</u>	 <u>5,501,483</u>
 <u>Net Position</u>			
Net investment in capital assets	--	--	8,821
Unrestricted	640,784	58,678	1,784,553
Total Net Position	<u>\$ 640,784</u>	<u>\$ 58,678</u>	<u>\$ 1,793,374</u>

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenses and  
Changes in Net Position  
Insurance Funds  
For the Year Ended June 30, 2015

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
Operating Revenues:			
Charges for services	\$ 1,879,483	\$ 737,831	\$ 4,374,978
Miscellaneous revenues	--	924	571,765
 Total Operating Revenues	 <u>1,879,483</u>	 <u>738,755</u>	 <u>4,946,743</u>
Operating Expenses:			
Salaries and benefits	--	352,120	--
Services and supplies	--	36,906	63
Self-insurance claims and purchased premiums	1,521,226	--	4,645,725
Depreciation	--	1,757	--
 Total Operating Expenses	 <u>1,521,226</u>	 <u>390,783</u>	 <u>4,645,788</u>
 Net Operating Income (Loss)	 <u>358,257</u>	 <u>347,972</u>	 <u>300,955</u>
Non-Operating Revenues (Expenses):			
Interest income	286	3,224	9,438
Interest expense	--	--	--
 Total Non-Operating Revenues (Expenses)	 <u>286</u>	 <u>3,224</u>	 <u>9,438</u>
 Change in Net Position	 358,543	 351,196	 310,393
Net Position - Beginning of Year	<u>(198,480)</u>	<u>35,506</u>	<u>1,567,345</u>
Net Position - End of Year	<u>\$ 160,063</u>	<u>\$ 386,702</u>	<u>\$ 1,877,738</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenses and  
Changes in Net Position (continued)  
Insurance Funds  
For the Year Ended June 30, 2015

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
Operating Revenues:			
Charges for services	\$ 2,462,436	\$ 17,297,512	\$ 716,643
Miscellaneous revenues	<u>3,230</u>	<u>46,417</u>	<u>--</u>
Total Operating Revenues	<u>2,465,666</u>	<u>17,343,929</u>	<u>716,643</u>
Operating Expenses:			
Salaries and benefits	--	--	--
Services and supplies	293	--	--
Self-insurance claims and purchased premiums	2,143,605	17,566,571	271,709
Depreciation	<u>2,954</u>	<u>--</u>	<u>--</u>
Total Operating Expenses	<u>2,146,852</u>	<u>17,566,571</u>	<u>271,709</u>
Net Operating Income (Loss)	<u>318,814</u>	<u>(222,642)</u>	<u>444,934</u>
Non-Operating Revenues (Expenses):			
Interest income	13,664	1,656	230
Interest expense	<u>--</u>	<u>--</u>	<u>--</u>
Total Non-Operating Revenues (Expenses)	<u>13,664</u>	<u>1,656</u>	<u>230</u>
Change in Net Position	332,478	(220,986)	445,164
Net Position - Beginning of Year	<u>(1,155,223)</u>	<u>(411,103)</u>	<u>(320,921)</u>
Net Position - End of Year	<u><u>\$ (822,745)</u></u>	<u><u>\$ (632,089)</u></u>	<u><u>\$ 124,243</u></u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenses and  
Changes in Net Position (continued)  
Insurance Funds  
For the Year Ended June 30, 2015

	<u>Purchased Insurance Premium</u>	<u>Insurance Benefits</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 272,611	\$ 498,478	\$ 28,239,972
Miscellaneous revenues	12	--	622,348
	<u>272,623</u>	<u>498,478</u>	<u>28,862,320</u>
Operating Expenses:			
Salaries and benefits	--	--	352,120
Services and supplies	106	--	37,368
Self-insurance claims and purchased premiums	639,787	420,853	27,209,476
Depreciation	--	--	4,711
	<u>639,893</u>	<u>420,853</u>	<u>27,603,675</u>
Total Operating Expenses			
Net Operating Income (Loss)	<u>(367,270)</u>	<u>77,625</u>	<u>1,258,645</u>
Non-Operating Revenues (Expenses):			
Interest income	6,228	--	34,726
Interest expense	--	(417)	(417)
	<u>6,228</u>	<u>(417)</u>	<u>34,309</u>
Total Non-Operating Revenues (Expenses)			
Change in Net Position	(361,042)	77,208	1,292,954
Net Position - Beginning of Year	<u>1,001,826</u>	<u>(18,530)</u>	<u>500,420</u>
Net Position - End of Year	<u>\$ 640,784</u>	<u>\$ 58,678</u>	<u>\$ 1,793,374</u>

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows  
Insurance Funds  
For the Year Ended June 30, 2015

	Dental	County Insurance	Workers' Compensation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from interfund services provided	\$ 1,879,721	\$ 738,755	\$ 4,946,743
Cash paid to suppliers for goods and services	(1,495,997)	(36,919)	(4,618,128)
Cash paid to employees	--	(365,633)	(16,711)
Net Cash Provided (Used) by Operating Activities	<u>383,724</u>	<u>336,203</u>	<u>311,904</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING</b>			
Due from other funds	--	--	31,730
Due to other funds	(104,807)	--	--
Net Cash Provided (Used) by Investing Activities	<u>(104,807)</u>	<u>--</u>	<u>31,730</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED</b>			
Interest received (paid)	286	--	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>286</u>	<u>--</u>	<u>--</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received (paid)	--	3,224	9,438
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>3,224</u>	<u>9,438</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	279,203	339,427	353,072
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>--</u>	<u>141,782</u>	<u>1,553,066</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 279,203</u></u>	<u><u>\$ 481,209</u></u>	<u><u>\$ 1,906,138</u></u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)

Insurance Funds

For the Year Ended June 30, 2015

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from interfund services provided	\$ 2,467,990	\$ 17,391,890	\$ 716,643
Cash paid to suppliers for goods and services	(2,018,208)	(17,630,941)	(294,727)
Cash paid to employees	--	--	--
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	449,782	(239,051)	421,916
	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM NONCAPITAL FINANCING</b>			
Due from other funds	(626,784)	--	--
Due to other funds	--	237,395	(59,160)
Net Cash Provided (Used) by Investing Activities	<u>(626,784)</u>	<u>237,395</u>	<u>(59,160)</u>
	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM CAPITAL AND RELATED</b>			
Interest received (paid)	--	--	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>
	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received (paid)	13,664	1,656	230
Net Cash Provided (Used) by Investing Activities	<u>13,664</u>	<u>1,656</u>	<u>230</u>
	<hr/>	<hr/>	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(163,338)	--	362,986
	<hr/>	<hr/>	<hr/>
<b>Cash and Cash Equivalents, Beginning of Year</b>	1,443,301	--	1
	<hr/>	<hr/>	<hr/>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,279,963</u>	<u>\$ --</u>	<u>\$ 362,987</u>

continued



**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)

Insurance Funds

For the Year Ended June 30, 2015

	Purchased Insurance Premium	Employee Benefits	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from interfund services provided	\$ 272,623	\$ 498,498	\$ 28,912,863
Cash paid to suppliers for goods and services	(627,507)	(420,172)	(27,142,599)
Cash paid to employees	--	--	(382,344)
Net Cash Provided (Used) by Operating Activities	<u>(354,884)</u>	<u>78,326</u>	<u>1,387,920</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING</b>			
Due from other funds	--	--	(595,054)
Due to other funds	--	--	73,428
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>--</u>	<u>(521,626)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED</b>			
Interest received (paid)	--	(417)	(131)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>(417)</u>	<u>(131)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received (paid)	6,228	--	34,440
Net Cash Provided (Used) by Investing Activities	<u>6,228</u>	<u>--</u>	<u>34,440</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(348,656)</b>	<b>77,909</b>	<b>900,603</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,070,638</b>	<b>964</b>	<b>4,209,752</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 721,982</u></b>	<b><u>\$ 78,873</u></b>	<b><u>\$ 5,110,355</u></b>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)  
Insurance Funds  
For the Year Ended June 30, 2015

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 358,257	\$ 347,972	\$ 300,955
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	1,757	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	238	--	--
Prepaid expenses	--	--	--
Increase (decrease) in:			
Payables	25,229	(13)	27,660
Accrued salaries and benefits	--	1,494	(16,711)
Liability for compensated absences	--	(15,007)	--
Claims payable	--	--	--
Unearned revenue	--	--	--
Other liabilities	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 383,724</u>	<u>\$ 336,203</u>	<u>\$ 311,904</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)  
Insurance Funds  
For the Year Ended June 30, 2015

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 318,814	\$ (222,642)	\$ 444,934
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,954	--	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	2,324	238	--
Prepaid expenses	--	(64,370)	--
Increase (decrease) in:			
Payables	34,690	--	52,221
Accrued salaries and benefits	--	--	--
Liability for compensated absences	--	--	--
Claims payable	91,000	--	(75,484)
Unearned revenue	--	47,723	--
Other liabilities	--	--	245
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 449,782</u>	<u>\$ (239,051)</u>	<u>\$ 421,916</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)  
Insurance Funds  
For the Year Ended June 30, 2015

	<u>Purchased Insurance Premium</u>	<u>Employee Benefits</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (367,270)	\$ 77,625	\$ 1,258,645
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	--	4,711
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	--	20	2,820
Prepaid expenses	--	--	(64,370)
Increase (decrease) in:			
Payables	19,415	681	159,883
Accrued salaries and benefits	--	--	(15,217)
Liability for compensated absences	--	--	(15,007)
Claims payable	--	--	15,516
Unearned revenue	--	--	47,723
Other liabilities	(7,029)	--	(6,784)
	<u>(7,029)</u>	<u>--</u>	<u>(6,784)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (354,884)</u>	<u>\$ 78,326</u>	<u>\$ 1,387,920</u>