

**COUNTY OF HUMBOLDT
AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2016**

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COUNTY OF HUMBOLDT
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

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COUNTY OF HUMBOLDT
BOARD OF SUPERVISORS AND FINANCE ADMINISTRATORS
JUNE 30, 2016

BOARD OF SUPERVISORS
(as of June 30, 2016)

<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>
Amy Nilsen	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, 2016, 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, 2016, 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.

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 December 22, 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
December 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016. 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 \$239,749,636 (*net position*). Net position of \$105,948,897 are restricted for specific purposes (*restricted net position*), and \$336,927,128 represents net investment in capital assets. Unrestricted net position was a negative \$203,126,389, primarily due to the presentation of long-term pension liabilities as unrestricted net position. The government's total net position decreased by \$699,717 in comparison with the prior year.
- The County's net investment in capital assets, decreased by \$9,130,533.
- The County's governmental funds reported combined fund balances of \$124,760,705, an increase of \$5,386,337 in comparison with the prior year. The unassigned portion of those fund balances was \$13,167,127.

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, 2016

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, 2016**

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 \$239,749,636 at the close of the most recent fiscal year. Of this combined net position, \$336,927,128 reflects the County's investment in capital assets, net of related debt. Another \$105,948,897 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 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Current and Other Assets:	\$ 154,694,035	\$ 147,035,593	\$ 879,662	\$ 313,716	\$ 155,573,697	\$ 147,349,309
Capital Assets	318,230,061	327,306,196	32,518,848	34,227,758	350,748,909	361,533,954
Total Assets	<u>472,924,096</u>	<u>474,341,789</u>	<u>33,398,510</u>	<u>34,541,474</u>	<u>506,322,606</u>	<u>508,883,263</u>
Deferred Inflows of Resources:						
Deferred pension	22,503,065	22,073,425	158,218	155,412	22,661,283	22,228,837
Current Liabilities:	16,004,852	12,734,341	183,620	49,625	16,188,472	12,783,966
Long-Term Liabilities	254,357,045	238,566,991	1,566,595	1,467,981	255,923,640	240,034,972
Total Liabilities	<u>270,361,897</u>	<u>251,301,332</u>	<u>1,750,215</u>	<u>1,517,606</u>	<u>272,112,112</u>	<u>252,818,938</u>
Deferred Outflows of Resources:						
Deferred pension	16,992,029	37,579,225	130,112	264,584	17,122,141	37,843,809
Net investment in capital assets	304,408,280	311,829,903	32,518,848	34,227,758	336,927,128	346,057,661
Restricted	105,948,897	106,682,432	--	--	105,948,897	106,682,432
Unrestricted	(202,283,942)	(210,977,678)	(842,447)	(1,313,062)	(203,126,389)	(212,290,740)
Total Net Position	<u>\$ 208,073,235</u>	<u>\$ 207,534,657</u>	<u>\$ 31,676,401</u>	<u>\$ 32,914,696</u>	<u>\$ 239,749,636</u>	<u>\$ 240,449,353</u>

A significant portion of the County's net position, \$336,927,128, 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, 2016**

The restricted portion of the County's net position, \$105,948,897, 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 \$203,126,389 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 \$699,717 during the current fiscal year.

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Revenues						
Program Revenues:						
Fees, fines and charges for services	\$ 47,659,241	\$ 37,929,658	\$ 2,791,211	\$ 2,698,446	\$ 50,450,452	\$ 40,628,104
Operating grants/contributions	169,725,496	169,349,762	285,214	293,253	170,010,710	169,643,015
Capital grants/contributions	4,163,015	11,309,942	12,423	224,115	4,175,438	11,534,057
General Revenues:						
Property taxes	44,371,410	42,419,529	--	--	44,371,410	42,419,529
Sales taxes	17,741,932	7,710,537	--	--	17,741,932	7,710,537
Transient occupancy tax	1,739,459	2,152,363	--	--	1,739,459	2,152,363
Other taxes	3,738,326	3,241,952	--	--	3,738,326	3,241,952
Interest and investment income	1,346,280	1,054,914	7,646	5,692	1,353,926	1,060,606
Other	6,974,206	5,180,963	131,214	139,621	7,105,420	5,320,584
Total Revenues	297,459,365	280,349,620	3,227,708	3,361,127	300,687,073	283,710,747
Expenses						
General government	18,726,177	15,710,178	--	--	18,726,177	15,710,178
Public protection	71,622,171	64,397,313	--	--	71,622,171	64,397,313
Public ways and facilities	34,091,135	32,596,089	--	--	34,091,135	32,596,089
Health and sanitation	65,221,136	61,547,865	--	--	65,221,136	61,547,865
Public assistance	101,181,068	94,429,433	--	--	101,181,068	94,429,433
Education	3,872,259	3,704,849	--	--	3,872,259	3,704,849
Recreation and cultural services	1,802,061	2,309,883	--	--	1,802,061	2,309,883
Interest and long-term debt	408,548	384,882	--	--	408,548	384,882
Aviation	--	--	4,462,235	4,887,971	4,462,235	4,887,971
Total Expenses	296,924,555	275,080,492	4,462,235	4,887,971	301,386,790	279,968,463
Increase(decrease) in net position before transfers	534,810	5,269,128	(1,234,527)	(1,526,844)	(699,717)	3,742,284
Transfers	3,768	74,725	(3,768)	(74,725)	--	--
Change in Net Position	538,578	5,343,853	(1,238,295)	(1,601,569)	(699,717)	3,742,284
Net Position - Beginning, restated	207,534,657	202,190,804	32,914,696	34,516,265	240,449,353	236,707,069
Net Position - Ending	\$ 208,073,235	\$ 207,534,657	\$ 31,676,401	\$ 32,914,696	\$ 239,749,636	\$ 240,449,353

COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016, the County's governmental funds reported combined fund balances of \$124,760,705. Of these combined fund balances, \$13,167,127 constitutes unassigned fund balance of the General Fund, which is available to meet the County's current and future needs. The restricted fund balance, \$111,579,526 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, 2016, unassigned fund balance was \$13,167,127, while total fund balance was \$95,062,633. 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 5.0% of total General Fund expenditures, while the total fund balance represents 36% of total General Fund expenditures.

The Headwaters Mitigation Fund had a total fund balance of \$17,696,623, all of which is restricted for economic development. The overall fund balance decreased by \$313,245 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.

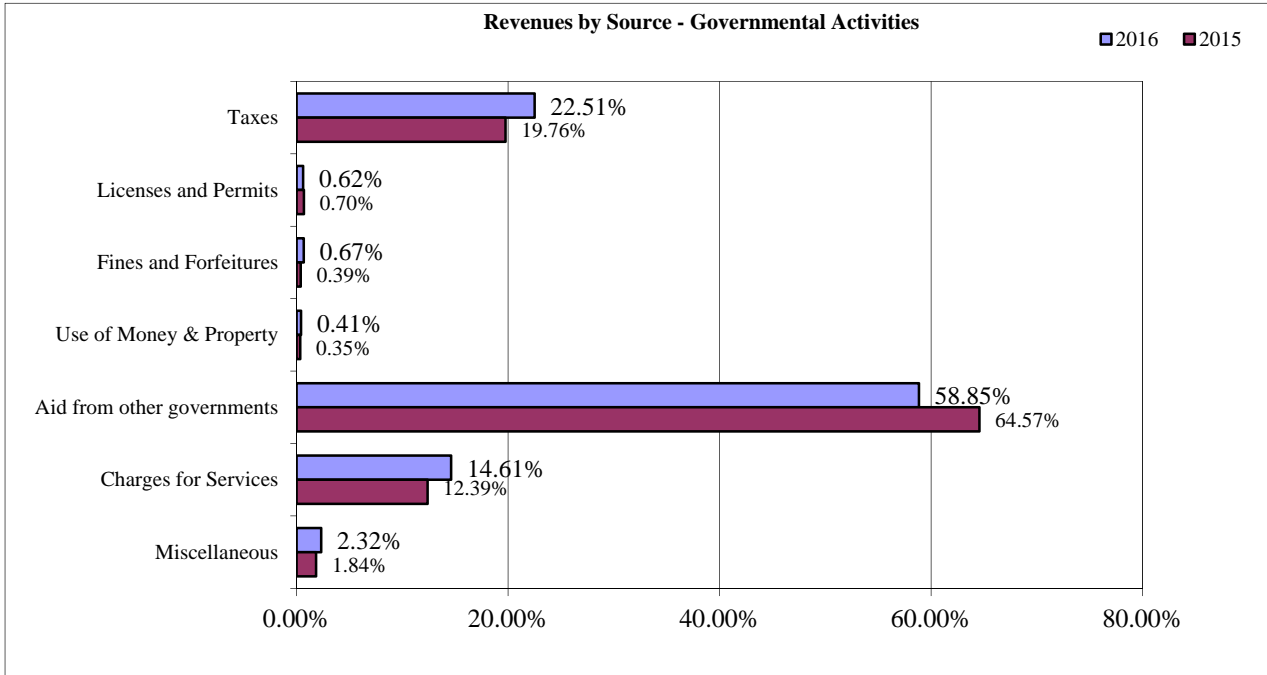
Total governmental funds Fund Balance increased by \$5,386,337 in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund increased \$7,569,046, and Headwaters Mitigation Fund decreased \$313,245. The non-major governmental funds decreased by \$1,869,464.

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 2016		FY 2015		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 67,591,127	22.51%	\$ 55,524,381	19.76%	\$ 12,066,746	21.73%
Licenses and Permits	1,873,897	0.62%	1,968,602	0.70%	(94,705)	-4.81%
Fines and Forfeitures	2,015,790	0.67%	1,104,291	0.39%	911,499	82.54%
Use of Money & Property	1,241,976	0.41%	982,129	0.35%	259,847	26.46%
Aid from other governments	176,707,066	58.85%	181,485,273	64.57%	(4,778,207)	-2.63%
Charges for Services	43,877,779	14.61%	34,812,088	12.39%	9,065,691	26.04%
Miscellaneous	6,974,206	2.32%	5,180,963	1.84%	1,793,243	34.61%
Total Revenue by Source	<u>\$300,281,841</u>	<u>100.00%</u>	<u>\$ 281,057,727</u>	<u>100.00%</u>	<u>\$ 19,224,114</u>	

COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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



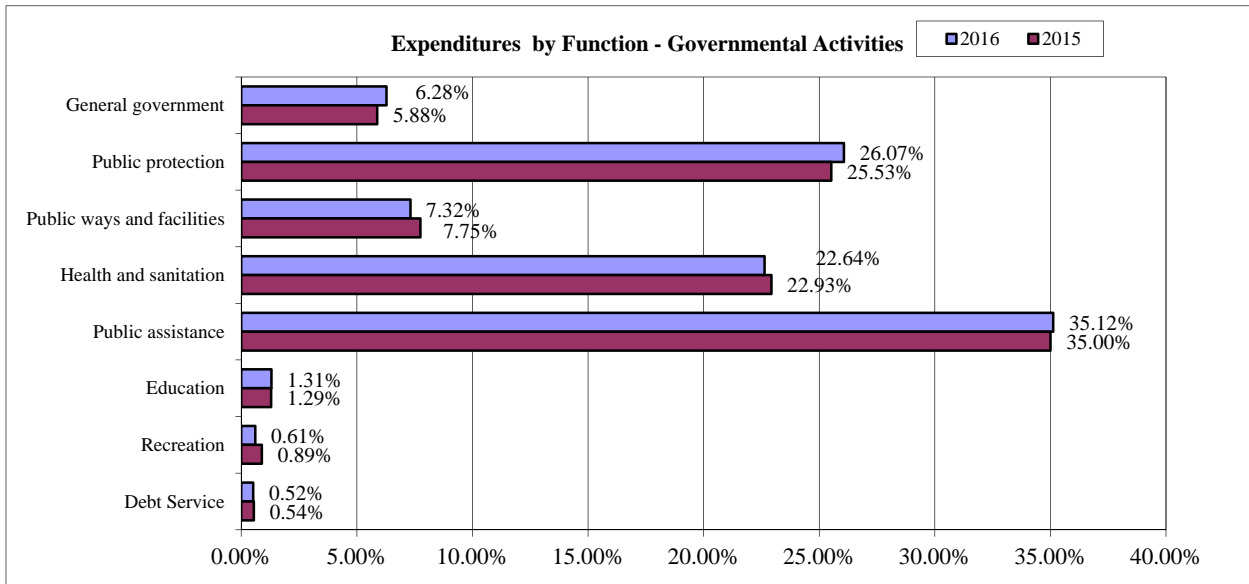
The following table presents expenditures by function compared to prior year amounts.

Expenditures Classified by Function
 Governmental Funds

	FY 2016		FY 2015		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 18,527,598	6.28%	\$ 16,049,469	5.88%	\$ 2,478,129	15.44%
Public protection	76,871,813	26.07%	69,638,723	25.53%	7,233,090	10.39%
Public ways and facilities	21,585,193	7.32%	21,147,839	7.75%	437,354	2.07%
Health and sanitation	66,755,719	22.64%	62,565,441	22.93%	4,190,278	6.70%
Public assistance	103,570,006	35.12%	95,502,142	35.00%	8,067,864	8.45%
Education	3,849,691	1.31%	3,533,032	1.29%	316,659	8.96%
Recreation	1,794,622	0.61%	2,440,212	0.89%	(645,590)	-26.46%
Debt Service	1,528,207	0.52%	1,478,873	0.54%	49,334	3.34%
Capital outlay	416,423	0.14%	468,795	0.17%	(52,372)	
Total by Function	\$ 294,899,272	100.00%	\$ 272,824,526	100.00%	\$ 22,074,746	

COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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 \$32,518,848. Unrestricted net position of the enterprise funds at fiscal year-end was a negative \$842,447. The net position of the enterprise funds decreased \$1,238,295 from the prior fiscal year.

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 \$19,762,305 and include \$9,417,715 invested in capital assets. The net position of the internal service funds increased \$1,834,926 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, 2016

Differences between the General Fund's original budget and the final amended budget resulted in a \$10,083,341 increase in appropriations. The major components of the appropriations increase are briefly summarized as follows: \$2,962,852 increase in public protection, a \$1,892,053 increase in public assistance and a \$3,312,932 increase in general government. Other budgetary categories were increased by lesser amounts.

Even with these adjustments, actual expenditures were \$51,547,143 below final budget amounts. Revenues available for appropriation were \$46,656,018 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	Final	Net Change	
	Budget	Budget	Amount	Percent
Total Revenues	\$ 304,030,115	\$ 314,894,649	\$ 10,864,534	3.45%
Total Expenditures	(305,364,926)	(315,448,267)	(10,083,341)	3.20%
Other Financing Sources (Uses)	(1,745,552)	(2,526,745)	(781,193)	30.92%
Net Change in Fund Balances	<u>\$ (3,080,363)</u>	<u>\$ (3,080,363)</u>	<u>\$ --</u>	

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

Budgetary Comparison General Fund				
	Final	Actual	Net Change	
	Budget	Amounts	Amount	Percent
Total Revenues	\$ 314,894,649	\$ 268,238,631	\$(46,656,018)	-17.39%
Total Expenditures	(315,448,267)	(263,901,124)	51,547,143	-19.53%
Other Financing Sources (Uses)	(2,526,745)	(1,541,503)	985,242	-63.91%
Net Change in Fund Balances	<u>\$ (3,080,363)</u>	<u>\$ 2,796,004</u>	<u>\$ 5,876,367</u>	

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounted to \$350,748,909 (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, 2016

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	
	2016	2015	2016	2015	2016	2015
Land	\$ 10,697,856	\$ 10,697,856	\$ 1,976,177	\$ 1,976,177	\$ 12,674,033	\$ 12,674,033
Construction In Progress	6,572,061	7,660,680	236,938	--	6,808,999	7,660,680
Structures & Improvements	104,152,012	101,928,279	53,503,814	53,503,813	157,655,826	155,432,092
Equipment	36,606,160	34,966,182	303,092	287,514	36,909,252	35,253,696
Infrastructure	613,062,203	607,718,836	--	--	613,062,203	607,718,836
Total	771,090,292	762,971,833	56,020,021	55,767,504	827,110,313	818,739,337
Accumulated Depreciation	(452,860,231)	(435,665,637)	(23,501,173)	(21,539,746)	(476,361,404)	(457,205,383)
Net Capital Assets	<u>\$ 318,230,061</u>	<u>\$ 327,306,196</u>	<u>\$ 32,518,848</u>	<u>\$ 34,227,758</u>	<u>\$ 350,748,909</u>	<u>\$ 361,533,954</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 \$13,821,781. Of this amount, \$13,150,000 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	
	2016	2015	2016	2015	2016	2015
Certificates of participation	\$ 13,150,000	14,365,000	\$ --	\$ --	\$ 13,150,000	\$ 14,365,000
Capital lease obligations	671,781	1,111,293	--	--	671,781	1,111,293
Total Debt	13,821,781	15,476,293	--	--	13,821,781	15,476,293
Less Current Portion	(1,702,578)	(1,654,512)	--	--	(1,702,578)	(1,654,512)
Net Long-Term Debt	<u>\$ 12,119,203</u>	<u>\$ 13,821,781</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,119,203</u>	<u>\$ 13,821,781</u>

During the year ended June 30, 2016 outstanding debt was decreased by \$1,654,512.

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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's fiscal year 2016-17 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.

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

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COUNTY OF HUMBOLDT

Statement of Net Position
June 30, 2016

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and investments	\$ 107,109,955	\$ 1,038,053	\$ 108,148,008
Receivables, net	21,600,602	299,862	21,900,464
Inventory	327,991	125,469	453,460
Deposits and other assets	1,763,152	--	1,763,152
Due from external parties	189,362	--	189,362
Loan receivable	23,119,251	--	23,119,251
Internal balances	583,722	(583,722)	--
Capital assets:			
Nondepreciable	17,269,917	2,213,115	19,483,032
Depreciable, net	300,960,144	30,305,733	331,265,877
Total Assets	<u>472,924,096</u>	<u>33,398,510</u>	<u>506,322,606</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension	<u>22,503,065</u>	<u>158,218</u>	<u>22,661,283</u>
LIABILITIES			
Accounts payable	9,073,014	159,110	9,232,124
Accrued salaries and benefits	4,585,305	24,510	4,609,815
Interest payable	61,160	--	61,160
Unearned revenue	1,748,458	--	1,748,458
Other liabilities	536,915	--	536,915
Long-Term Liabilities:			
Portion due or payable within one year:			
Certificates of participation	1,250,000	--	1,250,000
Capital leases	452,578	--	452,578
Compensated absences	9,117,522	49,407	9,166,929
Claims liability	2,638,822	--	2,638,822
Portion due or payable after one year:			
Certificates of participation	11,900,000	--	11,900,000
Capital leases	219,203	--	219,203
Compensated absences	5,959,606	50,018	6,009,624
OPEB liability	13,310,199	--	13,310,199
Net pension liability	209,509,115	1,467,170	210,976,285
Total Liabilities	<u>270,361,897</u>	<u>1,750,215</u>	<u>272,112,112</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension	<u>16,992,029</u>	<u>130,112</u>	<u>17,122,141</u>
NET POSITION			
Net Investment in capital assets	304,408,280	32,518,848	336,927,128
Restricted for:			
Economic development	36,391,438	--	36,391,438
Debt service and capital projects	1,468,442	--	1,468,442
Other grants and special taxes	68,089,017	--	68,089,017
Unrestricted	(202,283,942)	(842,447)	(203,126,389)
Total Net Position	<u>\$ 208,073,235</u>	<u>\$ 31,676,401</u>	<u>\$ 239,749,636</u>

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

COUNTY OF HUMBOLDT

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 18,726,177	\$ 4,624,200	\$ 3,242,695	\$ --
Public protection	71,622,171	7,715,164	35,063,804	--
Public ways and facilities	34,091,135	1,677,687	9,553,228	4,163,015
Health and sanitation	65,221,136	27,533,657	33,365,268	--
Public assistance	101,181,068	5,568,977	88,008,620	--
Education	3,872,259	72,213	384,667	--
Recreation and culture	1,802,061	467,343	107,214	--
Debt Service				
Interest	408,548	--	--	--
Total Governmental Activities	<u>296,924,555</u>	<u>47,659,241</u>	<u>169,725,496</u>	<u>4,163,015</u>
Business-Type Activities:				
Aviation	<u>4,462,235</u>	<u>2,791,211</u>	<u>285,214</u>	<u>12,423</u>
Total Business-type Activities	<u>4,462,235</u>	<u>2,791,211</u>	<u>285,214</u>	<u>12,423</u>
 Total Humboldt County	 <u>\$ 301,386,790</u>	 <u>\$ 50,450,452</u>	 <u>\$ 170,010,710</u>	 <u>\$ 4,175,438</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

 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
\$ (10,859,282)	\$ --	\$ (10,859,282)
(28,843,203)	--	(28,843,203)
(18,697,205)	--	(18,697,205)
(4,322,211)	--	(4,322,211)
(7,603,471)	--	(7,603,471)
(3,415,379)	--	(3,415,379)
(1,227,504)	--	(1,227,504)
(408,548)	--	(408,548)
(75,376,803)	--	(75,376,803)
--	(1,373,387)	(1,373,387)
--	(1,373,387)	(1,373,387)
(75,376,803)	(1,373,387)	(76,750,190)
44,371,410	--	44,371,410
17,741,932	--	17,741,932
1,739,459	--	1,739,459
3,738,326	--	3,738,326
1,346,280	7,646	1,353,926
6,974,206	131,214	7,105,420
3,768	(3,768)	--
75,915,381	135,092	76,050,473
538,578	(1,238,295)	(699,717)
207,534,657	32,914,696	240,449,353
\$ 208,073,235	\$ 31,676,401	\$ 239,749,636

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
June 30, 2016

	General Fund	Headwaters Mitigation Fund	Other Governmental	Total
<u>Assets</u>				
Cash and investments	\$ 69,376,438	\$ 12,684,938	\$ 11,623,624	\$ 93,685,000
Department cash funds	--	--	865	865
Receivables, net	19,591,297	26,251	1,964,106	21,581,654
Due from other funds	191,716	--	--	191,716
Advances to other funds	--	25,243	--	25,243
Loans receivable	18,148,060	4,971,191	--	23,119,251
Prepays and other assets	13,901	--	151	14,052
Total Assets	<u>\$ 107,321,412</u>	<u>\$ 17,707,623</u>	<u>\$ 13,588,746</u>	<u>\$ 138,617,781</u>
<u>Liabilities</u>				
Accounts payable	\$ 7,800,857	\$ 11,000	\$ 858,107	\$ 8,669,964
Accrued salaries and benefits	4,117,789	--	362,314	4,480,103
Due to other funds	2,354	--	--	2,354
Other liabilities	17,113	--	--	17,113
Total Liabilities	<u>11,938,113</u>	<u>11,000</u>	<u>1,220,421</u>	<u>13,169,534</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	<u>320,666</u>	<u>--</u>	<u>366,876</u>	<u>687,542</u>
<u>Fund Balances</u>				
Nonspendable	13,901	--	151	14,052
Restricted	81,881,605	17,696,623	12,001,298	111,579,526
Unassigned	13,167,127	--	--	13,167,127
Total Fund Balances	<u>95,062,633</u>	<u>17,696,623</u>	<u>12,001,449</u>	<u>124,760,705</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 107,321,412</u>	<u>\$ 17,707,623</u>	<u>\$ 13,588,746</u>	<u>\$ 138,617,781</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, 2016

Fund Balance - total governmental funds	\$ 124,760,705
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.	308,812,346
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	687,542
Deferred outflows of resources reported in the statement of net position.	22,503,065
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.	19,762,305
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.	(61,160)
Deferred inflows of resources reported in the statement of net position.	(16,992,029)
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	(13,150,000)
Capital leases	(671,781)
Other post employment benefits liability	(13,310,199)
Net pension liability	(209,509,115)
Compensated absences	<u>(14,758,444)</u>
Net position of governmental activities	<u>\$ 208,073,235</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, 2016

	General Fund	Headwaters Mitigation Fund	Other Governmental	Total
Revenues:				
Taxes	\$ 61,529,314	\$ --	\$ 6,061,813	\$ 67,591,127
Licenses and permits	1,811,130	--	62,767	1,873,897
Fines, forfeitures and penalties	1,519,171	--	496,619	2,015,790
Use of money and property	702,683	434,784	104,509	1,241,976
Aid from other governments	159,170,758	--	17,536,308	176,707,066
Charges for services	42,146,336	--	1,731,443	43,877,779
Other revenues	6,356,570	--	617,636	6,974,206
Total Revenues	<u>273,235,962</u>	<u>434,784</u>	<u>26,611,095</u>	<u>300,281,841</u>
Expenditures:				
Current:				
General government	18,527,598	--	--	18,527,598
Public protection	72,079,785	--	4,792,028	76,871,813
Public ways and facilities	1,974,302	--	19,610,891	21,585,193
Health and sanitation	66,755,719	--	--	66,755,719
Public assistance	103,570,006	--	--	103,570,006
Education	171,410	--	3,678,281	3,849,691
Recreation and culture	1,046,593	748,029	--	1,794,622
Debt service:				
Principal	--	--	1,528,207	1,528,207
Interest and other charges	--	--	416,423	416,423
Total Expenditures	<u>264,125,413</u>	<u>748,029</u>	<u>30,025,830</u>	<u>294,899,272</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,110,549</u>	<u>(313,245)</u>	<u>(3,414,735)</u>	<u>5,382,569</u>
Other Financing Sources (Uses):				
Transfers in	165,293	--	1,892,299	2,057,592
Transfers out	<u>(1,706,796)</u>	--	<u>(347,028)</u>	<u>(2,053,824)</u>
Total Other Financing Sources (Uses)	<u>(1,541,503)</u>	--	<u>1,545,271</u>	<u>3,768</u>
Net Changes in Fund Balances	7,569,046	(313,245)	(1,869,464)	5,386,337
Fund Balances, Beginning of Year	<u>87,493,587</u>	<u>18,009,868</u>	<u>13,870,913</u>	<u>119,374,368</u>
Fund Balances, End of Year	<u>\$ 95,062,633</u>	<u>\$ 17,696,623</u>	<u>\$ 12,001,449</u>	<u>\$ 124,760,705</u>

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, 2016

Net change to fund balance - total governmental funds		\$ 5,386,337
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	\$ 7,977,187	
Less: current year depreciation	<u>(16,993,500)</u>	(9,016,313)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(2,926,780)
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		1,654,512
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	7,875	
Change in other post employment benefits	(2,317,032)	
Changes in net pension liability and deferred inflows/outflows	5,455,949	
Change in compensated absences	<u>459,104</u>	3,605,896
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>1,834,926</u>
Change in net position of governmental activities		<u><u>\$ 538,578</u></u>

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

COUNTY OF HUMBOLDT

Statement of Net Position
Proprietary Funds
June 30, 2016

	Business -Type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	<u>Aviation</u>	<u>Funds</u>
<u>ASSETS</u>		
Current Assets:		
Cash and investments	\$ 1,037,653	\$ 13,424,090
Departmental cash funds	400	--
Accounts receivable	299,862	18,948
Due from other funds	--	1,189,233
Inventory	125,469	327,991
Prepaid expenses	--	1,749,100
Total Current Assets	<u>1,463,384</u>	<u>16,709,362</u>
Noncurrent Assets:		
Capital assets:		
Non-depreciable	2,213,115	--
Depreciable, net	<u>30,305,733</u>	<u>9,417,715</u>
Total Noncurrent Assets	<u>32,518,848</u>	<u>9,417,715</u>
Total Assets	<u>33,982,232</u>	<u>26,127,077</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred pension	<u>158,218</u>	<u>--</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	159,110	403,050
Accrued salaries and benefits	24,510	105,202
Due to other funds	558,479	630,754
Unearned revenue	--	1,748,458
Other liabilities	--	519,802
Advances from other funds	25,243	--
Provision for estimated claims	--	2,638,822
Compensated absences	49,407	306,482
Total Current Liabilities	<u>816,749</u>	<u>6,352,570</u>
Noncurrent Liabilities:		
Compensated absences	50,018	12,202
Net pension liability	<u>1,467,170</u>	<u>--</u>
Total Noncurrent Liabilities	<u>1,517,188</u>	<u>12,202</u>
Total Liabilities	<u>2,333,937</u>	<u>6,364,772</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred pension	<u>130,112</u>	<u>--</u>
<u>NET POSITION</u>		
Net investment in capital assets	32,518,848	9,417,715
Unrestricted	<u>(842,447)</u>	<u>10,344,590</u>
Total Net Position	<u>\$ 31,676,401</u>	<u>\$ 19,762,305</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, 2016

	<u>Business -Type Activities - Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
	<u>Aviation</u>	<u>Funds</u>
Operating Revenues:		
Charges for services	\$ 2,791,211	\$ 38,542,533
Other revenue	131,214	3,036,248
Total Operating Revenues	<u>2,922,425</u>	<u>41,578,781</u>
Operating Expenses:		
Salaries and benefits	833,239	3,523,925
Services and supplies	1,659,932	4,649,675
Claims expense	--	30,113,256
Depreciation	1,961,426	1,561,303
Total Operating Expenses	<u>4,454,597</u>	<u>39,848,159</u>
Operating Income (Loss)	<u>(1,532,172)</u>	<u>1,730,622</u>
Non-Operating Revenue (Expenses):		
Intergovernmental revenues	285,214	--
Investment income	7,646	104,304
Interest expense	(7,638)	--
Total Non-Operating Revenue (Expenses)	<u>285,222</u>	<u>104,304</u>
Income (Loss) Before Contributions and Transfers	(1,246,950)	1,834,926
Capital contributions	12,423	--
Transfers out	(3,768)	--
Change in Net Position	<u>(1,238,295)</u>	<u>1,834,926</u>
Net Position - Beginning of Year	<u>32,914,696</u>	<u>17,927,379</u>
Net Position - End of Year	<u>\$ 31,676,401</u>	<u>\$ 19,762,305</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, 2016

	Business-Type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	Aviation	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers and other funds	\$ 2,762,273	\$ --
Cash receipts from internal fund services provided	--	42,059,907
Cash paid to suppliers for goods and services	(1,530,093)	(34,944,496)
Cash paid to employees for services	(867,513)	(3,581,738)
Net Cash Provided (Used) by Operating Activities	<u>364,667</u>	<u>3,533,673</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants	285,214	--
Loans from other funds	--	793,229
Loan repayments to other funds	(211,573)	(630,754)
Transfers out	(3,768)	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>69,873</u>	<u>162,475</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	12,423	--
Purchase of capital assets	(252,516)	(1,501,479)
Interest paid on capital debt	(7,638)	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(247,731)</u>	<u>(1,501,479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	7,646	104,304
Net Cash Provided (Used) by Investing Activities	<u>7,646</u>	<u>104,304</u>
Net Increase (Decrease) in Cash and Cash Equivalents	194,455	2,298,973
Cash and Cash Equivalents, Beginning of Year	<u>843,598</u>	<u>11,125,117</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,038,053</u>	<u>\$ 13,424,090</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Fund Net Position		
Cash and investments	\$ 1,037,653	\$ 13,424,090
Department cash funds	400	--
Total Cash and Cash Equivalents	<u>\$ 1,038,053</u>	<u>\$ 13,424,090</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, 2016

	Business-Type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	<u>Aviation</u>	<u>Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (1,532,172)	\$ 1,730,622
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,961,426	1,561,303
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(160,152)	217,810
Inventories	234	--
Prepays	--	(207,390)
Increase (decrease) in:		
Accounts payable	129,605	(97,804)
Accrued salaries and benefits	4,390	36,436
Compensated absences	(3,027)	(94,249)
Claims payable	--	120,000
Net pension liability	(35,637)	--
Unearned revenue	--	263,316
Other liabilities	--	3,629
Net Cash Provided (Used) by Operating Activities	<u>\$ 364,667</u>	<u>\$ 3,533,673</u>

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

COUNTY OF HUMBOLDT

Statement of Net Position
Fiduciary Funds
June 30, 2016

	Investment Trust Fund	Agency Funds
<u>Assets</u>		
Pooled cash and investments	\$ 191,810,194	\$ 35,538,969
Taxes receivable	--	8,001,780
Due from other funds	2,354	92,572
	<hr/>	<hr/>
Total Assets	191,812,548	43,633,321
<u>Liabilities</u>		
Due to other funds	--	284,288
Agency funds held for others	--	43,349,033
	<hr/>	<hr/>
Total Liabilities	--	43,633,321
<u>Net position</u>		
Net position held in trust for investment pool participants	191,812,548	--
	<hr/>	<hr/>
Total Net Position	<u>\$ 191,812,548</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, 2016

	<u>Investment Trust Fund</u>
<u>Additions</u>	
Contributions to pooled investments	\$ 451,877,315
Investment income	<u>2,431,631</u>
Total Additions	<u>454,308,946</u>
<u>Deductions</u>	
Distributions from pooled investments	<u>405,791,060</u>
Total Deductions	<u>405,791,060</u>
Change in net position	48,517,886
Net Position - Beginning of Year	<u>143,294,662</u>
Net Position - End of Year	<u>\$ 191,812,548</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, 2016**

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 30th 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, 2016

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, 2016

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, 2016**

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, 2016**

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 2015-2016, 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, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories and Prepaids

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.

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

L. **Interfund Transactions** (continued)

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.

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, 2016, 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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

- *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.

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. 72

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

P. **Future Accounting Pronouncements**

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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

P. **Future Accounting Pronouncements** (continued)

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.

Governmental Accounting Standards Board Statement No. 77

GASB Statement No. 77, *Tax Abatement Disclosures*, is effective for periods beginning after December 15, 2015.

Governmental Accounting Standards Board Statement No. 78

GASB Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is effective for periods beginning after December 15, 2015.

Governmental Accounting Standards Board Statement No. 79

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, is effective for periods beginning after December 15, 2015.

Governmental Accounting Standards Board Statement No. 80

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, is effective for periods beginning after June 15, 2016.

Governmental Accounting Standards Board Statement No. 81

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, is effective for periods beginning after December 15, 2016.

Governmental Accounting Standards Board Statement No. 82

GASB Statement No. 82, *Pension Issues*, is effective for periods beginning after June 15, 2016, except for the requirements of the Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2: **CASH AND INVESTMENTS**

At June 30, 2016, total County cash and investments were as follows:

Cash:	
Cash on hand and imprest cash	\$ 27,245
Deposits	6,533,618
Total Cash and Deposits	<u>6,560,863</u>
Investments:	
In Treasurer's pool	337,825,592
Total Investments	<u>337,825,592</u>
In Transit:	
Outstanding checks	(8,889,284)
	<u>(8,889,284)</u>
Total	<u>\$ 335,497,171</u>

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

Primary Government:	
Governmental activities	\$ 107,109,955
Business-type activities	1,038,053
Investment trust fund	191,810,194
Agency funds	35,538,969
Total	<u>\$ 335,497,171</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

At June 30, 2016, the County had the following investments:

Investment Pool	Interest Rates	Maturities	Par	Fair Value	Carrying Value	WAM (Years)
Federal Agency Issues - Coupon	0.375 - 2.580	7/5/2016 - 12/22/2021	\$ 239,324,000	\$ 239,633,727	\$ 239,225,827	2.93
Negotiable CDs	0.550 - 3.100	7/14/2015 - 12/9/2024	4,924,000	4,924,000	4,924,000	3.83
Government National Mortgage Assoc.	8.000	7/15/2014	1,035	1,044	1,039	0.79
Municipal Bonds	1.25	11/1/2017	2,000,000	2,005,420	1,999,117	1.34
US Treasury Notes	1.35 - 1.500	5/31/2020-8/31/2020	6,000,000	6,036,326	5,957,819	4.00
Money Markets	Variable	On Demand	2,228,925	2,228,925	2,247,172	
California Asset Management Program	Variable	On Demand	1,003,901	1,003,901	1,003,901	
Local Agency Investment Fund	Variable	On Demand	82,466,717	82,466,717	82,466,717	
			<u>\$ 337,948,578</u>	<u>\$ 338,300,060</u>	<u>\$ 337,825,592</u>	
Investments outside Investment Pool						
<i>Cash held with fiscal agent</i>						
Money market mutual funds	Variable	On demand	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Total Investments			<u>\$ 337,948,578</u>	<u>\$ 338,300,060</u>	<u>\$ 337,825,592</u>	

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

The fair value of the investments is obtained by the County's safekeeping agent. At June 30, 2016, 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.

Fair Value Measurements

The Pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources

The Pool has the following recurring fair value measurements as of June 30, 2016:

Investments By Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Agency Issues - Coupon	\$ 239,633,727	\$ 239,633,727	\$ -	\$ -
Negotiable CDs	4,924,000	4,924,000	-	-
Government National Mortgage Assoc.	1,044	1,044	-	-
Municipal Bonds	2,005,420	2,005,420	-	-
US Treasury Notes	6,036,326	6,036,326	-	-
Money Markets	2,228,925	2,228,925	-	-
Total investments measured at fair value	254,829,442	<u>\$ 254,829,442</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost				
California Asset Management Program	1,003,901			
Local Agency Investment Fund	82,466,717			
Total Investments	<u>\$ 338,300,060</u>			

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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, 2016.

	<u>Moody's</u>	<u>% of Portfolio</u>
Apple INC	Aa1	0.59%
Federal National Mortgage	AAA	16.38%
Federal Home Loan Bank	AAA	16.69%
Federal Home Loan Mortgage Corp.	AAA	18.99%
Federal Farm Credits	AAA	18.18%
Government National Mortgage Assoc.	AAA	0.00%
Municipal Bonds		0.59%
US Treasury Bonds		1.78%
Certificates of deposit		1.46%
Money Market		0.66%
California Local Agency Investment Fund	Unrated	25.27%
Total		<u>100.00%</u>

At June 30, 2016, 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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

Concentration of Credit Risk (continued)

Federal National Mortgage	55,396,684	16.38%
Federal Home Loan Bank	56,466,332	16.69%
Federal Home Loan Mortgage Corp.	64,255,142	18.99%
Federal Farm Credits	61,518,187	18.18%

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, 2016, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$82,466,717, 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 \$75,368,904,612. The PMIA portfolio includes 1.55% invested in structured notes and medium-term asset-backed securities and 1.26% invested in short term asset-backed commercial paper.

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016:

Statement of Net Position

Net position held for pool participants	\$ 335,474,326
Equity of external pool participants	\$ 191,810,194
Equity of internal pool participants	143,664,132
Total net position	\$ 335,474,326

Statement of Changes in Net Position

Net position at July 1, 2015	\$ 280,687,109
Net change in investments by pool participants	54,787,217
Net position at June 30, 2016	\$ 335,474,326

NOTE 3: **INTERFUND TRANSACTIONS**

The composition of interfund balances as of June 30, 2016 is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Agency Funds	\$ 191,716
Internal Service Funds	Internal Service Funds	630,754
Internal Service Funds	Aviation Fund	558,479
Agency Funds	Agency Funds	92,572
Investment Trust Fund	General Fund	2,354
		\$ 1,475,875

The due to/from other funds account balance primarily resulted from interfund cash transactions to eliminate cash deficits at June 30, 2016 for reporting purposes.

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Headwaters Mitigation Funds	Aviation Fund	<u>\$ 25,243</u>
		<u><u>\$ 25,243</u></u>

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	\$ 296,739	Library operating subsidy
	Nonmajor Governmental Funds	1,389,348	Debt service payments
	Nonmajor Governmental Funds	20,709	
Aviation Fund	Internal Service Funds	3,768	
Nonmajor Governmental Funds	Nonmajor Governmental Funds	131,302	Debt service payments
	Nonmajor Governmental Funds	50,433	
	General Fund	165,293	Contribution from CSA No. 4 - Trinidad.
		<u><u>\$ 2,057,592</u></u>	

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2016
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 10,697,856				\$ 10,697,856
Construction in progress	7,660,680	6,748,573	--	(7,837,192)	6,572,061
Total capital assets, not being depreciated	<u>18,358,536</u>	<u>6,748,573</u>	<u>--</u>	<u>(7,837,192)</u>	<u>17,269,917</u>
Capital assets, being depreciated:					
Infrastructure	607,718,836	--	--	5,343,367	613,062,203
Structures and improvements	101,928,279	--	(270,092)	2,493,825	104,152,012
Equipment	34,966,182	3,027,369	(1,387,391)	--	36,606,160
Total capital assets, being depreciated	<u>744,613,297</u>	<u>3,027,369</u>	<u>(1,657,483)</u>	<u>7,837,192</u>	<u>753,820,375</u>
Less accumulated depreciation for:					
Infrastructure	(354,957,340)	(13,340,598)	--	--	(368,297,938)
Structures and improvements	(57,054,995)	(2,910,578)	98,028	--	(59,867,545)
Equipment	(23,653,302)	(2,303,627)	1,262,181	--	(24,694,748)
Total accumulated depreciation	<u>(435,665,637)</u>	<u>(18,554,803)</u>	<u>1,360,209</u>	<u>--</u>	<u>(452,860,231)</u>
Total capital assets, being depreciated, net	<u>308,947,660</u>	<u>(15,527,434)</u>	<u>(297,274)</u>	<u>7,837,192</u>	<u>300,960,144</u>
Governmental activities capital assets, net	<u>\$ 327,306,196</u>	<u>\$ (8,778,861)</u>	<u>\$ (297,274)</u>	<u>\$ --</u>	<u>318,230,061</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,976,177	\$ --	\$ --	\$ --	\$ 1,976,177
Construction in progress	--	236,938	--	--	236,938
Total capital assets, not being depreciated	<u>1,976,177</u>	<u>236,938</u>	<u>--</u>	<u>--</u>	<u>2,213,115</u>
Capital assets, being depreciated:					
Structures and improvements	53,503,813	--	--	--	53,503,813
Equipment	287,514	15,578	--	--	303,092
Total capital assets, being depreciated	<u>53,791,327</u>	<u>15,578</u>	<u>--</u>	<u>--</u>	<u>53,806,905</u>
Less accumulated depreciation for:					
Structures and improvements	(21,275,839)	(1,956,501)	--	--	(23,232,340)
Equipment	(263,907)	(4,925)	--	--	(268,832)
Total accumulated depreciation	<u>(21,539,746)</u>	<u>(1,961,426)</u>	<u>--</u>	<u>--</u>	<u>(23,501,172)</u>
Total capital assets, being depreciated, net	<u>32,251,581</u>	<u>(1,945,848)</u>	<u>--</u>	<u>--</u>	<u>30,305,733</u>
Business-type activities capital assets, net	<u>\$ 34,227,758</u>	<u>\$ (1,708,910)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 32,518,848</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,350,510
Public protection	1,320,139
Public ways and facilities	13,454,173
Health and sanitation	194,678
Public assistance	331,838
Education	266,680
Recreation and culture	75,482
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset	1,561,303
Total Depreciation Expense - Governmental Functions	\$ 18,554,803

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

Aviation	\$ 1,961,426
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NOTE 5: LEASE COMMITMENTS

Operating Leases

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

At June 30, 2016, the future minimum rental payments required under operating leases for buildings and equipment were as follows:

Fiscal Year Ending June 30,	
2017	\$ 5,520,843
2018	4,242,601
2019	2,302,373
2020	1,757,114
2021	1,547,145
Thereafter	1,338,360
	\$ 16,708,436

Rent expenditures were \$4,925,715 for the year ended June 30, 2016.

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016:

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2016
Road equipment	2.61%	\$ 173,579
Building remodel	5.10%	498,202
Total		\$ 671,781

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, 2016, future minimum lease payments under capital leases was as follows:

Year Ending June 30:		
2017		475,395
2018		223,774
Total Future Minimum Lease Payments		699,169
Less: Interest		(27,388)
Present Value of Minimum Lease Payments		\$ 671,781

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities					
Certificates of participation	\$ 14,365,000	\$ --	\$ (1,215,000)	\$ 13,150,000	\$ 1,250,000
Compensated absences	15,630,481	7,273,249	(7,826,602)	15,077,128	9,117,522
Capital lease obligations	1,111,293	--	(439,512)	671,781	452,578
Liability for unpaid claims	2,518,822	2,012,821	(1,892,821)	2,638,822	2,638,822
Total Governmental Activities Long-term liabilities	\$ 33,625,596	\$ 9,286,070	\$ (11,373,935)	\$ 31,537,731	\$ 13,458,922
Business-type Activities					
Compensated absences	\$ 102,452	\$ 46,380	\$ (49,407)	\$ 99,425	\$ 49,407
Total Business-type Activities Long-term liabilities	\$ 102,452	\$ 46,380	\$ (49,407)	\$ 99,425	\$ 49,407

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, 2016, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Certificates of Participation	
	Principal	Interest
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	1,410,000	208,544
2022-2026	6,075,000	478,916
2027-2028	435,000	9,170
	\$ 13,150,000	\$ 1,882,556

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Long-term debt at June 30, 2016, consisted of the following:

	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2016
<u>Governmental Activities:</u>						
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	<u>9,490,000</u>	<u>6,830,000</u>
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	<u>2,905,000</u>	<u>2,120,000</u>
2012 issue for Capital Projects of Eathquake and Juvenile Hall						
Certificates of Participation	2012	2027	2.53% - 2.80%	\$266,680 - \$362,500	<u>5,465,000</u>	<u>4,200,000</u>
Total Governmental activities					<u>\$ 17,860,000</u>	<u>\$ 13,150,000</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, 2016 is as follows:

	General Fund	Headwaters Fund	Other Governmental Funds	Total
Nonspendable:				
Prepays and Inventory	<u>13,901</u>	<u>-</u>	<u>151</u>	<u>14,052</u>
Total Nonspendable	<u>13,901</u>	<u>-</u>	<u>151</u>	<u>14,052</u>
Restricted for:				
General government	6,095,518	-	-	6,095,518
Public protection	27,296,813	-	5,836,111	33,132,924
Public ways and facilities	2,758,859	-	4,356,825	7,115,684
Health and sanitation	7,901,792	-	-	7,901,792
Public assistance	18,174,160	-	-	18,174,160
Education	457,144	-	339,920	797,064
Recreation	502,504	-	-	502,504
Economic development	18,694,815	17,696,623	-	36,391,438
Debt service	-	-	1,468,442	1,468,442
Total Restricted	<u>81,881,605</u>	<u>17,696,623</u>	<u>12,001,298</u>	<u>111,579,526</u>
Unassigned	<u>13,167,127</u>	<u>-</u>	<u>-</u>	<u>13,167,127</u>
Total Fund Balance	<u>\$ 95,062,633</u>	<u>\$ 17,696,623</u>	<u>\$ 12,001,449</u>	<u>\$ 124,760,705</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
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%	7% - 8%
Required employer contribution rates	22.747%	22.747% - 24.487%
	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
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% - 33.181%

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

Employees Covered – At June 30, 2016, 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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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, 2014 actuarial valuations were determined using the following actuarial assumptions:

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 8: PENSION PLANS (CONTINUED)

B. Net Pension Liability (continued)

	Miscellaneous	Safety
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
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, 2014 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 7.65% 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 7.65 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 7.65 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, 2016**

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%
Total	<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, 2016**

NOTE 8: PENSION PLANS (CONTINUED)

C. Changes in the Net Pension Liability

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 574,011,242	\$ 421,640,439	\$ 152,370,803
Changes in the Year:			
Service cost	14,413,398	--	14,413,398
Interest on the total pension liability	42,412,478	--	42,412,478
Benefit payments, including refunds of employee contributions	(28,451,182)	(28,451,182)	--
Changes of assumptions	(9,694,226)	--	(9,694,226)
Differences between expected and actual experience	(2,886,636)	--	(2,886,636)
Plan to plan resource movement	--	12,495	(12,495)
Contribution - employer	--	17,054,037	(17,054,037)
Contribution - employee	--	5,870,207	(5,870,207)
Net investment income	--	9,592,039	(9,592,039)
Administrative expenses	--	(478,678)	478,678
Net changes	15,793,832	3,598,918	12,194,914
Balance at June 30, 2015	\$ 589,805,074	\$ 425,239,357	\$ 164,565,717
Safety Plan:			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 177,285,932	\$ 134,342,977	\$ 42,942,955
Changes in the Year:			
Service cost	4,164,088	--	4,164,088
Interest on the total pension liability	13,034,283	--	13,034,283
Changes of assumptions	(3,323,361)	--	(3,323,361)
Differences between expected and actual experience	(1,673,748)	--	(1,673,748)
Benefit payments, including refunds of employee contributions	(7,976,174)	(7,976,174)	-
Plan to plan resource movement	--	63,796	(63,796)
Contribution - employer	--	4,429,607	(4,429,607)
Contribution - employee	--	1,439,592	(1,439,592)
Net investment income	--	2,952,599	(2,952,599)
Administrative expenses	--	(151,945)	151,945
Net changes	4,225,088	757,475	3,467,613
Balance at June 30, 2015	\$ 181,511,020	\$ 135,100,452	\$ 46,410,568

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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Miscellaneous	\$ 238,070,109	\$ 164,565,717	\$ 103,159,978
Safety	\$ 71,909,095	\$ 46,410,568	\$ 25,538,075

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

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 8: PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2016, the County recognized pension expense of \$18,987,169. At June 30, 2016, 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	\$ 22,661,283	\$ --
Differences between actual and expected experience	--	3,229,144
Changes in assumptions	--	9,135,998
Net differences between projected and actual earnings on plan investments	--	4,756,999
Total	<u>\$ 22,661,283</u>	<u>\$ 17,122,141</u>

The County reported \$22,661,283 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	\$ (8,767,318)
2017	(8,767,318)
2018	(5,493,969)
2019	5,906,464
Thereafter	-

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.

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

A. Plan Description (continued)

Healthcare Premiums

The following table shows January 1, 2015 monthly PERS Health (PEMHCA) premiums for retirees within the Other Northern California region:

	<u>Blue Shield NV HMO</u>	<u>PERS Select PPO</u>	<u>PERS Choice PPO</u>	<u>PERS Care PPO</u>	<u>PORAC</u>
<u>Basic Plan</u>					
Retiree	\$ 753.82	\$ 646.35	\$ 725.54	\$ 656.08	\$ 675.00
Retiree + 1	1,507.64	1,292.70	1,451.08	1,312.16	1,292.00
Family	1,959.93	1,680.51	1,886.40	1,705.81	1,642.00
<u>Medicare Supplement</u>					
Retiree	\$ 352.63	\$ 339.47	\$ 368.76	\$ 339.47	\$ 402.00
Retiree + 1	705.26	678.49	737.52	678.49	802.00
Family	1,057.89	1,018.41	1,106.28	1,018.41	1,281.00

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.

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, 2016, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation/(Asset):

Annual Required Contribution	\$ 3,091,778
Interest on Net OPEB Obligation/(Asset)	549,658
Adjustment to Annual Required Contribution	<u>(635,736)</u>
Annual OPEB cost (expense)	3,005,700
Contributions made	<u>(688,668)</u>
Increase in Net OPEB Obligation/(Asset)	2,317,032
Net OPEB Obligation/(Asset) - Beginning of year	10,993,167
Net OPEB Obligation/(Asset) - End of year	<u><u>\$ 13,310,199</u></u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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, 2016, 2015, and 2014 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
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
6/30/16	3,005,700	688,668	22.91%	13,310,199

D. Schedule of Funding Progress

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
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%
July 1, 2015	--	28,762	28,762	0.0%	85,602	33.60%

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.

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.

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

E. Actuarial Methods and Assumptions (continued)

The plan's most recent actuarial valuation was performed as of July 1, 2015. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 4 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, 2016 was 26 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:

	<u>Balance at June 30, 2015</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at June 30, 2016</u>
Liability and auto	\$ 2,281,000	\$ 613,776	\$ (493,776)	\$ 2,401,000
Dental	100,184	1,299,960	(1,299,960)	100,184
Unemployment	137,638	99,085	(99,085)	137,638
	<u>\$ 2,518,822</u>	<u>\$ 2,012,821</u>	<u>\$ (1,892,821)</u>	<u>\$ 2,638,822</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	<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>

The claims liability, including incurred but not reported claims, were based on actuarial reviews. Actuarial review of the liability program was performed by Bickmore Risk Services in November of 2014. Actuarial review of the unemployment program was performed by Bickmore Risk Services in December 2014. 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.

The County participated in the following JPAs at June 30, 2016:

- 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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, 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, 2016 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, 2016, there were outstanding commitments of \$197,072,108 for road and bridge projects.

NOTE 13: DEFICIT NET POSITION

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

	Accumulated Deficit
Liability insurance	\$ 128,873
Medical insurance	691,985

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

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REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF HUMBOLDT

Required Supplementary Information
For the Year Ended June 30, 2016

SCHEDULE OF CHANGE IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years*

	Safety Plans		Miscellaneous Plans	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Total Pension Liability				
Service Cost	4,164,088	4,185,384	\$ 14,413,398	\$ 14,832,034
Interest on total pension liability	13,034,283	12,485,789	42,412,478	40,445,800
Changes of assumptions	(3,323,361)	--	(9,694,226)	--
Differences between expected and actual experience	(1,673,748)	--	(2,886,636)	--
Benefit payments, including refunds of employee contributions	(7,976,174)	(7,539,487)	(28,451,182)	(26,255,798)
Net change in total pension liability	4,225,088	9,131,686	15,793,831	29,022,036
Total pension liability - beginning	177,285,932	168,154,246	574,011,242	544,989,205
Total pension liability - ending	\$ 181,511,020	\$ 177,285,932	\$ 589,805,073	\$ 574,011,241
Plan fiduciary net position				
Contributions - employer	4,429,607	4,123,350	17,054,037	17,041,711
Contributions - employee	1,439,592	1,562,669	5,870,207	6,421,943
Net investment income	2,952,599	20,056,375	9,592,039	62,764,661
Benefit payments, including refunds of employee contributions	(7,976,174)	(7,539,487)	(28,451,182)	(26,255,798)
Plan to plan resource movement	63,796	--	12,495	--
Administrative expense	(151,945)	--	(478,678)	--
Net change in plan fiduciary net position	757,475	18,202,907	3,598,917	59,972,517
Plan fiduciary net position - beginning	134,342,977	116,140,070	421,640,439	361,667,922
Plan fiduciary net position - ending	\$ 135,100,452	\$ 134,342,977	\$ 425,239,356	\$ 421,640,439
Net pension liability - ending	\$ 46,410,568	\$ 42,942,955	\$ 164,565,717	\$ 152,370,802
Plan fiduciary net position as a percentage of the total pension liability	74.43%	75.78%	72.10%	73.46%
Covered - employee payroll	\$ 15,854,736	\$ 15,327,146	\$ 86,528,224	\$ 83,737,864
Net pension liability as a percentage of covered-employee payroll	292.72%	280.18%	190.19%	181.96%

COUNTY OF HUMBOLDT

Required Supplementary Information
For the Year Ended June 30, 2016

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:

	<u>Safety June 30, 2015</u>	<u>Miscellaneous June 30, 2015</u>
Actuarially determined contribution	\$ 4,429,607	\$ 18,460,286
Contributions related to the actuarially determined contribution	4,429,607	18,460,286
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
County's covered-employee payroll	\$ 15,854,736	\$ 86,528,224
Contributions as a percentage of covered-employee payroll	27.94%	21.33%
	<u>Safety June 30, 2014</u>	<u>Miscellaneous June 30, 2014</u>
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.

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 expense,
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:

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
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%
July 1, 2015	--	28,762,344	28,762,344	0.0%	85,602,335	33.60%

COUNTY OF HUMBOLDT

Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 58,736,220	\$ 60,144,140	\$ 61,508,826	\$ 1,364,686
Licenses and permits	1,826,314	1,911,314	1,811,130	(100,184)
Fines, forfeits and penalties	1,498,192	1,498,192	1,410,369	(87,823)
Use of money and property	232,612	232,612	364,536	131,924
Aid from other governments	182,525,596	186,122,517	154,917,508	(31,205,009)
Charges for services	51,069,836	51,626,622	42,342,370	(9,284,252)
Other revenue	8,141,345	13,359,252	5,883,892	(7,475,360)
Total Revenues	<u>304,030,115</u>	<u>314,894,649</u>	<u>268,238,631</u>	<u>(46,656,018)</u>
Expenditures:				
Current:				
General government	25,058,639	28,371,571	18,370,195	10,001,376
Public protection	83,921,937	86,884,789	72,076,519	14,808,270
Public way and facilities	2,336,498	2,336,498	1,937,589	398,909
Health and sanitation	75,552,807	75,519,529	66,755,719	8,763,810
Public assistance	114,645,544	116,537,597	103,543,099	12,994,498
Education	171,111	171,410	171,410	--
Recreation and culture	2,433,728	2,569,771	1,046,593	1,523,178
Contingencies	1,244,662	3,057,102	--	3,057,102
Total Expenditures	<u>305,364,926</u>	<u>315,448,267</u>	<u>263,901,124</u>	<u>51,547,143</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,334,811)</u>	<u>(553,618)</u>	<u>4,337,507</u>	<u>4,891,125</u>
Other Financing Sources (Uses):				
Transfers in	4,388,908	4,388,908	165,293	(4,223,615)
Transfers out	<u>(6,134,460)</u>	<u>(6,915,653)</u>	<u>(1,706,796)</u>	<u>5,208,857</u>
Total Other Financing Sources (Uses)	<u>(1,745,552)</u>	<u>(2,526,745)</u>	<u>(1,541,503)</u>	<u>985,242</u>
Net Change in Fund Balances	(3,080,363)	(3,080,363)	2,796,004	5,876,367
Budgetary Fund Balances - Beginning of Year	<u>23,184,133</u>	<u>23,184,133</u>	<u>23,184,133</u>	<u>--</u>
Budgetary Fund Balances - End of Year	<u>\$ 20,103,770</u>	<u>\$ 20,103,770</u>	<u>\$ 25,980,137</u>	<u>\$ 5,876,367</u>

continued

COUNTY OF HUMBOLDT

Budgetary Comparison Schedule (continued)
General Fund
For the Year Ended June 30, 2016

(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	\$ 268,238,631
Receipts from funds reclassified from County Agency Funds, not budgeted	<u>4,997,331</u>

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 273,235,962</u>
--	-----------------------

Uses/outflows of resources

Actual amounts from the budgetary comparison schedule	\$ 263,901,124
Disbursements from funds reclassified from County Agency Funds, not budgeted	<u>224,289</u>

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 264,125,413</u>
--	-----------------------

COUNTY OF HUMBOLDT

Note to Required Supplementary Information
For the Year Ended June 30, 2016

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

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, 2016

	<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	\$ 3,737,782	\$ 1,555,906	\$ 1,465,310	\$ 475,521
Departmental cash funds	--	--	--	865
Receivables	1,964,088	18	--	--
Prepays	151	--	--	--
 Total Assets	 <u><u>\$ 5,702,021</u></u>	 <u><u>\$ 1,555,924</u></u>	 <u><u>\$ 1,465,310</u></u>	 <u><u>\$ 476,386</u></u>
<u>Liabilities</u>				
Accounts payable	\$ 772,088	\$ 10,020	\$ --	\$ 72,611
Salaries and benefits payable	206,081	92,378	--	63,855
 Total Liabilities	 <u>978,169</u>	 <u>102,398</u>	 <u>--</u>	 <u>136,466</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	366,876	--	--	--
<u>Fund Balance</u>				
Nonspendable	151	--	--	--
Restricted	4,356,825	1,453,526	1,465,310	339,920
 Total Fund Balances	 <u>4,356,976</u>	 <u>1,453,526</u>	 <u>1,465,310</u>	 <u>339,920</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u><u>\$ 5,702,021</u></u>	 <u><u>\$ 1,555,924</u></u>	 <u><u>\$ 1,465,310</u></u>	 <u><u>\$ 476,386</u></u>

continued

COUNTY OF HUMBOLDT

Combining Balance Sheet
 Nonmajor Governmental Funds (continued)
 June 30, 2016

	Special Revenue		Debt Service	
	Fish and Game Propagation	Special Districts Under County Board of Supervisors	Public Property Leasing	Total
<u>Assets</u>				
Cash and investments	\$ 43,012	\$ 4,342,961	\$ 3,132	\$ 11,623,624
Departmental cash funds	--	--	--	865
Receivables	--	--	--	1,964,106
Prepays	--	--	--	151
 Total Assets	<u>\$ 43,012</u>	<u>\$ 4,342,961</u>	<u>\$ 3,132</u>	<u>\$ 13,588,746</u>
 <u>Liabilities</u>				
Accounts payable	\$ 2,175	\$ 1,213	\$ --	\$ 858,107
Salaries and benefits payable	--	--	--	362,314
 Total Liabilities	<u>2,175</u>	<u>1,213</u>	<u>--</u>	<u>1,220,421</u>
 <u>Deferred Inflows of Resources</u>				
Unavailable revenue	--	--	--	366,876
 <u>Fund Balance</u>				
Nonspendable	--	--	--	151
Restricted	40,837	4,341,748	3,132	12,001,298
 Total Fund Balances	<u>40,837</u>	<u>4,341,748</u>	<u>3,132</u>	<u>12,001,449</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 43,012</u>	<u>\$ 4,342,961</u>	<u>\$ 3,132</u>	<u>\$ 13,588,746</u>

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue			
	Road Fund	Family Support	Courthouse Construction	County Library
Revenues:				
Taxes	\$ 2,793,109	\$ --	\$ --	\$ 2,414,958
Licenses and permits	62,767	--	--	--
Fines, forfeitures and penalties	--	--	481,922	--
Use of money and property	34,131	15,190	12,781	3,449
Intergovernmental	12,849,090	4,277,294	--	393,080
Charges for services	1,666,230	--	--	65,213
Miscellaneous	120,798	18,095	6,625	333,011
Total Revenues	17,526,125	4,310,579	501,328	3,209,711
Expenditures:				
Current:				
Public protection	--	4,339,819	--	--
Public ways and facilities	19,610,891	--	--	--
Education	--	--	--	3,678,281
Debt Service:				
Principal	--	--	313,207	--
Interest and Other Charges	--	--	34,793	--
Total Expenditures	19,610,891	4,339,819	348,000	3,678,281
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,084,766)	(29,240)	153,328	(468,570)
Other Financing Sources (Uses):				
Transfers in	--	--	--	296,739
Transfers out	--	--	(127,099)	(54,636)
Total Other Financing Sources (Uses)	--	--	(127,099)	242,103
Net Change in Fund Balances	(2,084,766)	(29,240)	26,229	(226,467)
Fund Balances - Beginning of Year	6,441,742	1,482,766	1,439,081	566,387
Fund Balances - End of Year	\$ 4,356,976	\$ 1,453,526	\$ 1,465,310	\$ 339,920

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue		Debt Service	Total
	Fish and Game Propagation	Special Districts Under County Board of Supervisors	Public Property Leasing	
Revenues:				
Taxes	\$ --	\$ 853,746	\$ --	\$ 6,061,813
Licenses and permits	--	--	--	62,767
Fines, forfeitures and penalties	14,697	--	--	496,619
Use of money and property	357	35,264	3,337	104,509
Intergovernmental	--	16,844	--	17,536,308
Charges for services	--	--	--	1,731,443
Miscellaneous	--	139,107	--	617,636
Total Revenues	<u>15,054</u>	<u>1,044,961</u>	<u>3,337</u>	<u>26,611,095</u>
Expenditures:				
Current:				
Public protection	11,785	440,424	--	4,792,028
Public ways and facilities	--	--	--	19,610,891
Education	--	--	--	3,678,281
Debt Service:				
Principal	--	--	1,215,000	1,528,207
Interest and Other Charges	--	--	381,630	416,423
Total Expenditures	<u>11,785</u>	<u>440,424</u>	<u>1,596,630</u>	<u>30,025,830</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,269</u>	<u>604,537</u>	<u>(1,593,293)</u>	<u>(3,414,735)</u>
Other Financing Sources (Uses):				
Transfers in	--	--	1,595,560	1,892,299
Transfers out	--	(165,293)	--	(347,028)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(165,293)</u>	<u>1,595,560</u>	<u>1,545,271</u>
Net Change in Fund Balances	3,269	439,244	2,267	(1,869,464)
Fund Balances - Beginning of Year	<u>37,568</u>	<u>3,902,504</u>	<u>865</u>	<u>13,870,913</u>
Fund Balances - End of Year	<u>\$ 40,837</u>	<u>\$ 4,341,748</u>	<u>\$ 3,132</u>	<u>\$ 12,001,449</u>

INTERNAL SERVICE FUNDS

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COUNTY OF HUMBOLDT

Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,424,009	\$ 1,182,770	\$ 201,240
Accounts receivable	6,241	5,013	58
Due from other funds	--	--	--
Inventory	261,101	--	--
Prepaid expenses	--	--	--
Total Current Assets	<u>1,691,351</u>	<u>1,187,783</u>	<u>201,298</u>
Noncurrent Assets:			
Capital assets, net of depreciation	<u>3,048,576</u>	<u>375,687</u>	<u>19,134</u>
Total Noncurrent Assets	<u>3,048,576</u>	<u>375,687</u>	<u>19,134</u>
 Total Assets	 <u>4,739,927</u>	 <u>1,563,470</u>	 <u>220,432</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	84,830	76,159	2,251
Accrued payroll and benefits	24,125	46,010	8,227
Due to other funds	--	--	--
Other liabilities	--	--	--
Unearned revenue	--	--	--
Compensated absences	85,905	154,326	8,820
Provision for estimated claims	--	--	--
Total Current Liabilities	<u>194,860</u>	<u>276,495</u>	<u>19,298</u>
Long-term Liabilities:			
Compensated absences	--	--	--
Total Liabilities	<u>194,860</u>	<u>276,495</u>	<u>19,298</u>
<u>Net Position</u>			
Net investment in capital assets	3,048,576	375,687	19,134
Unrestricted	<u>1,496,491</u>	<u>911,288</u>	<u>182,000</u>
Total Net Position	<u>\$ 4,545,067</u>	<u>\$ 1,286,975</u>	<u>\$ 201,134</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Net Position (continued)
Internal Service Funds
June 30, 2016

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 99,772	\$ 3,918,519	\$ 6,597,780	\$ 13,424,090
Accounts receivable	6,514	947	175	18,948
Due from other funds	--	558,479	630,754	1,189,233
Inventory	--	66,890	--	327,991
Prepaid expenses	--	--	1,749,100	1,749,100
Total Current Assets	<u>106,286</u>	<u>4,544,835</u>	<u>8,977,809</u>	<u>16,709,362</u>
Noncurrent Assets:				
Capital assets, net of depreciation	<u>337,967</u>	<u>5,632,239</u>	<u>4,112</u>	<u>9,417,715</u>
Total Noncurrent Assets	<u>337,967</u>	<u>5,632,239</u>	<u>4,112</u>	<u>9,417,715</u>
Total Assets	<u>444,253</u>	<u>10,177,074</u>	<u>8,981,921</u>	<u>26,127,077</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	24,902	61,646	153,262	403,050
Accrued payroll and benefits	609	13,206	13,025	105,202
Due to other funds	--	--	630,754	630,754
Other liabilities	--	--	519,802	519,802
Unearned revenue	--	--	1,748,458	1,748,458
Compensated absences	--	19,668	37,763	306,482
Provision for estimated claims	--	--	2,638,822	2,638,822
Total Current Liabilities	<u>25,511</u>	<u>94,520</u>	<u>5,741,886</u>	<u>6,352,570</u>
Long-term Liabilities:				
Compensated absences	<u>--</u>	<u>12,202</u>	<u>--</u>	<u>12,202</u>
Total Liabilities	<u>25,511</u>	<u>106,722</u>	<u>5,741,886</u>	<u>6,364,772</u>
<u>Net Position</u>				
Net investment in capital assets	337,967	5,632,239	4,112	9,417,715
Unrestricted	<u>80,775</u>	<u>4,438,113</u>	<u>3,235,923</u>	<u>10,344,590</u>
Total Net Position	<u>\$ 418,742</u>	<u>\$ 10,070,352</u>	<u>\$ 3,240,035</u>	<u>\$ 19,762,305</u>

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2016

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
Operating Revenues:			
Charges for services	\$ 1,632,995	\$ 3,108,347	\$ 325,786
Miscellaneous revenues	506,176	30,523	37,658
 Total Operating Revenues	 <u>2,139,171</u>	 <u>3,138,870</u>	 <u>363,444</u>
Operating Expenses:			
Salaries and benefits	887,716	1,462,948	219,431
Services and supplies	1,113,909	1,436,485	175,659
Self-insurance claims and purchased premiums	--	--	--
Depreciation	504,407	109,650	2,126
 Total Operating Expenses	 <u>2,506,032</u>	 <u>3,009,083</u>	 <u>397,216</u>
 Net Operating Income (Loss)	 <u>(366,861)</u>	 <u>129,787</u>	 <u>(33,772)</u>
Non-Operating Revenues (Expenses):			
Interest income	12,767	--	--
 Total Non-Operating Revenues (Expenses)	 <u>12,767</u>	 <u>--</u>	 <u>--</u>
 Change in Net Position	 <u>(354,094)</u>	 <u>129,787</u>	 <u>(33,772)</u>
Net Position - Beginning of Year	4,899,161	1,157,188	234,906
Net Position - End of Year	<u>\$ 4,545,067</u>	<u>\$ 1,286,975</u>	<u>\$ 201,134</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, 2016

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 104,292	\$ 1,979,820	\$ 31,391,293	\$ 38,542,533
Miscellaneous revenues	236,364	1,359,376	866,151	3,036,248
 Total Operating Revenues	 <u>340,656</u>	 <u>3,339,196</u>	 <u>32,257,444</u>	 <u>41,578,781</u>
Operating Expenses:				
Salaries and benefits	20,714	431,418	501,698	3,523,925
Services and supplies	146,950	1,526,186	250,486	4,649,675
Self-insurance claims and purchased premiums	--	--	30,113,256	30,113,256
Depreciation	38,885	901,524	4,711	1,561,303
 Total Operating Expenses	 <u>206,549</u>	 <u>2,859,128</u>	 <u>30,870,151</u>	 <u>39,848,159</u>
 Net Operating Income (Loss)	 <u>134,107</u>	 <u>480,068</u>	 <u>1,387,293</u>	 <u>1,730,622</u>
Non-Operating Revenues (Expenses):				
Interest income	--	32,169	59,368	104,304
 Total Non-Operating Revenues (Expenses)	 <u>--</u>	 <u>32,169</u>	 <u>59,368</u>	 <u>104,304</u>
 Change in Net Position	 <u>134,107</u>	 <u>512,237</u>	 <u>1,446,661</u>	 <u>1,834,926</u>
Net Position - Beginning of Year	<u>284,635</u>	<u>9,558,115</u>	<u>1,793,374</u>	<u>17,927,379</u>
Net Position - End of Year	<u><u>\$ 418,742</u></u>	<u><u>\$ 10,070,352</u></u>	<u><u>\$ 3,240,035</u></u>	<u><u>\$ 19,762,305</u></u>

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 2,247,507	\$ 3,135,564	\$ 363,386
Cash paid to suppliers for goods and services	(1,090,165)	(1,415,724)	(183,241)
Cash paid to employees	(953,172)	(1,430,522)	(212,849)
	<u>204,170</u>	<u>289,318</u>	<u>(32,704)</u>
Net Cash Provided (Used) by Operating Activities			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loan from other funds	--	--	--
Loan repayments to other funds	--	--	--
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>--</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(423,257)	(84,129)	(21,260)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(423,257)</u>	<u>(84,129)</u>	<u>(21,260)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	12,767	--	--
Net Cash Provided (Used) by Investing Activities	<u>12,767</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(206,320)	205,189	(53,964)
Cash and Cash Equivalents, Beginning of Year	<u>1,630,329</u>	<u>977,581</u>	<u>255,204</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,424,009</u>	<u>\$ 1,182,770</u>	<u>\$ 201,240</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2016

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from interfund services provided	\$ 334,142	\$ 3,451,536	\$32,527,772	\$42,059,907
Cash paid to suppliers for goods and services	(187,147)	(1,517,289)	(30,550,930)	(34,944,496)
Cash paid to employees	<u>(20,363)</u>	<u>(416,047)</u>	<u>(548,785)</u>	<u>(3,581,738)</u>
Net Cash Provided (Used) by Operating Activities	<u>126,632</u>	<u>1,518,200</u>	<u>1,428,057</u>	<u>3,533,673</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loan from other funds	--	162,475	630,754	793,229
Loan repayments to other funds	--	--	<u>(630,754)</u>	<u>(630,754)</u>
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>162,475</u>	<u>--</u>	<u>162,475</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	<u>(155,710)</u>	<u>(817,123)</u>	--	<u>(1,501,479)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(155,710)</u>	<u>(817,123)</u>	--	<u>(1,501,479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	--	<u>32,169</u>	<u>59,368</u>	<u>104,304</u>
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>32,169</u>	<u>59,368</u>	<u>104,304</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(29,078)	895,721	1,487,425	2,298,973
Cash and Cash Equivalents, Beginning of Year	<u>128,850</u>	<u>3,022,798</u>	<u>5,110,355</u>	<u>11,125,117</u>
Cash and Cash Equivalents, End of Year	<u>\$ 99,772</u>	<u>\$ 3,918,519</u>	<u>\$ 6,597,780</u>	<u>\$13,424,090</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2016

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (366,861)	\$ 129,787	\$ (33,772)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	504,407	109,650	2,126
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	108,336	(3,306)	(58)
Prepaid expenses	--	--	--
Increase (decrease) in:			
Payables	23,744	20,761	(7,582)
Accrued salaries and benefits	7,282	15,401	3,026
Compensated absences	(72,738)	17,025	3,556
Claims payable	--	--	--
Unearned revenue	--	--	--
Other liabilities	--	--	--
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	<u>\$ 204,170</u>	<u>\$ 289,318</u>	<u>\$ (32,704)</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2016

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 134,107	\$ 480,068	\$ 1,387,293	\$ 1,730,622
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	38,885	901,524	4,711	1,561,303
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(6,514)	112,340	7,012	217,810
Prepaid expenses	--	--	(207,390)	(207,390)
Increase (decrease) in:				
Payables	(40,197)	8,897	(103,427)	(97,804)
Accrued salaries and benefits	351	5,669	4,707	36,436
Compensated absences	--	9,702	(51,794)	(94,249)
Claims payable	--	--	120,000	120,000
Unearned revenue	--	--	263,316	263,316
Other liabilities	--	--	3,629	3,629
Net Cash Provided (Used) by Operating Activities	<u>\$ 126,632</u>	<u>\$ 1,518,200</u>	<u>\$ 1,428,057</u>	<u>\$ 3,533,673</u>

INSURANCE FUNDS

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COUNTY OF HUMBOLDT

Combining Statement of Net Position
Insurance Funds
June 30, 2016

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 13,329	\$ 404,728	\$ 2,034,868
Accounts receivable	149	--	--
Due from other funds	630,754	--	--
Prepaid expenses	28,000	--	--
Total Current Assets	<u>672,232</u>	<u>404,728</u>	<u>2,034,868</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	2,635	--
Total Noncurrent Assets	<u>--</u>	<u>2,635</u>	<u>--</u>
Total Assets	<u>672,232</u>	<u>407,363</u>	<u>2,034,868</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	114,408	1,397	--
Accrued payroll and benefits	--	13,025	--
Due to other funds	--	--	--
Other liabilities	--	--	--
Unearned revenue	--	--	--
Liability for compensated absences	--	37,763	--
Provision for estimated claims	100,184	--	--
Total Current Liabilities	<u>214,592</u>	<u>52,185</u>	<u>--</u>
Total Liabilities	<u>214,592</u>	<u>52,185</u>	<u>--</u>
<u>Net Position</u>			
Net investment in capital assets	--	2,635	--
Unrestricted	457,640	352,543	2,034,868
Total Net Position	<u>\$ 457,640</u>	<u>\$ 355,178</u>	<u>\$ 2,034,868</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Net Position (continued)
Insurance Funds
June 30, 2016

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 2,670,884	\$ --	\$ 880,091
Accounts receivable	--	--	--
Due from other funds	--	--	--
Prepaid expenses	--	1,687,227	--
Total Current Assets	<u>2,670,884</u>	<u>1,687,227</u>	<u>880,091</u>
Noncurrent Assets:			
Capital assets, net of depreciation	1,477	--	--
Total Noncurrent Assets	<u>1,477</u>	<u>--</u>	<u>--</u>
 Total Assets	 <u>2,672,361</u>	 <u>1,687,227</u>	 <u>880,091</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	28,234	--	368
Accrued payroll and benefits	--	--	--
Due to other funds	--	630,754	--
Other liabilities	372,000	--	48,272
Unearned revenue	--	1,748,458	--
Liability for compensated absences	--	--	--
Provision for estimated claims	2,401,000	--	137,638
Total Current Liabilities	<u>2,801,234</u>	<u>2,379,212</u>	<u>186,278</u>
 Total Liabilities	 <u>2,801,234</u>	 <u>2,379,212</u>	 <u>186,278</u>
<u>Net Position</u>			
Net investment in capital assets	1,477	--	--
Unrestricted	(130,350)	(691,985)	693,813
Total Net Position	<u>\$ (128,873)</u>	<u>\$ (691,985)</u>	<u>\$ 693,813</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Net Position (continued)
Insurance Funds
June 30, 2016

	Purchased Insurance Premium	Employee Benefits	Total
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 483,824	\$ 110,056	\$ 6,597,780
Accounts receivable	--	26	175
Due from other funds	--	--	630,754
Prepaid expenses	33,873	--	1,749,100
Total Current Assets	<u>517,697</u>	<u>110,082</u>	<u>8,977,809</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	--	4,112
Total Noncurrent Assets	<u>--</u>	<u>--</u>	<u>4,112</u>
 Total Assets	 <u>517,697</u>	 <u>110,082</u>	 <u>8,981,921</u>
 <u>Liabilities</u>			
Current Liabilities:			
Accounts payable	8,217	638	153,262
Accrued payroll and benefits	--	--	13,025
Due to other funds	--	--	630,754
Other liabilities	99,530	--	519,802
Unearned revenue	--	--	1,748,458
Liability for compensated absences	--	--	37,763
Provision for estimated claims	--	--	2,638,822
Total Current Liabilities	<u>107,747</u>	<u>638</u>	<u>5,741,886</u>
 Total Liabilities	 <u>107,747</u>	 <u>638</u>	 <u>5,741,886</u>
 <u>Net Position</u>			
Net investment in capital assets	--	--	4,112
Unrestricted	409,950	109,444	3,235,923
Total Net Position	<u>\$ 409,950</u>	<u>\$ 109,444</u>	<u>\$ 3,240,035</u>

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Net Position
Insurance Funds
For the Year Ended June 30, 2016

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
Operating Revenues:			
Charges for services	\$ 1,754,598	\$ 714,597	\$ 4,896,669
Miscellaneous revenues	--	1,414	509,869
	<u>1,754,598</u>	<u>716,011</u>	<u>5,406,538</u>
Operating Expenses:			
Salaries and benefits	--	501,698	--
Services and supplies	--	250,089	19
Self-insurance claims and purchased premiums	1,460,512	--	5,264,568
Depreciation	--	1,757	--
	<u>1,460,512</u>	<u>753,544</u>	<u>5,264,587</u>
Total Operating Expenses			
	<u>1,460,512</u>	<u>753,544</u>	<u>5,264,587</u>
Net Operating Income (Loss)	<u>294,086</u>	<u>(37,533)</u>	<u>141,951</u>
Non-Operating Revenues (Expenses):			
Interest income	<u>3,491</u>	<u>6,009</u>	<u>15,179</u>
Total Non-Operating Revenues (Expenses)	<u>3,491</u>	<u>6,009</u>	<u>15,179</u>
Change in Net Position	297,577	(31,524)	157,130
Net Position - Beginning of Year	<u>160,063</u>	<u>386,702</u>	<u>1,877,738</u>
Net Position - End of Year	<u>\$ 457,640</u>	<u>\$ 355,178</u>	<u>\$ 2,034,868</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Net Position (continued)
Insurance Funds
For the Year Ended June 30, 2016

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
Operating Revenues:			
Charges for services	\$ 2,992,984	\$ 19,073,655	\$ 723,387
Miscellaneous revenues	<u>354,659</u>	<u>209</u>	<u>--</u>
Total Operating Revenues	<u>3,347,643</u>	<u>19,073,864</u>	<u>723,387</u>
Operating Expenses:			
Salaries and benefits	--	--	--
Services and supplies	378	--	--
Self-insurance claims and purchased premiums	2,674,857	19,133,012	157,847
Depreciation	<u>2,954</u>	<u>--</u>	<u>--</u>
Total Operating Expenses	<u>2,678,189</u>	<u>19,133,012</u>	<u>157,847</u>
Net Operating Income (Loss)	<u>669,454</u>	<u>(59,148)</u>	<u>565,540</u>
Non-Operating Revenues (Expenses):			
Interest income	<u>24,418</u>	<u>(748)</u>	<u>4,030</u>
Total Non-Operating Revenues (Expenses)	<u>24,418</u>	<u>(748)</u>	<u>4,030</u>
Change in Net Position	693,872	(59,896)	569,570
Net Position - Beginning of Year	<u>(822,745)</u>	<u>(632,089)</u>	<u>124,243</u>
Net Position - End of Year	<u><u>\$ (128,873)</u></u>	<u><u>\$ (691,985)</u></u>	<u><u>\$ 693,813</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, 2016

	<u>Purchased Insurance Premium</u>	<u>Insurance Benefits</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 739,830	\$ 495,573	\$ 31,391,293
Miscellaneous revenues	--	--	866,151
	<u>739,830</u>	<u>495,573</u>	<u>32,257,444</u>
 Operating Expenses:			
Salaries and benefits	--	--	501,698
Services and supplies	--	--	250,486
Self-insurance claims and purchased premiums	976,031	446,429	30,113,256
Depreciation	--	--	4,711
	<u>976,031</u>	<u>446,429</u>	<u>30,870,151</u>
Net Operating Income (Loss)	<u>(236,201)</u>	<u>49,144</u>	<u>1,387,293</u>
 Non-Operating Revenues (Expenses):			
Interest income	<u>5,367</u>	<u>1,622</u>	<u>59,368</u>
Total Non-Operating Revenues (Expenses)	<u>5,367</u>	<u>1,622</u>	<u>59,368</u>
 Change in Net Position	(230,834)	50,766	1,446,661
Net Position - Beginning of Year	<u>640,784</u>	<u>58,678</u>	<u>1,793,374</u>
Net Position - End of Year	<u>\$ 409,950</u>	<u>\$ 109,444</u>	<u>\$ 3,240,035</u>

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows
Insurance Funds
For the Year Ended June 30, 2016

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 1,760,458	\$ 716,011	\$ 5,406,538
Cash paid to suppliers for goods and services	(1,399,069)	(249,716)	(5,292,987)
Cash paid to employees	<u>--</u>	<u>(548,785)</u>	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>361,389</u>	<u>(82,490)</u>	<u>113,551</u>
CASH FLOWS FROM NONCAPITAL FINANCING			
Loan from other funds	--	--	--
Loan repayments to other funds	<u>(630,754)</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Investing Activities	<u>(630,754)</u>	<u>--</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	<u>3,491</u>	<u>6,009</u>	<u>15,179</u>
Net Cash Provided (Used) by Investing Activities	<u>3,491</u>	<u>6,009</u>	<u>15,179</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(265,874)	(76,481)	128,730
Cash and Cash Equivalents, Beginning of Year	<u>279,203</u>	<u>481,209</u>	<u>1,906,138</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 13,329</u></u>	<u><u>\$ 404,728</u></u>	<u><u>\$ 2,034,868</u></u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2016

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 3,347,679	\$ 19,337,180	\$ 723,387
Cash paid to suppliers for goods and services	(2,607,960)	(19,340,402)	(210,313)
Cash paid to employees	<u> --</u>	<u> --</u>	<u> --</u>
Net Cash Provided (Used) by Operating Activities	<u> 739,719</u>	<u> (3,222)</u>	<u> 513,074</u>
CASH FLOWS FROM NONCAPITAL FINANCING			
Loan from other funds	626,784	3,970	--
Loan repayments to other funds	<u> --</u>	<u> --</u>	<u> --</u>
Net Cash Provided (Used) by Investing Activities	<u> 626,784</u>	<u> 3,970</u>	<u> --</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	24,418	(748)	4,030
Net Cash Provided (Used) by Investing Activities	<u> 24,418</u>	<u> (748)</u>	<u> 4,030</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,390,921	--	517,104
Cash and Cash Equivalents, Beginning of Year	<u>1,279,963</u>	<u> --</u>	<u>362,987</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,670,884</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 880,091</u></u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2016

	Purchased Insurance Premium	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 739,830	\$ 496,689	\$ 32,527,772
Cash paid to suppliers for goods and services	(983,355)	(467,128)	(30,550,930)
Cash paid to employees	--	--	(548,785)
Net Cash Provided (Used) by Operating Activities	<u>(243,525)</u>	<u>29,561</u>	<u>1,428,057</u>
CASH FLOWS FROM NONCAPITAL FINANCING			
Loan from other funds	--	--	630,754
Loan repayments to other funds	--	--	(630,754)
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>--</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	5,367	1,622	59,368
Net Cash Provided (Used) by Investing Activities	<u>5,367</u>	<u>1,622</u>	<u>59,368</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(238,158)	31,183	1,487,425
Cash and Cash Equivalents, Beginning of Year	<u>721,982</u>	<u>78,873</u>	<u>5,110,355</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 483,824</u></u>	<u><u>\$ 110,056</u></u>	<u><u>\$ 6,597,780</u></u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2016

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 294,086	\$ (37,533)	\$ 141,951
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	5,860	--	--
Prepaid expenses	--	--	--
Increase (decrease) in:			
Payables	61,443	373	(28,400)
Accrued salaries and benefits	--	4,707	--
Liability for compensated absences	--	(51,794)	--
Claims payable	--	--	--
Unearned revenue	--	--	--
Other liabilities	--	--	--
	<u>\$ 361,389</u>	<u>\$ (82,490)</u>	<u>\$ 113,551</u>
Net Cash Provided (Used) by Operating Activities			

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2016

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 669,454	\$ (59,148)	\$ 565,540
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	36	--	--
Prepaid expenses	--	(207,390)	--
Increase (decrease) in:			
Payables	(52,725)	--	(52,221)
Accrued salaries and benefits	--	--	--
Liability for compensated absences	--	--	--
Claims payable	120,000	--	--
Unearned revenue	--	263,316	--
Other liabilities	--	--	(245)
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 739,719</u>	<u>\$ (3,222)</u>	<u>\$ 513,074</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2016

	<u>Purchased Insurance Premium</u>	<u>Employee Benefits</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (236,201)	\$ 49,144	\$ 1,387,293
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	--	1,116	7,012
Prepaid expenses	--	--	(207,390)
Increase (decrease) in:			
Payables	(11,198)	(20,699)	(103,427)
Accrued salaries and benefits	--	--	4,707
Liability for compensated absences	--	--	(51,794)
Claims payable	--	--	120,000
Unearned revenue	--	--	263,316
Other liabilities	3,874	--	3,629
	<u>3,874</u>	<u>--</u>	<u>3,629</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (243,525)</u>	<u>\$ 29,561</u>	<u>\$ 1,428,057</u>