

COUNTY OF HUMBOLDT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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INTRODUCTORY SECTION

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**COUNTY OF HUMBOLDT
DIRECTORY OF PUBLIC OFFICIALS
JUNE 30, 2017**

**BOARD OF SUPERVISORS
(as of June 30, 2017)**

<u>Name</u>	<u>Office</u>
Rex Bohn	Supervisor, District 1
Estelle Fennell	Supervisor, District 2
Mike Wilson	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 AUDITORS' 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, 2017, 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.

Auditors' 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 opinion.

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, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 14 to the basic financial statements, the County restated the net position of its governmental activities and fund balance of the General Fund by (\$5,124,292) to reflect the establishment of a pension trust

with Public Agency Retirement Services (PARS) in the prior year and the classification of the Asset Seizure Fund from the General Fund to an Agency Fund to reflect the receipt of funds that are distributed to both the State of California and the County upon the issuance of a court order.

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 changes 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 March 21, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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.



CliftonLarsonAllen LLP

Roseville, California
March 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017. 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 \$229,400,251 (*net position*). Net position of \$104,900,663 are restricted for specific purposes (*restricted net position*), and \$325,259,965 represents net investment in capital assets. Unrestricted net position was a negative \$200,760,377, primarily due to the presentation of long-term pension liabilities as unrestricted net position. The government's total net position decreased by \$5,225,093 in comparison with the prior year after restatement of beginning net position.
- The County's net investment in capital assets, decreased by \$11,667,163.
- The County's governmental funds reported combined fund balances of \$125,748,219, an increase of \$987,514 in comparison with the prior year. The unassigned portion of those fund balances was \$15,200,215.

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).

**COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 debt service. 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.

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*.

**COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 and the other governmental funds combined into a single, aggregated column. Individual fund data for each of these nonmajor 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.

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 Postemployment Benefits. Also presented is the budgetary schedule of the County's General Fund. The County adopts an annual appropriated budget for each fiscal year. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

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

**COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 \$229,400,251 at the close of the most recent fiscal year. Of this combined net position, \$325,259,965 reflects the County's investment in capital assets, net of related debt. Another \$104,900,663 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 Statement No. 68.

The County's Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Current and Other Assets	\$ 161,752,485	\$ 154,694,035	\$ 1,081,699	\$ 879,662	\$ 162,834,184	\$ 155,573,697
Capital Assets	306,324,376	318,230,061	31,054,793	32,518,848	337,379,169	350,748,909
Total Assets	468,076,861	472,924,096	32,136,492	33,398,510	500,213,353	506,322,606
Deferred Inflows of Resources:						
Deferred Pension	53,394,279	22,503,065	253,447	158,218	53,647,726	22,661,283
Current Liabilities	19,522,212	16,004,852	97,430	183,620	19,619,642	16,188,472
Long-Term Liabilities	291,626,926	254,357,045	1,289,475	1,566,595	292,916,401	255,923,640
Total Liabilities	311,149,138	270,361,897	1,386,905	1,750,215	312,536,043	272,112,112
Deferred Outflows of Resources:						
Deferred Pension	11,872,506	16,992,029	52,279	130,112	11,924,785	17,122,141
Net Investment in Capital Assets	294,205,172	304,408,280	31,054,793	32,518,848	325,259,965	336,927,128
Restricted	104,900,663	105,948,897	-	-	104,900,663	105,948,897
Unrestricted	(200,656,339)	(202,283,942)	(104,038)	(842,447)	(200,760,377)	(203,126,389)
Total Net Position	<u>\$ 198,449,496</u>	<u>\$ 208,073,235</u>	<u>\$ 30,950,755</u>	<u>\$ 31,676,401</u>	<u>\$ 229,400,251</u>	<u>\$ 239,749,636</u>

A significant portion of the County's net position, \$325,259,965, 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.

The restricted portion of the County's net position, \$104,900,663, 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 \$200,760,376 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.

**COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The County's net position, as adjusted for these pension liabilities, decreased by \$5,225,093 after restatement during the current fiscal year.

The County's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Revenues						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 48,264,639	\$ 47,659,241	\$ 2,590,324	\$ 2,791,211	\$ 50,854,963	\$ 50,450,452
Operating Grants/Contributions	187,500,582	169,725,496	-	285,214	187,500,582	170,010,710
Capital Grants/Contributions	1,968,285	4,163,015	455,736	12,423	2,424,021	4,175,438
General Revenues:						
Property Taxes	45,532,263	44,371,410	-	-	45,532,263	44,371,410
Sales Taxes	19,781,844	17,741,932	-	-	19,781,844	17,741,932
Transient Occupancy Tax	1,956,722	1,739,459	-	-	1,956,722	1,739,459
Other Taxes	4,297,451	3,738,326	-	-	4,297,451	3,738,326
Interest and Investment Income	1,770,254	1,346,280	12,625	7,646	1,782,879	1,353,926
Other	7,465,252	6,974,206	146,941	131,214	7,612,193	7,105,420
Total Revenues	<u>318,537,292</u>	<u>297,459,365</u>	<u>3,205,626</u>	<u>3,227,708</u>	<u>321,742,918</u>	<u>300,687,073</u>
Expenses						
General Government	19,807,048	18,726,177	-	-	19,807,048	18,726,177
Public Protection	87,261,286	71,622,171	-	-	87,261,286	71,622,171
Public Ways and Facilities	31,736,101	34,091,135	-	-	31,736,101	34,091,135
Health and Sanitation	69,520,033	65,221,136	-	-	69,520,033	65,221,136
Public Assistance	109,275,736	101,181,068	-	-	109,275,736	101,181,068
Education	3,751,997	3,872,259	-	-	3,751,997	3,872,259
Recreation and Cultural Services	1,298,332	1,802,061	-	-	1,298,332	1,802,061
Interest and Long-Term Debt	371,423	408,548	-	-	371,423	408,548
Aviation	-	-	3,946,055	4,462,235	3,946,055	4,462,235
Total Expenses	<u>323,021,956</u>	<u>296,924,555</u>	<u>3,946,055</u>	<u>4,462,235</u>	<u>326,968,011</u>	<u>301,386,790</u>
Increase (Decrease) in Net Position Before Transfers	(4,484,664)	534,810	(740,429)	(1,234,527)	(5,225,093)	(699,717)
Transfers	<u>(14,783)</u>	<u>3,768</u>	<u>14,783</u>	<u>(3,768)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(4,499,447)	538,578	(725,646)	(1,238,295)	(5,225,093)	(699,717)
Net Position - Beginning, restated	<u>202,948,943</u>	<u>207,534,657</u>	<u>31,676,401</u>	<u>32,914,696</u>	<u>234,625,344</u>	<u>240,449,353</u>
Net Position - Ending	<u>\$ 198,449,496</u>	<u>\$ 208,073,235</u>	<u>\$ 30,950,755</u>	<u>\$ 31,676,401</u>	<u>\$ 229,400,251</u>	<u>\$ 239,749,636</u>

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.

**COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

At June 30, 2017, the County's governmental funds reported combined fund balances of \$125,748,219. Of these combined fund balances, \$15,945,573 constitutes unassigned fund balance of the General Fund, which is available to meet the County's current and future needs. The restricted fund balance, \$109,208,522 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, 2017, unassigned fund balance was \$15,495,573, while total fund balance was \$99,318,368. 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 6.0% 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 \$17,499,026, all of which is restricted for economic development. The overall fund balance decreased by \$197,597 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 \$6,111,806 in comparison with the prior year, after prior year adjustments (see Note 14). The major governmental funds had changes in fund balance as follows: General Fund increased \$9,380,027, and Headwaters Mitigation Fund decreased \$197,597. The nonmajor governmental funds decreased by \$3,070,624.

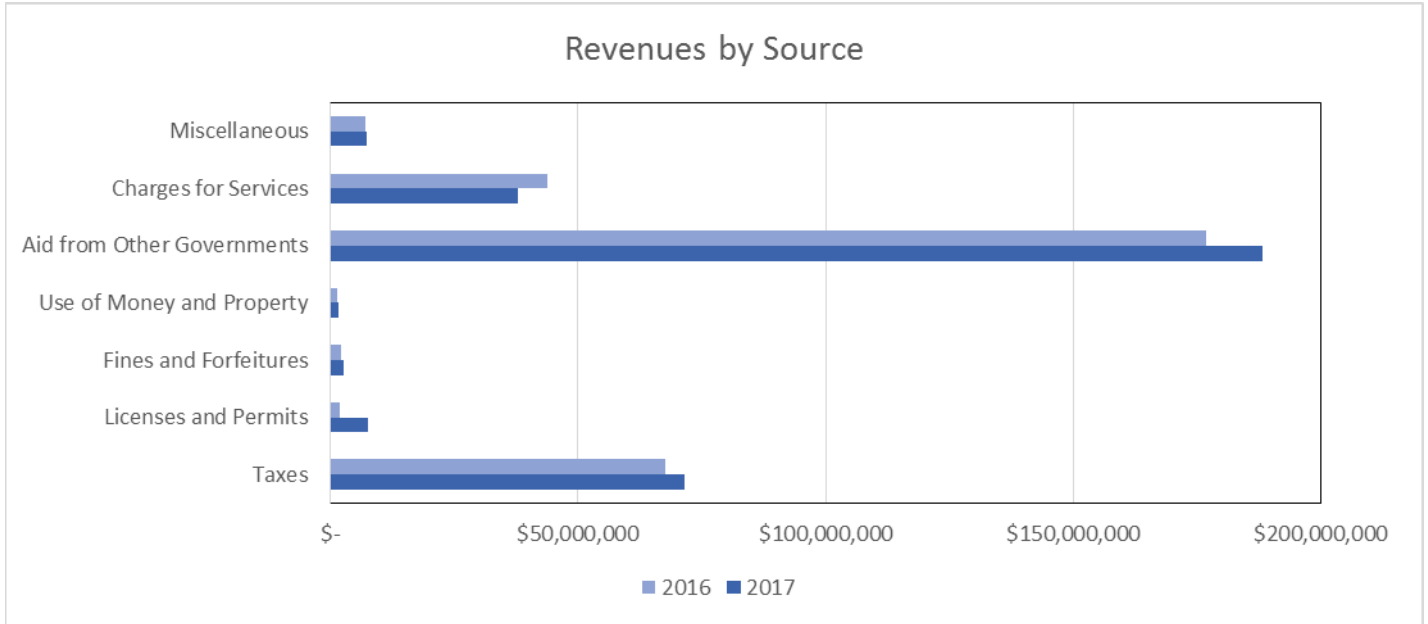
The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

**Revenues by Source
Governmental Funds**

	FY 2017		FY 2016		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 71,568,280	22.58%	\$ 67,591,127	22.51%	\$ 3,977,153	0.06 %
Licenses and Permits	7,575,539	2.39%	1,873,897	0.62%	5,701,642	3.04 %
Fines and Forfeitures	2,638,423	0.83%	2,015,790	0.67%	622,633	0.31 %
Use of Money and Property	1,605,797	0.51%	1,241,976	0.41%	363,821	0.29 %
Aid from Other Governments	188,351,363	59.42%	176,707,066	58.85%	11,644,297	0.07 %
Charges for Services	37,887,461	11.95%	43,877,779	14.61%	(5,990,318)	(0.14)%
Miscellaneous	7,345,652	2.32%	6,974,206	2.32%	371,446	0.05 %
Total Revenue by Source	<u>\$ 316,972,515</u>	100.00%	<u>\$ 300,281,841</u>	100.00%	<u>\$ 16,690,674</u>	0.06 %

**COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The following graph shows an illustrative picture of the County revenues by source compared to the prior year.



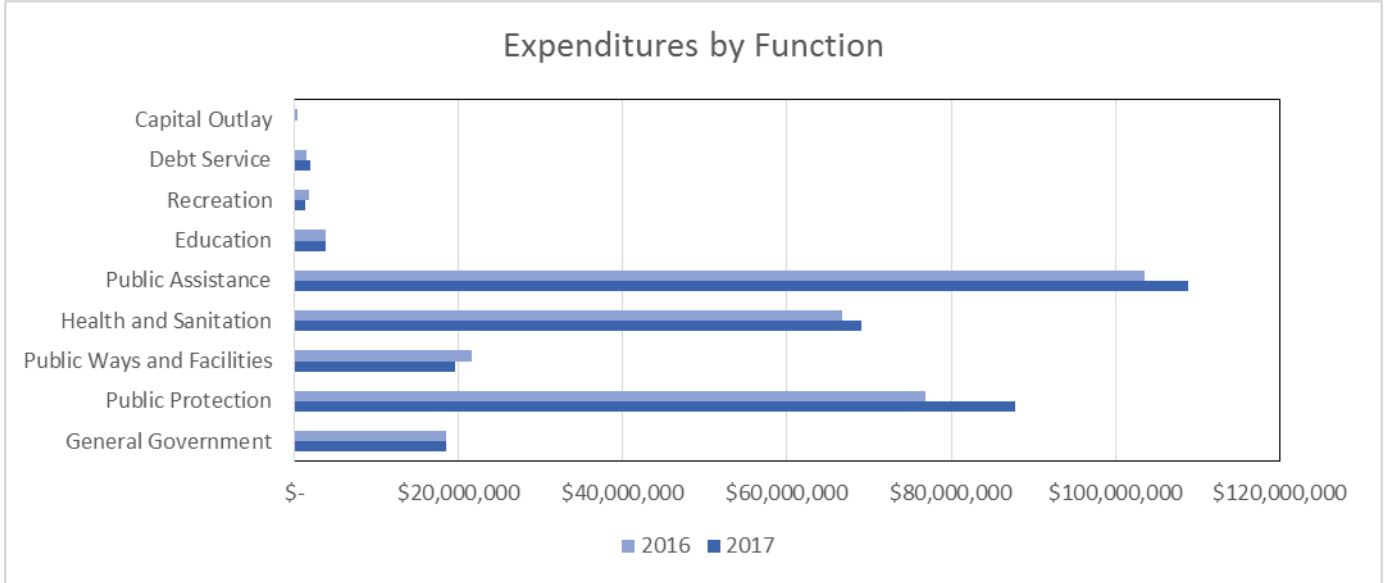
The following table presents expenditures by function compared to prior year amounts.

**Expenditures Classified by Function
Governmental Funds**

	FY 2017		FY 2016		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$ 18,564,720	5.97%	\$ 18,527,598	6.28%	\$ 37,122	0.20%
Public Protection	87,728,577	28.22%	76,871,813	26.07%	10,856,764	14.12%
Public Ways and Facilities	19,613,487	6.31%	21,585,193	7.32%	(1,971,706)	-9.13%
Health and Sanitation	69,063,608	22.22%	66,755,719	22.64%	2,307,889	3.46%
Public Assistance	108,870,977	35.03%	103,570,006	35.12%	5,300,971	5.12%
Education	3,772,092	1.21%	3,849,691	1.31%	(77,599)	-2.02%
Recreation	1,253,063	0.40%	1,794,622	0.61%	(541,559)	-30.18%
Debt Service	1,957,800	0.63%	1,528,207	0.52%	429,593	28.11%
Capital Outlay	-	0.00%	416,423	0.14%	(416,423)	-100.00%
Total by Function	\$ 310,824,324	100.00%	\$ 294,899,272	100.00%	\$ 15,925,052	5.40%

**COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The following graph shows an illustrative picture of how County funds were spent compared to the prior year.



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 \$31,054,793. Unrestricted net position of the enterprise funds at fiscal year-end was a negative \$104,038. The net position of the enterprise funds decreased \$725,646 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 \$21,188,226 and include \$9,263,093 invested in capital assets. The net position of the internal service funds increased \$1,425,921 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, 2017**

Differences between the General Fund's original budget and the final amended budget resulted in a \$24,410,808 increase in appropriations. The major components of the appropriations increase are briefly summarized as follows: \$6,986,485 increase in public protection and a \$14,572,615 increase in general government. Other budgetary categories were increased by lesser amounts.

Even with these adjustments, actual expenditures were \$72,740,772 below final budget amounts. Revenues available for appropriation were \$69,783,244 below final budget amounts.

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

Budgetary Comparison General Fund				
	Original	Final	Net Change	
	<u>Budget</u>	<u>Budget</u>	<u>Amount</u>	<u>Percent</u>
Total Revenues	\$ 319,830,496	\$ 340,126,144	\$ 20,295,648	5.97%
Total Expenditures	(323,060,117)	(347,470,925)	(24,410,808)	7.03%
Other Financing Sources (Uses)	<u>(1,685,550)</u>	<u>2,429,609</u>	<u>4,115,159</u>	169.38%
Net Change in Fund Balances	<u>\$ (4,915,171)</u>	<u>\$ (4,915,172)</u>	<u>\$ (1)</u>	

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

Budgetary Comparison General Fund				
	Final	Actual	Net Change	
	<u>Budget</u>	<u>Amounts</u>	<u>Amount</u>	<u>Percent</u>
Total Revenues	\$ 340,126,144	\$ 270,342,900	\$ (69,783,244)	-25.81%
Total Expenditures	(347,470,925)	(274,730,153)	72,740,772	-26.48%
Other Financing Sources (Uses)	<u>2,429,609</u>	<u>(693,283)</u>	<u>(3,122,892)</u>	450.45%
Net Change in Fund Balances	<u>\$ (4,915,172)</u>	<u>\$ (5,080,536)</u>	<u>\$ (165,364)</u>	

**COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounted to \$338,379,169 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, leasehold improvements, equipment, and infrastructure (roads and bridges).

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	
	2017	2016	2017	2016	2017	2016
Land	\$ 10,697,856	\$ 10,697,856	\$ 1,976,177	\$ 1,976,177	\$ 12,674,033	\$ 12,674,033
Construction In Progress	9,748,130	6,572,061	719,353	236,938	10,467,483	6,808,999
Structures and Improvements	104,782,043	104,152,012	53,503,814	53,503,814	158,285,857	157,655,826
Equipment	37,354,713	36,606,160	293,339	303,092	37,648,052	36,909,252
Infrastructure	613,789,181	613,062,203	-	-	613,789,181	613,062,203
Total	776,371,923	771,090,292	56,492,683	56,020,021	832,864,606	827,110,313
Less: Accumulated Depreciation	(470,047,547)	(452,860,231)	(25,437,890)	(23,501,173)	(495,485,437)	(476,361,404)
Net Capital Assets	<u>\$ 306,324,376</u>	<u>\$ 318,230,061</u>	<u>\$ 31,054,793</u>	<u>\$ 32,518,848</u>	<u>\$ 337,379,169</u>	<u>\$ 350,748,909</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 \$12,119,204. Of this amount, \$11,900,000 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	
	2017	2016	2017	2016	2017	2016
Certificates of Participation	\$ 11,900,000	\$ 13,150,000	\$ -	\$ -	\$ 11,900,000	\$ 13,150,000
Capital Lease Obligations	219,204	671,781	-	-	219,204	671,781
Total Debt	12,119,204	13,821,781	-	-	12,119,204	13,821,781
Less: Current Portion	(1,504,204)	(1,702,578)	-	-	(1,504,204)	(1,702,578)
Net Long-Term Debt	<u>\$ 10,615,000</u>	<u>\$ 12,119,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,615,000</u>	<u>\$ 12,119,203</u>

During the year ended June 30, 2017 outstanding debt was decreased by \$1,702,577.

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

**COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's fiscal year 2017-18 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, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Investments	\$ 109,457,198	\$ 1,143,417	\$ 110,600,615
Cash with Fiscal Agent	1,330,746	-	1,330,746
Receivables, Net	22,820,621	177,622	22,998,243
Inventory	327,991	102,978	430,969
Deposits and Other Assets	1,800,247	-	1,800,247
Loan Receivable	25,673,364	-	25,673,364
Internal Balances	342,318	(342,318)	-
Capital Assets:			
Nondepreciable	20,445,986	2,695,530	23,141,516
Depreciable, Net	285,878,390	28,359,263	314,237,653
Total Assets	<u>468,076,861</u>	<u>32,136,492</u>	<u>500,213,353</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension	53,394,279	253,447	53,647,726
LIABILITIES			
Accounts Payable	11,028,702	67,430	11,096,132
Accrued Salaries and Benefits	5,459,829	30,000	5,489,829
Interest Payable	53,012	-	53,012
Unearned Revenue	2,459,000	-	2,459,000
Other Liabilities	521,669	-	521,669
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Certificates of Participation	1,285,000	-	1,285,000
Capital Leases	219,204	-	219,204
Compensated Absences	9,112,944	27,078	9,140,022
Claims Liability	2,287,765	-	2,287,765
Portion Due or Payable After One Year:			
Certificates of Participation	10,615,000	-	10,615,000
Capital Leases	-	-	-
Compensated Absences	5,924,401	90,771	6,015,172
OPEB Liability	15,705,442	-	15,705,442
Net Pension Liability	246,477,170	1,171,626	247,648,796
Total Liabilities	<u>311,149,138</u>	<u>1,386,905</u>	<u>312,536,043</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension	<u>11,872,506</u>	<u>52,279</u>	<u>11,924,785</u>
NET POSITION			
Net Investment in Capital Assets	294,205,172	31,054,793	325,259,965
Restricted for:			
Economic Development	36,764,632	-	36,764,632
Debt Service and Capital Projects	1,467,969	-	1,467,969
Other Grants and Special Taxes	66,668,062	-	66,668,062
Unrestricted	(200,656,339)	(104,038)	(200,760,377)
Total Net Position	<u>\$ 198,449,496</u>	<u>\$ 30,950,755</u>	<u>\$ 229,400,251</u>

See accompanying Notes to Basic Financial Statements.

**COUNTY OF HUMBOLDT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

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	\$ 19,807,048	\$ 4,855,651	\$ 3,903,641	\$ -
Public Protection	87,261,286	13,443,065	37,197,174	-
Public Ways and Facilities	31,736,101	1,720,598	8,141,676	1,968,285
Health and Sanitation	69,520,033	23,075,671	44,765,525	-
Public Assistance	109,275,736	4,606,348	92,921,952	-
Education	3,751,997	69,277	445,085	-
Recreation and Culture	1,298,332	494,029	125,529	-
Debt Service				-
Interest	371,423	-	-	-
Total Governmental Activities	<u>323,021,956</u>	<u>48,264,639</u>	<u>187,500,582</u>	<u>1,968,285</u>
Business-Type Activities				
Aviation	3,946,055	2,590,324	-	455,736
Total Business-Type Activities	<u>3,946,055</u>	<u>2,590,324</u>	<u>-</u>	<u>455,736</u>
Total Humboldt County	<u>\$ 326,968,011</u>	<u>\$ 50,854,963</u>	<u>\$ 187,500,582</u>	<u>\$ 2,424,021</u>

General Revenues

Taxes:

Property Taxes

Sales and Use Taxes

Transient Occupancy Tax

Other

Unrestricted Interest and Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year, restated

Net Position - End of Year

See accompanying Notes to Basic Financial Statements.

Net Revenue (Expense) and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (11,047,756)	\$ -	\$ (11,047,756)
(36,621,047)	-	(36,621,047)
(19,905,542)	-	(19,905,542)
(1,678,837)	-	(1,678,837)
(11,747,436)	-	(11,747,436)
(3,237,635)	-	(3,237,635)
(678,774)	-	(678,774)
-	-	-
(371,423)	-	(371,423)
(85,288,450)	-	(85,288,450)
-	(899,995)	(899,995)
-	(899,995)	(899,995)
(85,288,450)	(899,995)	(86,188,445)
45,532,263	-	45,532,263
19,781,844	-	19,781,844
1,956,722	-	1,956,722
4,297,451	-	4,297,451
1,770,254	12,625	1,782,879
7,465,252	146,941	7,612,193
(14,783)	14,783	-
80,789,003	174,349	80,963,352
(4,499,447)	(725,646)	(5,225,093)
202,948,943	31,676,401	234,625,344
<u>\$ 198,449,496</u>	<u>\$ 30,950,755</u>	<u>\$ 229,400,251</u>

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**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

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**COUNTY OF HUMBOLDT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Headwaters Mitigation Fund	Other Governmental	Total
ASSETS				
Cash and Investments	\$ 73,742,857	\$ 10,830,504	\$ 9,693,964	\$ 94,267,325
Department Cash Funds	-	-	865	865
Cash with Fiscal Agent	1,330,746	-	-	1,330,746
Receivables, Net	21,090,947	20,712	1,708,650	22,820,309
Due from Other Funds	99,065	-	-	99,065
Loans Receivable	18,982,484	6,690,880	-	25,673,364
Prepays and Other Assets	8,736	-	-	8,736
	<u>\$ 115,254,835</u>	<u>\$ 17,542,096</u>	<u>\$ 11,403,479</u>	<u>\$ 144,200,410</u>
LIABILITIES				
Accounts Payable	\$ 8,935,779	\$ 43,070	\$ 1,301,473	\$ 10,280,322
Accrued Salaries and Benefits	4,900,838	-	435,000	5,335,838
Due to Other Funds	66,211	-	90,580	156,791
Unearned Revenue	710,978	-	-	710,978
Total Liabilities	<u>14,613,806</u>	<u>43,070</u>	<u>1,827,053</u>	<u>16,483,929</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	1,322,661	-	645,601	1,968,262
FUND BALANCES				
Nonspendable	8,736	-	-	8,736
Restricted	82,483,313	17,499,026	9,226,183	109,208,522
Committed	1,330,746	-	-	1,330,746
Unassigned	15,495,573	-	(295,358)	15,200,215
Total Fund Balances	<u>99,318,368</u>	<u>17,499,026</u>	<u>8,930,825</u>	<u>125,748,219</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 115,254,835</u>	<u>\$ 17,542,096</u>	<u>\$ 11,403,479</u>	<u>\$ 144,200,410</u>

See accompanying Notes to Basic Financial Statements.

**COUNTY OF HUMBOLDT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2017**

Fund Balance - Total Governmental Funds	\$ 125,748,219
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Deferred charges in governmental activities are not financial resources and, therefore, are not reported in governmental funds.</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>	297,061,283
<p>Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.</p>	1,968,262
<p>Deferred outflows of resources reported in the statement of net position.</p>	53,394,279
<p>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.</p>	21,188,226
<p>Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.</p>	(53,012)
<p>Deferred inflows of resources reported in the statement of net position.</p>	(11,872,506)
<p>Long-term liabilities, including capital leases, are not due and payable in the current period, and therefore are not reported in the governmental funds.</p>	
<p>Certificates of Participation</p>	(11,900,000)
<p>Capital Leases</p>	(219,204)
<p>Other Postemployment Benefits Liability</p>	(15,705,442)
<p>Net pension liability</p>	(246,477,170)
<p>Compensated absences</p>	(14,683,439)
<p>Net Position of Governmental Activities</p>	<u><u>\$ 198,449,496</u></u>

See accompanying Notes to Basic Financial Statements.

**COUNTY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	General Fund	Headwaters Mitigation Fund	Other Governmental	Total
REVENUES				
Taxes	\$ 64,968,727	\$ -	\$ 6,599,553	\$ 71,568,280
Licenses and Permits	7,514,796	-	60,743	7,575,539
Fines, Forfeitures, and Penalties	2,162,104	-	476,319	2,638,423
Use of Money and Property	975,931	487,146	142,720	1,605,797
Aid from Other Governments	167,405,091	-	20,946,272	188,351,363
Charges for Services	36,246,906	-	1,640,555	37,887,461
Other Revenues	6,798,320	4,867	542,465	7,345,652
Total Revenues	<u>286,071,875</u>	<u>492,013</u>	<u>30,408,627</u>	<u>316,972,515</u>
EXPENDITURES				
Current:				
General Government	18,564,720	-	-	18,564,720
Public Protection	75,655,434	-	12,073,143	87,728,577
Public Ways and Facilities	2,473,648	-	17,139,839	19,613,487
Health and Sanitation	69,063,608	-	-	69,063,608
Public Assistance	108,870,977	-	-	108,870,977
Education	161,955	-	3,610,137	3,772,092
Recreation and Culture	1,208,223	44,840	-	1,253,063
Debt Service:				
Principal	-	-	1,578,229	1,578,229
Interest and Other Charges	-	-	379,571	379,571
Total Expenditures	<u>275,998,565</u>	<u>44,840</u>	<u>34,780,919</u>	<u>310,824,324</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,073,310	447,173	(4,372,292)	6,148,191
OTHER FINANCING SOURCES (USES)				
Transfers In	1,156,490	39,621	1,903,412	3,099,523
Transfers Out	(1,849,773)	(684,391)	(601,744)	(3,135,908)
Total Other Financing Sources (Uses)	<u>(693,283)</u>	<u>(644,770)</u>	<u>1,301,668</u>	<u>(36,385)</u>
NET CHANGES IN FUND BALANCES	9,380,027	(197,597)	(3,070,624)	6,111,806
Fund Balances - Beginning of Year, restated	<u>89,938,341</u>	<u>17,696,623</u>	<u>12,001,449</u>	<u>119,636,413</u>
FUND BALANCES - END OF YEAR	<u>\$ 99,318,368</u>	<u>\$ 17,499,026</u>	<u>\$ 8,930,825</u>	<u>\$ 125,748,219</u>

See accompanying Notes to Basic 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
YEAR ENDED JUNE 30, 2017

Net Change to Fund Balance - Total Governmental Funds \$ 6,111,806

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	\$ 5,436,869	
Less: Current Year Depreciation	<u>(17,187,932)</u>	(11,751,063)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		1,280,720
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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		1,702,577
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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	8,148	
Change in Other Postemployment Benefits	(2,395,243)	
Changes in Net Pension Liability and Deferred Inflows/Outflows	(957,318)	
Change in Compensated Absences	<u>75,005</u>	(3,269,408)

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>1,425,921</u>
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Change in Net Position of Governmental Activities		<u><u>\$ (4,499,447)</u></u>
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See accompanying Notes to Basic Financial Statements.

**COUNTY OF HUMBOLDT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	Business -Type Activities - Enterprise Fund	Governmental Activities
	Aviation	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Investments	\$ 1,143,017	\$ 15,189,008
Departmental Cash Funds	400	-
Accounts Receivable	177,622	312
Due from Other Funds	-	651,344
Inventory	102,978	327,991
Prepaid Expenses	-	1,791,511
Total Current Assets	1,424,017	17,960,166
Noncurrent Assets:		
Capital Assets:		
Nondepreciable	2,695,530	-
Depreciable, Net	28,359,263	9,263,093
Total Noncurrent Assets	31,054,793	9,263,093
Total Assets	32,478,810	27,223,259
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension	253,447	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	67,430	690,654
Accrued Salaries and Benefits	30,000	123,991
Due to Other Funds	342,318	309,026
Unearned Revenue	-	1,748,022
Other Liabilities	-	521,669
Provision for Estimated Claims	-	2,287,765
Compensated Absences	27,078	243,396
Total Current Liabilities	466,826	5,924,523
Noncurrent Liabilities:		
Compensated Absences	90,771	110,510
Net pension Liability	1,171,626	-
Total Noncurrent Liabilities	1,262,397	110,510
Total Liabilities	1,729,223	6,035,033
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension	52,279	-
NET POSITION		
Net Investment in Capital Assets	31,054,793	9,263,093
Unrestricted	(104,038)	11,925,133
Total Net Position	\$ 30,950,755	\$ 21,188,226

See accompanying Notes to Basic Financial Statements.

COUNTY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business -Type Activities - Enterprise Fund	Governmental Activities
	Aviation	Internal Service Funds
OPERATING REVENUES		
Charges for Services	\$ 2,590,324	\$ 40,366,510
Other Revenue	146,941	1,713,096
Total Operating Revenues	2,737,265	42,079,606
OPERATING EXPENSES		
Salaries and Benefits	460,045	3,836,558
Services and Supplies	1,519,590	33,864,371
Claims Expense	-	1,582,036
Depreciation	1,959,933	1,676,379
Total Operating Expenses	3,939,568	40,959,344
OPERATING INCOME (LOSS)	(1,202,303)	1,120,262
NONOPERATING REVENUE (EXPENSES)		
Intergovernmental Revenues	-	-
Interest Income	12,625	164,457
Interest Expense	(6,487)	-
Gain on Sale of Capital Assets	-	119,600
Total Nonoperating Revenue (Expenses)	6,138	284,057
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,196,165)	1,404,319
OTHER FINANCING SOURCES (USES)		
Capital Contributions	455,736	-
Transfers In	89,000	21,602
Transfers Out	(74,217)	-
Total Other Financing Sources (Uses)	470,519	21,602
CHANGE IN NET POSITION	(725,646)	1,425,921
Net Position - Beginning of Year	31,676,401	19,762,305
NET POSITION - END OF YEAR	\$ 30,950,755	\$ 21,188,226

See accompanying Notes to Basic Financial Statements.

**COUNTY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activities - Enterprise Fund</u>	<u>Governmental Activities</u>
	Aviation	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers and Other Funds	\$ 2,859,505	\$ -
Cash Receipts from Internal Fund Services Provided	-	42,068,400
Cash Paid to Suppliers for Goods and Services	(1,588,779)	(35,520,998)
Cash Paid to Employees for Services	(904,737)	(3,782,547)
Net Cash Provided (Used) by Operating Activities	<u>365,989</u>	<u>2,764,855</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other Funds	89,000	868,517
Transfers to other Funds	(315,621)	(630,754)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(226,621)</u>	<u>237,763</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	455,736	-
Purchase of Capital Assets	(495,878)	(1,402,157)
Interest Paid on Capital Debt	(6,487)	-
Net Cash Used by Capital and Related Financing Activities	<u>(46,629)</u>	<u>(1,402,157)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>12,625</u>	<u>164,457</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	105,364	1,764,918
Cash and Cash Equivalents - Beginning of Year	<u>1,038,053</u>	<u>13,424,090</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,143,417</u>	<u>\$ 15,189,008</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FUND NET POSITION		
Cash and Investments	\$ 1,143,017	\$ 15,189,008
Department Cash Funds	<u>400</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 1,143,417</u>	<u>\$ 15,189,008</u>

See accompanying Notes to Basic Financial Statements.

**COUNTY OF HUMBOLDT
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Aviation	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (1,202,303)	\$ 1,120,262
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,959,933	1,676,379
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Receivables	122,240	18,636
Inventories	22,491	-
Prepays	-	(42,411)
Increase (Decrease) in:		
Accounts Payable	(91,680)	287,604
Accrued Salaries and Benefits	5,490	18,789
Compensated Absences	18,424	35,222
Claims Payable	-	(351,057)
Net Pension Liability	(468,606)	-
Unearned Revenue	-	(436)
Other Liabilities	-	1,867
Net Cash Provided (Used) by Operating Activities	\$ 365,989	\$ 2,764,855

See accompanying Notes to Basic Financial Statements.

**COUNTY OF HUMBOLDT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Investment Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Pooled Cash and Investments	\$ 205,718,137	\$ 41,420,167
Taxes Receivable	-	8,116,465
Due from Other Funds	-	66,211
Total Assets	<u>205,718,137</u>	<u>49,602,843</u>
LIABILITIES		
Due to Other Funds	-	8,485
Agency Funds Held for Others	-	49,594,358
Total Liabilities	<u>-</u>	<u>49,602,843</u>
NET POSITION		
Net Position Held in Trust for Investment Pool Participants	<u>205,718,137</u>	<u>-</u>
Total Net Position	<u>\$ 205,718,137</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**COUNTY OF HUMBOLDT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Investment Trust Fund</u>
ADDITIONS	
Contributions to Pooled Investments	\$ 464,657,688
Investment Income	3,544,352
Total Additions	468,202,040
 DEDUCTIONS	
Distributions from Pooled Investments	<u>454,296,451</u>
 CHANGE IN NET POSITION	 13,905,589
Net Position - Beginning of Year	<u>191,812,548</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 205,718,137</u></u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

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

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

Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units, although legally separate entities, are in substance, part of the government's operations. Blended component units are an extension of the County and so data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. The County has no discretely presented component units. Each component unit has a June 30 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.

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Blended Component Units (Continued)

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.

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.

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 positions 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.

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.

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.

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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.

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 60 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 Government Accounting Standards Board (GASB) periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America 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. Restricted Cash and Investments

The County reports restricted cash and investments in the General Fund. Amounts are held with Public Agency Retirement Services (PARS) and are restricted for future pension benefits.

F. 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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% 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 3% 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% of the total amount of taxes and assessments levied on the secured roll for the year or (2) 25% 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% of total taxes and assessments levied on the secured roll.

G. Loans Receivable

The County has loans to low-income homeowners 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 5 to 55 years. The notes are due upon sale of the property or maturity date. The notes are secured by real estate.

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 3 to 10 years with interest rates from 5.5% to 10%. The County believes that substantially all loan principal is collectible.

H. 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.

I. 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.

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

The estimated useful lives are as follows:

	<u>Estimated Lives</u>
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.

J. 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.

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

K. 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.

L. 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.

M. Interfund Transactions

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

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

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

N. 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, 2017, fund balances for governmental funds consist of the following categories:

- Nonspendable Fund Balance – This category 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 – This category 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 – This category 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 – This category is comprised of amounts intended to be used by the government entity for specific purposes that are neither restricted nor committed. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board delegates the authority. Assigned fund balance can be used to eliminate a projected budgetary deficit in the subsequent year's budget.
- Unassigned Fund Balance – This category 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.

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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.

O. Estimates

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

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 CASH AND INVESTMENTS

At June 30, 2017, total County cash and investments were as follows:

Cash:	
Cash on Hand and Imprest Cash	\$ 27,145
Deposits	<u>22,558,394</u>
Total Cash and Deposits	22,585,539
Investments:	
In Treasurer's Pool	342,951,307
With Fiscal Agent	<u>1,330,746</u>
Total Investments	344,282,053
In Transit:	
Outstanding Checks	<u>(7,797,927)</u>
Total	<u><u>\$ 359,069,665</u></u>

Cash and investments were reported in the basic financial statements as follows:

Primary Government:	
Governmental Activities	\$ 110,787,944
Business-Type Activities	1,143,417
Investment Trust Fund	205,718,137
Agency Funds	<u>41,420,167</u>
Total	<u><u>\$ 359,069,665</u></u>

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, the County had the following investments:

	Interest Rate	Maturities	Par	Carrying Value	WAM (Years)
Investment Pool:					
Federal Agency Issues - Coupon	0.875 - 2.670	7/5/16 - 12/22/2021	\$ 287,629,000	\$ 287,138,623	2.91
Negotiable CDs	1.250 - 3.100	7/14/2015 - 12/9/2024	3,932,000	3,932,000	3.71
Municipal Bonds	1.25	11/1/2017	2,000,000	1,999,706	0.34
U.S. Treasury Notes	0.875 - 1.3750	6/15/2019 - 6/30/2021	15,000,000	14,840,948	2.94
California Asset Management Program	Variable	On Demand	32,611,958	32,611,958	
Local Agency investment Fund	Variable	On Demand	2,428,072	2,428,072	
Total Investment Pool			<u>\$ 343,601,030</u>	<u>\$ 342,951,307</u>	
Investments Outside Investment Pool:					
Cash Held with Fiscal Agent:					
Money Market Mutual Funds	Variable	On Demand	1,330,746	1,330,746	
Total Investments			<u>\$ 344,931,776</u>	<u>\$ 344,282,053</u>	

The fair value of the investments is obtained by the County's safekeeping agent. At June 30, 2017, 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.

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Fair Value Measurements

The Pool categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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, 2017:

<u>Investments by Fair Value Level</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Observable Inputs (Level 3)</u>
Federal Agency				
Issues - Coupon	\$ 287,138,623	\$ -	\$ 287,138,623	\$ -
Negotiable CDs	3,932,000	-	3,932,000	-
Municipal Bonds	1,999,706	-	1,999,706	-
U.S. Treasury Notes	14,840,948	14,840,948	-	-
Money Markets	1,330,746	1,330,746	-	-
Total Investments Measured at Fair Value	309,242,023	<u>\$ 16,171,694</u>	<u>\$ 293,070,329</u>	<u>\$ -</u>
Investment Measured at Amortized Cost:				
California Asset Management Program	32,611,958			
Local Agency Investment Fund	2,428,072			
Total Investments	<u>\$ 344,282,053</u>			

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017.

	<u>Moody's</u>	<u>% of Portfolio</u>
Apple INC	Aa1	0.58 %
JNJ (Abbott Labs)	A2	0.87
Federal National Mortgage	AAA	25.71
Federal Home Loan Bank	AAA	16.73
Federal Home Loan Mortgage Corp.	AAA	12.95
Federal Farm Credits	AAA	25.33
Government National Mortgage Assoc.	AAA	1.46
Municipal Bonds		0.59
U.S. Treasury Bonds		4.36
Certificates of Deposit		1.15
Money Market		0.71
California Local Agency Investment Fund	Unrated	9.56
Total		<u><u>100.00 %</u></u>

At June 30, 2017, the County had the following investments in any one issuer that represent 5% 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.

	<u>Fair Value Holdings</u>	<u>Percentage Holdings</u>
Federal National Mortgage	\$ 87,713,508	25.71 %
Federal Home Loan Bank	57,074,855	16.73
Federal Home Loan Mortgage Corp.	44,155,186	12.95
Federal Farm Credits	86,384,107	25.33

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, 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 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, 2017:

Statement of Net Position

Net Position Held for Pool Participants	<u>\$ 357,716,174</u>
Equity of External Pool Participants	\$ 151,998,037
Equity of Internal Pool Participants	<u>205,718,137</u>
Total Net Position	<u>\$ 357,716,174</u>

Statement of Changes in Net Position

Net Position at July 1, 2016	\$ 335,474,326
Net Change in Investments by Pool Participants	<u>22,241,848</u>
Net Position at June 30, 2017	<u>\$ 357,716,174</u>

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2017 is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 90,580
	Agency Funds	8,485
Internal Service Funds	Internal Service Funds	309,026
	Aviation Fund	342,318
Agency Funds	General Fund	66,211
	Total	<u>\$ 816,620</u>

The due to/from other funds account balance primarily resulted from interfund cash transactions to eliminate cash deficits at June 30, 2017 for reporting purposes.

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:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	\$ 305,221	Library Operating Subsidy
	Nonmajor Governmental Funds	1,394,329	Debt Service Payments
	Aviation Fund	89,000	Capital Projects.
	Headwaters Fund	39,621	Redevelopment Dissolution.
	Internal Service Funds	21,602	ADA Trust
Headwaters Fund	General Fund	684,391	Economic Development.
Aviation Fund	Nonmajor Governmental Funds	74,217	Debt Service Payments
Nonmajor Governmental Funds	Nonmajor Governmental Funds	129,645	Debt Service Payments
	General Fund	287,378	Northcoast Resources Partnership
	General Fund	171,851	Fire Services Refund
	General Fund	12,870	Courthouse Construction
	Total	<u>\$ 3,210,125</u>	

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Retirements	Transfers and Adjustments	Balance June 30, 2017
Governmental Activities					
Capital Assets, not being Depreciated:					
Land	\$ 10,697,856				\$ 10,697,856
Construction in Progress	6,572,061	4,533,078	-	(1,357,009)	9,748,130
Total Capital Assets, not being Depreciated	17,269,917	4,533,078	-	(1,357,009)	20,445,986
Capital Assets, being Depreciated:					
Infrastructure	613,062,203	-	-	726,978	613,789,181
Structures and Improvements	104,152,012	-	-	630,031	104,782,043
Equipment	36,606,160	2,642,111	(1,825,288)	(68,270)	37,354,713
Total Capital Assets, being Depreciated	753,820,375	2,642,111	(1,825,288)	1,288,739	755,925,937
Less Accumulated Depreciation for:					
Infrastructure	(368,297,938)	(13,437,174)	-	-	(381,735,112)
Structures and Improvements	(59,867,545)	(2,925,404)	-	34,505	(62,758,444)
Equipment	(24,694,748)	(2,501,734)	1,487,516	154,975	(25,553,991)
Total Accumulated Depreciation	(452,860,231)	(18,864,312)	1,487,516	189,480	(470,047,547)
Total Capital Assets, being Depreciated, Net	300,960,144	(16,222,201)	(337,772)	1,478,219	285,878,390
Governmental Activities Capital Assets, Net	<u>\$ 318,230,061</u>	<u>\$ (11,689,123)</u>	<u>\$ (337,772)</u>	<u>\$ 121,210</u>	<u>\$ 306,324,376</u>
Business-Type Activities					
Capital Assets, not being Depreciated:					
Land	\$ 1,976,177	\$ -	\$ -	\$ -	\$ 1,976,177
Construction in Progress	236,938	482,415	-	-	719,353
Total Capital Assets, not being Depreciated	2,213,115	482,415	-	-	2,695,530
Capital Assets, being Depreciated:					
Structures and Improvements	53,503,814	-	-	-	53,503,814
Equipment	303,092	15,358	(25,111)	-	293,339
Total Capital Assets, being Depreciated	53,806,906	15,358	(25,111)	-	53,797,153
Less accumulated depreciation for:					
Structures and Improvements	(23,232,341)	(1,953,461)	-	-	(25,185,802)
Equipment	(268,832)	(6,472)	23,216	-	(252,088)
Total Accumulated Depreciation	(23,501,173)	(1,959,933)	23,216	-	(25,437,890)
Total Capital Assets, being Depreciated, Net	30,305,733	(1,944,575)	(1,895)	-	28,359,263
Business-Type Activities Capital Assets, Net	<u>\$ 32,518,848</u>	<u>\$ (1,462,160)</u>	<u>\$ (1,895)</u>	<u>\$ -</u>	<u>\$ 31,054,793</u>

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Depreciation

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 2,583,372
Public Protection	388,249
Public Ways and Facilities	13,526,687
Health and Sanitation	207,912
Public Assistance	315,499
Education	90,137
Recreation and Culture	76,076
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on Their Usage of the Asset	<u>1,676,379</u>
Total Depreciation Expense - Governmental Functions	<u><u>\$ 18,864,311</u></u>

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

Aviation	<u><u>\$ 1,959,933</u></u>
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**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 LEASE COMMITMENTS

Operating Leases

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

At June 30, 2017, the future minimum rental payments required under operating leases for buildings and equipment were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 5,127,218
2019	3,014,663
2020	2,389,553
2021	1,719,256
2022	395,994
Thereafter	30,000
Total	<u>\$ 12,676,684</u>

Rent expenditures were \$4,925,715 for the year ended June 30, 2017.

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, 2017:

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2017</u>
Road Equipment	2.61 %	\$ 49,229
Building Remodel	5.10	169,975
Total		<u>\$ 219,204</u>

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

Road Equipment	\$ 610,529
Building Remodel	3,619,634
Less: Accumulated Depreciation	<u>(1,711,718)</u>
Total	<u>\$ 2,518,445</u>

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

As of June 30, 2017, future minimum lease payments under capital leases were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	<u>\$ 223,775</u>
Total Future Minimum Lease Payments	223,775
Less: Interest	(4,571)
Present Value of Minimum Lease Payments	<u><u>\$ 219,204</u></u>

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Certificates of Participation	\$ 13,150,000	\$ -	\$ 1,250,000	\$ 11,900,000	\$ 1,285,000
Capital Lease Obligations	671,781	-	452,577	219,204	219,204
Compensated Absences	15,077,128	7,610,006	7,649,789	15,037,345	9,112,944
Liability for Unpaid Claims	<u>2,638,822</u>	<u>1,582,036</u>	<u>1,933,093</u>	<u>2,287,765</u>	<u>2,287,765</u>
Total Governmental Activities					
Long-Term Liabilities	<u><u>\$ 31,537,731</u></u>	<u><u>\$ 9,192,042</u></u>	<u><u>\$ 11,285,459</u></u>	<u><u>\$ 29,444,314</u></u>	<u><u>\$ 12,904,913</u></u>
Business-Type Activities					
Compensated Absences	<u><u>\$ 99,425</u></u>	<u><u>\$ 47,926</u></u>	<u><u>\$ 29,502</u></u>	<u><u>\$ 117,849</u></u>	<u><u>\$ 27,078</u></u>

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

As of June 30, 2017, annual debt service requirements of governmental activities to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,285,000	\$ 314,043
2019	1,330,000	279,973
2020	1,365,000	244,721
2021	1,410,000	244,721
2022	1,455,000	208,544
2023-2027	<u>5,055,000</u>	<u>339,670</u>
Total	<u><u>\$ 11,900,000</u></u>	<u><u>\$ 1,631,672</u></u>

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Long-term debt at June 30, 2017, consisted of the following:

	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2017
Governmental Activities						
Certificates of Participation:						
2012 Issue to Refund the Outstanding Principal of the County's COP 2003 Series A						
Certificates of Participation	2012	2026	2.53% - 2.80%	\$365,000 - \$670,000	\$ 9,490,000	\$ 6,130,000
2012 Issue to Refund the Outstanding Principal of the County's COP 2004 Series A						
Certificates of Participation	2012	2024	2.53% - 2.80%	\$185,000 - \$315,000	2,905,000	1,900,000
2012 Issue for Capital Projects of Earthquake and Juvenile Hall						
Certificates of Participation	2012	2027	2.53% - 2.80%	\$266,680 - \$362,500	<u>5,465,000</u>	<u>3,870,000</u>
Total Governmental Activities					<u>\$ 17,860,000</u>	<u>\$ 11,900,000</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, 2017 is as follows:

	General Fund	Headwaters Fund	Other Governmental Funds	Total
Nonspendable:				
Prepays and Inventory	\$ 8,736	\$ -	\$ -	\$ 8,736
Restricted for:				
General Government	7,091,008	-	-	7,091,008
Public Projection	28,526,066	-	6,523,674	35,049,740
Public Ways and Facilities	3,640,407	-	900,048	4,540,455
Health and Sanitation	14,293,326	-	-	14,293,326
Public Assistance	8,765,297	-	-	8,765,297
Education	494,013	-	281,480	775,493
Recreation	407,591	-	-	407,591
Economic Development	19,265,605	17,499,026	-	36,764,631
Debt Service	-	-	1,520,981	1,520,981
Total Restrictions	<u>82,483,313</u>	<u>17,499,026</u>	<u>9,226,183</u>	<u>109,208,522</u>
Committed for:				
Pensions	1,330,746	-	-	1,330,746
Unassigned				
	<u>15,495,573</u>	<u>-</u>	<u>(295,358)</u>	<u>15,200,215</u>
Total Fund Balance	<u>\$ 99,318,368</u>	<u>\$ 17,499,026</u>	<u>\$ 8,930,825</u>	<u>\$ 125,748,219</u>

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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 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 nonduty 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, 2017 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Employees Covered – At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	3,184	279
Inactive Employees Entitled to but not yet Receiving Benefits	2,749	199
Active Employees	<u>1,818</u>	<u>308</u>
Total	<u><u>7,751</u></u>	<u><u>786</u></u>

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

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

	Miscellaneous	Safety
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
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	
Postretirement 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% 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% 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 GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65% 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%. 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 Statement Nos. 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 %	4.90 %	5.38 %
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)
Total	<u>100.0 %</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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

C. Changes in the Net Pension Liability

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

	Miscellaneous Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015	\$ 589,805,074	\$ 425,239,357	\$ 164,565,717
Changes in the Year:			
Service Cost	13,541,216	-	13,541,216
Interest on the Total Pension Liability	44,217,175	-	44,217,175
Benefit Payments, Including Refunds of Employee Contributions	(30,746,413)	(30,746,413)	-
Changes of Assumptions Differences Between Expected and Actual Experience	(5,632,041)	-	(5,632,041)
Plan to Plan Resource Movement	-	888	(888)
Contribution - Employer	-	17,903,857	(17,903,857)
Contribution - Employee	-	5,790,381	(5,790,381)
Net Investment Income	-	2,264,291	(2,264,291)
Administrative Expenses	-	(260,230)	260,230
Change of Allocation	2,431,847	1,753,319	678,528
Net Changes	<u>23,811,784</u>	<u>(3,293,907)</u>	<u>27,105,691</u>
Balance at June 30, 2016	<u>\$ 613,616,858</u>	<u>\$ 421,945,450</u>	<u>\$ 191,671,408</u>
	Safety Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015	\$ 181,511,020	\$ 135,100,452	\$ 46,410,568
Changes in the Year:			
Service Cost	4,080,379	-	4,080,379
Interest on the Total Pension Liability	13,624,602	-	13,624,602
Changes of Assumptions Differences Between Expected and Actual Experience	(1,272,685)	-	(1,272,685)
Benefit Payments, Including Refunds of Employee Contributions	(8,358,315)	(8,358,315)	-
Plan to Plan Resource Movement	-	(957)	957
Contribution - Employer	-	4,757,426	(4,757,426)
Contribution - Employee	-	1,496,334	(1,496,334)
Net Investment Income	-	695,008	(695,008)
Administrative Expenses	-	(82,337)	82,337
Net Changes	<u>8,073,981</u>	<u>(1,492,841)</u>	<u>9,566,822</u>
Balance at June 30, 2016	<u>\$ 189,585,001</u>	<u>\$ 133,607,611</u>	<u>\$ 55,977,390</u>

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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 6.65%	Discount Rate 7.65%	1% Increase in Discount Rate 8.65%
Miscellaneous	\$ 267,011,778	\$ 191,671,406	\$ 128,698,250
Safety	82,352,935	55,977,390	34,374,264

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

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

For the year ended June 30, 2017, the County recognized pension expense of \$23,705,797. At June 30, 2017, 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	\$ 23,217,083	\$ -
Differences Between Actual and Expected Experience	-	6,655,388
Changes in Assumptions	-	5,269,397
Net Differences Between Projected and Actual Earnings on Plan Investments	30,430,643	-
Total	<u>\$ 53,647,726</u>	<u>\$ 11,924,785</u>

The County reported \$23,217,083 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ (3,037,134)
2019	249,184
2020	13,384,531
2021	7,909,277
Thereafter	-

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 OTHER POSTEMPLOYMENT 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.

Postretirement Coverage

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

Healthcare Premiums

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

	Blue Shield NV HMO	PERS Select PPO	PERS Choice PPO	PERS Care PPO	PORAC
<u>Basic Plan</u>					
Retiree	\$ 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 Statement No. 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 1 year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years.

GASB Statement No. 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.

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, 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)	665,510
Adjustment to Annual Required Contribution	<u>(635,736)</u>
Annual OPEB Cost (Expense)	3,121,552
Contributions Made	<u>(726,309)</u>
Increase in Net OPEB Obligation (Asset)	2,395,243
Net OPEB Obligation (Asset) - Beginning of Year	<u>13,310,199</u>
Net OPEB Obligation (Asset) - End of Year	<u><u>\$ 15,705,442</u></u>

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation (Asset) for the fiscal years ended June 30, 2017, 2016, and 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
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
6/30/17	3,121,552	726,309	23.27	15,705,442

D. Schedule of Funding Progress

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

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

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after two years. These assumptions reflect an implicit 4% 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, 2017 was 25 years. The County's plan is considered a single-employer plan under GASB Statement No. 45.

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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:

2017				
	Balance at June 30, 2016	Current Year Claims and Changes in Estimates	Claims Payments	Balance at June 30, 2017
Liability and Auto	\$ 2,401,000	\$ 178,225	\$ (491,225)	\$ 2,088,000
Dental	100,184	1,330,202	(1,305,072)	125,314
Unemployment	137,638	73,609	(136,796)	74,451
Total	\$ 2,638,822	\$ 1,582,036	\$ (1,933,093)	\$ 2,287,765
2016				
	Balance at June 30, 2015	Current Year Claims and Changes in Estimates	Claims Payments	Balance at June 30, 2016
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
Total	\$ 2,518,822	\$ 2,012,821	\$ (1,892,821)	\$ 2,638,822

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

- 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 53 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, California 95670.

COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, 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, 2017 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, 2017, there were outstanding commitments of \$26,602,169 for road, bridge and building projects.

NOTE 13 DEFICIT NET POSITION

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

	Accumulated Deficit
Northcoast Resource Partnership	\$ 295,358
Medical Insurance	368,916

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

**COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 PRIOR PERIOD ADJUSTMENTS

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

	Government-wide Statements	Governmental Fund Statements
	Governmental Activities	General Fund
Net position as of June 30, 2016, as previously reported	\$ 208,073,235	\$ 95,062,633
<u>Restatements</u>		
Recording of pension trust with Public Agency Retirement Services (PARS) established in the prior year after determining the trust is not irrevocable.	773,282	773,282
<u>Fund Reclassification</u>		
Reclassification of Asset Seizure Fund from the the General Fund to an Agency Fund to reflect the receipt of funds that are distributed to both the County and the State of California based upon the issuance of a court order.	(5,897,574)	(5,897,574)
Total prior period adjustments	(5,124,292)	(5,124,292)
Net position as of July 1, 2017, restated	\$ 202,948,943	\$ 89,938,341

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REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF HUMBOLDT
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2017

Last 10 Fiscal Years*	Safety Plans			Miscellaneous Plans		
	June 30,			June 30,		
	2016	2015	2014	2016	2015	2014
TOTAL PENSION LIABILITY						
Service Cost	\$ 4,080,379	\$ 4,164,088	\$ 4,185,384	\$ 13,541,216	\$ 14,413,398	\$ 14,832,034
Interest on Total Pension Liability	13,624,602	13,034,283	12,485,789	44,217,175	42,412,478	40,445,800
Changes of Assumptions	-	(3,323,361)	-	-	(9,694,226)	-
Differences Between Expected and Actual Experience	(1,272,685)	(1,673,748)	-	(5,632,041)	(2,886,636)	-
Benefit payments, Including Refunds of Employee Contributions	(8,358,315)	(7,976,174)	(7,539,487)	(30,746,413)	(28,451,183)	(26,255,798)
Change of Allocation	-	-	-	2,431,847	-	-
NET CHANGE IN TOTAL PENSION LIABILITY	8,073,981	4,225,088	9,131,686	23,811,784	15,793,831	29,022,036
Total Pension Liability - Beginning	181,511,020	177,285,932	168,154,246	589,805,073	574,011,242	544,989,205
TOTAL PENSION LIABILITY - ENDING	\$ 189,585,001	\$ 181,511,020	\$ 177,285,932	\$ 613,616,857	\$ 589,805,073	\$ 574,011,241
PLAN FIDUCIARY NET POSITION						
Contributions - Employer	\$ 4,757,426	\$ 4,429,607	\$ 4,123,350	\$ 17,903,857	\$ 17,054,037	\$ 17,041,711
Contributions - Employee	1,496,334	1,439,592	1,562,669	5,790,381	5,870,207	6,421,943
Net Investment Income	695,008	2,952,599	20,056,375	2,264,291	9,592,039	62,764,661
Benefit Payments, Including Refunds of Employee Contributions	(8,358,315)	(7,976,174)	(7,539,487)	(30,746,413)	(28,451,182)	(26,255,798)
Plan-to-Plan Resource Movement	(957)	63,796	-	888	12,495	-
Administrative Expense	(82,337)	(151,945)	-	(260,230)	(478,678)	-
Change of Allocation	-	-	-	1,753,319	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(1,492,841)	757,475	18,202,907	(3,293,907)	3,598,918	59,972,517
Plan Fiduciary Net Position - Beginning	135,100,452	134,342,977	116,140,070	425,239,357	421,640,439	361,667,922
PLAN FIDUCIARY NET POSITION - ENDING	\$ 133,607,611	\$ 135,100,452	\$ 134,342,977	\$ 421,945,450	\$ 425,239,357	\$ 421,640,439
NET PENSION LIABILITY - ENDING	\$ 55,977,390	\$ 46,410,568	\$ 42,942,955	\$ 191,671,407	\$ 164,565,716	\$ 152,370,802
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.47%	74.43%	75.78%	68.76%	72.10%	73.46%
Covered Payroll	\$ 15,694,368	\$ 15,854,736	\$ 15,327,146	\$ 83,148,866	\$ 86,528,224	\$ 83,737,864
Net Pension Liability as a Percentage of Covered Payroll	356.67%	292.72%	280.18%	230.52%	190.19%	181.96%

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

See accompanying Notes to Required Supplementary Information.

**COUNTY OF HUMBOLDT
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED JUNE 30, 2017**

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

	Safety		
	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially Determined Contribution	\$ 4,757,426	\$ 4,429,607	\$ 4,123,350
Contributions Related to the Actuarially Determined Contribution	4,757,426	4,429,607	4,123,350
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 16,165,199	\$ 15,694,368	\$ 15,854,736
Contributions as a Percentage of Covered Payroll	29.43 %	28.22 %	26.01 %
	Miscellaneous		
	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially Determined Contribution	\$ 19,300,602	\$ 18,460,286	\$ 17,041,711
Contributions Related to the Actuarially Determined Contribution	19,300,602	18,460,286	17,041,711
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 85,643,332	\$ 83,148,866	\$ 86,528,224
Contributions as a Percentage of Covered Payroll	22.54%	22.20%	19.69%

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

**COUNTY OF HUMBOLDT
SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTH PLAN
YEAR ENDED JUNE 30, 2017**

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

Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
July 1, 2011	\$ -	\$ 15,337,592	\$ 15,337,592	-	\$ 85,602,335	17.92 %
July 1, 2013	-	19,676,008	19,676,008	-	85,602,335	22.99
July 1, 2015	-	28,762,344	28,762,344	-	85,602,335	33.60

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

**COUNTY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 62,663,294	\$ 63,216,843	\$ 64,942,628	\$ 1,725,785
Licenses and Permits	2,223,996	2,474,779	2,590,052	115,273
Fines, Forfeits, and Penalties	1,501,092	1,501,092	1,228,897	(272,195)
Use of Money and Property	257,862	323,144	598,931	275,787
Aid from Other Governments	188,649,547	201,310,875	159,215,689	(42,095,186)
Charges for Services	53,646,888	54,954,801	36,396,733	(18,558,068)
Other Revenue	10,887,817	16,344,610	5,369,970	(10,974,640)
Total Revenues	<u>319,830,496</u>	<u>340,126,144</u>	<u>270,342,900</u>	<u>(69,783,244)</u>
EXPENDITURES				
Current:				
General Government	38,219,199	52,791,814	18,206,756	34,585,058
Public Protection	77,321,794	84,308,279	74,747,793	9,560,486
Public Way and Facilities	2,410,749	2,489,471	2,470,841	18,630
Health and Sanitation	79,420,866	80,381,427	69,063,608	11,317,819
Public Assistance	121,855,822	122,444,942	108,870,977	13,573,965
Education	178,995	178,995	161,955	17,040
Recreation and Culture	2,180,341	2,976,603	1,208,223	1,768,380
Contingencies	1,472,351	1,899,394	-	1,899,394
Total Expenditures	<u>323,060,117</u>	<u>347,470,925</u>	<u>274,730,153</u>	<u>72,740,772</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,229,621)</u>	<u>(7,344,781)</u>	<u>(4,387,253)</u>	<u>2,957,528</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	4,388,909	8,354,068	1,156,490	(7,197,578)
Transfers Out	<u>(6,074,459)</u>	<u>(5,924,459)</u>	<u>(1,849,773)</u>	<u>4,074,686</u>
Total Other Financing Sources (Uses)	<u>(1,685,550)</u>	<u>2,429,609</u>	<u>(693,283)</u>	<u>(3,122,892)</u>
NET CHANGE IN FUND BALANCES	(4,915,171)	(4,915,172)	(5,080,536)	(165,364)
Budgetary Fund Balances, Beginning of Year	<u>25,580,137</u>	<u>25,580,137</u>	<u>25,580,137</u>	<u>-</u>
BUDGETARY FUND BALANCES - END OF YEAR	<u>\$ 20,664,966</u>	<u>\$ 20,664,965</u>	<u>\$ 20,499,601</u>	<u>\$ (165,364)</u>

See accompanying Notes to Required Supplementary Information.

**COUNTY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

(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	\$ 270,342,900
Receipts from Funds Reclassified from County Agency Funds, Not Budgeted	<u>15,728,975</u>

Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 286,071,875</u>
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Uses/Outflows of Resources

Actual Amounts from the Budgetary Comparison Schedule	\$ 274,730,153
Disbursements from Funds Reclassified from County Agency Funds, Not Budgeted	<u>1,268,412</u>

Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 275,998,565</u>
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See accompanying Notes to Required Supplementary Information.

**COUNTY OF HUMBOLDT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

NOTE 1 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 accounting principles generally accepted in the United States of America. 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.

**COUNTY OF HUMBOLDT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue			
	Road Fund	Family Support	Courthouse Construction	County Library
ASSETS				
Cash and Investments	\$ 1,100,818	\$ 1,793,787	\$ 1,512,743	\$ 421,894
Departmental Cash Funds	-	-	-	865
Receivables	1,655,577	-	-	-
	\$ 2,756,395	\$ 1,793,787	\$ 1,512,743	\$ 422,759
LIABILITIES				
Accounts Payable	\$ 970,533	\$ 14,943	\$ -	\$ 66,549
Salaries and Benefits Payable	240,213	106,764	-	74,730
Due to Other Funds	-	-	-	-
Total Liabilities	1,210,746	121,707	-	141,279
FUND BALANCE				
Restricted	900,048	1,672,080	1,512,743	281,480
Unassigned	-	-	-	-
Total Fund Balances	900,048	1,672,080	1,512,743	281,480
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,756,395	\$ 1,793,787	\$ 1,512,743	\$ 422,759

**COUNTY OF HUMBOLDT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue			Debt Service	Total
	Fish and Game Propagation	Northcoast Resource Partnership	Special Districts Under County Board of Supervisors	Public Property Leasing	
ASSETS					
Cash and Investments	\$ 41,927	\$ -	\$ 4,814,557	\$ 8,238	\$ 9,693,964
Departmental Cash Funds	-	-	-	-	865
Receivables	-	53,073	-	-	1,708,650
Total Assets	\$ 41,927	\$ 53,073	\$ 4,814,557	\$ 8,238	\$ 11,403,479
LIABILITIES					
Accounts Payable	\$ 3,000	\$ 244,558	\$ 1,890	\$ -	\$ 1,301,473
Salaries and Benefits Payable	-	13,293	-	-	435,000
	-	90,580	-	-	90,580
Total Liabilities	3,000	348,431	1,890	-	1,827,053
FUND BALANCE					
Restricted	38,927	-	4,812,667	8,238	9,226,183
Unassigned	-	(295,358)	-	-	(295,358)
Total Fund Balances	38,927	(295,358)	4,812,667	8,238	8,930,825
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 41,927	\$ 53,073	\$ 4,814,557	\$ 8,238	\$ 11,403,479

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Special Revenue			
	Road Fund	Family Support	Courthouse Construction	County Library
REVENUES				
Taxes	\$ 2,914,244	\$ -	\$ -	\$ 2,425,764
Licenses and Permits	60,743	-	-	-
Fines, Forfeitures, and Penalties	-	-	466,325	-
Use of Money and Property	34,375	20,579	29,438	2,531
Intergovernmental	9,044,260	4,257,579	-	417,351
Charges for Services	1,558,201	-	-	62,277
Miscellaneous	71,088	14,228	-	393,189
Total Revenues	<u>13,682,911</u>	<u>4,292,386</u>	<u>495,763</u>	<u>3,301,112</u>
EXPENDITURES				
Current:				
Public Protection	-	4,073,832	-	-
Public Ways and Facilities	17,139,839	-	-	-
Education	-	-	-	3,610,137
Debt Service:				
Principal	-	-	328,229	-
Interest and Other Charges	-	-	32,222	-
Total Expenditures	<u>17,139,839</u>	<u>4,073,832</u>	<u>360,451</u>	<u>3,610,137</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,456,928)	218,554	135,312	(309,025)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	305,221
Transfers Out	-	-	(87,879)	(54,636)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(87,879)</u>	<u>250,585</u>
NET CHANGE IN FUND BALANCES	(3,456,928)	218,554	47,433	(58,440)
Fund Balances - Beginning of Year	<u>4,356,976</u>	<u>1,453,526</u>	<u>1,465,310</u>	<u>339,920</u>
FUND BALANCES - END OF YEAR	<u>\$ 900,048</u>	<u>\$ 1,672,080</u>	<u>\$ 1,512,743</u>	<u>\$ 281,480</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Special Revenue			Debt Service	Total
	Fish and Game Propagation	Northcoast Resource Partnership	Special Districts Under County Board of Supervisors	Public Property Leasing	
REVENUES					
Taxes	\$ -	\$ -	\$ 1,259,545	\$ -	\$ 6,599,553
Licenses and Permits	-	-	-	-	60,743
Fines, Forfeitures, and Penalties	9,994	-	-	-	476,319
Use of Money and Property	470	1,575	49,488	4,264	142,720
Intergovernmental	-	7,179,003	48,079	-	20,946,272
Charges for Services	-	20,077	-	-	1,640,555
Miscellaneous	-	9	63,951	-	542,465
Total Revenues	<u>10,464</u>	<u>7,200,664</u>	<u>1,421,063</u>	<u>4,264</u>	<u>30,408,627</u>
EXPENDITURES					
Current:					
Public Protection	12,374	7,208,644	778,293	-	12,073,143
Public Ways and Facilities	-	-	-	-	17,139,839
Education	-	-	-	-	3,610,137
Debt Service:					
Principal	-	-	-	1,250,000	1,578,229
Interest and Other Charges	-	-	-	347,349	379,571
Total Expenditures	<u>12,374</u>	<u>7,208,644</u>	<u>778,293</u>	<u>1,597,349</u>	<u>34,780,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,910)	(7,980)	642,770	(1,593,085)	(4,372,292)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	1,598,191	1,903,412
Transfers Out	-	(287,378)	(171,851)	-	(601,744)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(287,378)</u>	<u>(171,851)</u>	<u>1,598,191</u>	<u>1,301,668</u>
NET CHANGE IN FUND BALANCES	(1,910)	(295,358)	470,919	5,106	(3,070,624)
Fund Balances - Beginning of Year	<u>40,837</u>	<u>-</u>	<u>4,341,748</u>	<u>3,132</u>	<u>12,001,449</u>
FUND BALANCES - END OF YEAR	<u>\$ 38,927</u>	<u>\$ (295,358)</u>	<u>\$ 4,812,667</u>	<u>\$ 8,238</u>	<u>\$ 8,930,825</u>

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INTERNAL SERVICE FUNDS

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017**

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>	<u>Communications</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,540,081	\$ 981,134	\$ 176,089	\$ 117,883
Accounts Receivable	263	-	-	-
Due from Other Funds	-	-	-	-
Inventory	261,101	-	-	-
Prepaid Expenses	-	-	-	-
Total Current Assets	<u>1,801,445</u>	<u>981,134</u>	<u>176,089</u>	<u>117,883</u>
Noncurrent Assets:				
Capital Assets, Net of Depreciation	<u>2,558,074</u>	<u>664,245</u>	<u>16,065</u>	<u>434,414</u>
Total Noncurrent Assets	<u>2,558,074</u>	<u>664,245</u>	<u>16,065</u>	<u>434,414</u>
Total Assets	<u>4,359,519</u>	<u>1,645,379</u>	<u>192,154</u>	<u>552,297</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	58,607	30,581	1,478	2,922
Accrued Payroll and Benefits	29,336	55,113	7,273	2,710
Due to Other Funds	-	-	-	-
Other Liabilities	-	-	-	-
Unearned Revenue	-	-	-	-
Compensated Absences	1,909	169,290	13,296	-
Provision for Estimated Claims	-	-	-	-
Total Current Liabilities	<u>89,852</u>	<u>254,984</u>	<u>22,047</u>	<u>5,632</u>
Long-Term Liabilities:				
Compensated Absences	<u>105,383</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>195,235</u>	<u>254,984</u>	<u>22,047</u>	<u>5,632</u>
NET POSITION				
Net Investment in Capital Assets	2,558,074	664,245	16,065	434,414
Unrestricted	<u>1,606,210</u>	<u>726,150</u>	<u>154,042</u>	<u>112,251</u>
Total Net Position	<u>\$ 4,164,284</u>	<u>\$ 1,390,395</u>	<u>\$ 170,107</u>	<u>\$ 546,665</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF NET POSITION (CONTINUED)
INTERNAL SERVICE FUNDS
JUNE 30, 2017**

	Motor Pool	Insurance Funds	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,409,115	\$ 7,964,706	\$ 15,189,008
Accounts Receivable	49	-	312
Due from Other Funds	342,318	309,026	651,344
Inventory	66,890	-	327,991
Prepaid Expenses	-	1,791,511	1,791,511
Total Current Assets	<u>4,818,372</u>	<u>10,065,243</u>	<u>17,960,166</u>
Noncurrent Assets:			
Capital Assets, Net of Depreciation	5,589,417	878	9,263,093
Total Noncurrent Assets	<u>5,589,417</u>	<u>878</u>	<u>9,263,093</u>
Total Assets	<u>10,407,789</u>	<u>10,066,121</u>	<u>27,223,259</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	125,130	471,936	690,654
Accrued Payroll and Benefits	15,059	14,500	123,991
Due to Other Funds	-	309,026	309,026
Other Liabilities	-	521,669	521,669
Unearned Revenue	-	1,748,022	1,748,022
Compensated Absences	30,480	28,421	243,396
Provision for Estimated Claims	-	2,287,765	2,287,765
Total Current Liabilities	<u>170,669</u>	<u>5,381,339</u>	<u>5,924,523</u>
Long-Term Liabilities:			
Compensated Absences	<u>5,127</u>	<u>-</u>	<u>110,510</u>
Total Liabilities	<u>175,796</u>	<u>5,381,339</u>	<u>6,035,033</u>
NET POSITION			
Net Investment in Capital Assets	5,589,417	878	9,263,093
Unrestricted	<u>4,642,576</u>	<u>4,683,904</u>	<u>11,925,133</u>
Total Net Position	<u>\$ 10,231,993</u>	<u>\$ 4,684,782</u>	<u>\$ 21,188,226</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	Heavy Equipment	Information Technology	Central Services	Communications
OPERATING REVENUES				
Charges for Services	\$ 1,758,929	\$ 3,258,135	\$ 287,577	\$ 122,741
Miscellaneous Revenues	505,897	29,552	33,030	199,923
Total Operating Revenues	<u>2,264,826</u>	<u>3,287,687</u>	<u>320,607</u>	<u>322,664</u>
OPERATING EXPENSES				
Salaries and Benefits	981,994	1,503,817	252,696	76,660
Services and Supplies	1,183,826	1,525,461	94,390	63,837
Self-Insurance Claims	-	-	-	-
Depreciation	495,513	154,989	4,548	54,244
Total Operating Expenses	<u>2,661,333</u>	<u>3,184,267</u>	<u>351,634</u>	<u>194,741</u>
NET OPERATING INCOME (LOSS)	<u>(396,507)</u>	<u>103,420</u>	<u>(31,027)</u>	<u>127,923</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	15,724	-	-	-
Gain on sale of capital assets	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>15,724</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (Loss) Before Transfers	(380,783)	103,420	(31,027)	127,923
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
CHANGE IN NET POSITION	(380,783)	103,420	(31,027)	127,923
Net Position - Beginning of Year	<u>4,545,067</u>	<u>1,286,975</u>	<u>201,134</u>	<u>418,742</u>
NET POSITION - END OF YEAR	<u>\$ 4,164,284</u>	<u>\$ 1,390,395</u>	<u>\$ 170,107</u>	<u>\$ 546,665</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (CONTINUED)
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	Motor Pool	Insurance Funds	Total
OPERATING REVENUES			
Charges for Services	\$ 1,966,077	\$ 32,973,051	\$ 40,366,510
Miscellaneous Revenues	685,523	259,171	1,713,096
Total Operating Revenues	<u>2,651,600</u>	<u>33,232,222</u>	<u>42,079,606</u>
OPERATING EXPENSES			
Salaries and Benefits	495,239	526,152	3,836,558
Services and Supplies	1,201,960	29,794,897	33,864,371
Self-Insurance Claims	-	1,582,036	1,582,036
Depreciation	963,851	3,234	1,676,379
Total Operating Expenses	<u>2,661,050</u>	<u>31,906,319</u>	<u>40,959,344</u>
NET OPERATING INCOME (LOSS)	<u>(9,450)</u>	<u>1,325,903</u>	<u>1,120,262</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	51,491	97,242	164,457
Gain on sale of capital assets	119,600	-	119,600
Total Nonoperating Revenues (Expenses)	<u>171,091</u>	<u>97,242</u>	<u>284,057</u>
Income (Loss) Before Transfers	161,641	1,423,145	1,404,319
Capital Contributions	-	-	-
Transfers In	-	21,602	21,602
CHANGE IN NET POSITION	161,641	1,444,747	1,425,921
Net Position - Beginning of Year	<u>10,070,352</u>	<u>3,240,035</u>	<u>19,762,305</u>
NET POSITION - END OF YEAR	<u>\$ 10,231,993</u>	<u>\$ 4,684,782</u>	<u>\$ 21,188,226</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>	<u>Communications</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Interfund Services Provided	\$ 2,270,804	\$ 3,292,700	\$ 320,665	\$ 329,178
Cash Paid to Suppliers for Goods and Services	(1,210,049)	(1,571,039)	(95,163)	(85,817)
Cash Paid to Employees	(955,396)	(1,479,750)	(249,174)	(74,559)
Net Cash Provided (Used) by Operating Activities	<u>105,359</u>	<u>241,911</u>	<u>(23,672)</u>	<u>168,802</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other Funds	-	-	-	-
Transfers from other Funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(5,011)	(443,547)	(1,479)	(150,691)
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,011)	(443,547)	(1,479)	(150,691)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received (Paid)	15,724	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	116,072	(201,636)	(25,151)	18,111
Cash and Cash Equivalents - Beginning of Year	<u>1,424,009</u>	<u>1,182,770</u>	<u>201,240</u>	<u>99,772</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,540,081</u>	<u>\$ 981,134</u>	<u>\$ 176,089</u>	<u>\$ 117,883</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	Motor Pool	Insurance Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Interfund Services Provided	\$ 2,652,498	\$ 33,202,555	\$ 42,068,400
Cash Paid to Suppliers for Goods and Services	(1,138,476)	(31,420,454)	(35,520,998)
Cash Paid to Employees	(489,649)	(534,019)	(3,782,547)
Net Cash Provided (Used) by Operating Activities	1,024,373	1,248,082	2,764,855
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other Funds	-	(630,754)	(630,754)
Transfers from other Funds	216,161	652,356	868,517
Net Cash Provided (Used) by Noncapital Financing Activities	216,161	21,602	237,763
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(801,429)	-	(1,402,157)
Net Cash Provided (Used) by Capital and Related Financing Activities	(801,429)	-	(1,402,157)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received (Paid)	51,491	97,242	164,457
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	490,596	1,366,926	1,764,918
Cash and Cash Equivalents - Beginning of Year	3,918,519	6,597,780	13,424,090
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,409,115	\$ 7,964,706	\$ 15,189,008

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>	<u>Communications</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (396,507)	\$ 103,420	\$ (31,027)	\$ 127,923
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	495,513	154,989	4,548	54,244
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Receivables	5,978	5,013	58	6,514
Prepaid Expenses	-	-	-	-
Increase (decrease) in:				
Payables	(26,223)	(45,578)	(773)	(21,980)
Accrued Salaries and Benefits	5,211	9,103	(954)	2,101
Compensated Absences	21,387	14,964	4,476	-
Claims Payable	-	-	-	-
Unearned Revenue	-	-	-	-
Other Liabilities	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 105,359</u>	<u>\$ 241,911</u>	<u>\$ (23,672)</u>	<u>\$ 168,802</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	Motor Pool	Insurance Funds	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (9,450)	\$ 1,325,903	\$ 1,120,262
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	963,851	3,234	1,676,379
Changes in Assets and Liabilities:			
(Increase) Decrease in:			
Receivables	898	175	18,636
Prepaid Expenses	-	(42,411)	(42,411)
Increase (decrease) in:			
Payables	63,484	318,674	287,604
Accrued Salaries and Benefits	1,853	1,475	18,789
Compensated Absences	3,737	(9,342)	35,222
Claims Payable	-	(351,057)	(351,057)
Unearned Revenue	-	(436)	(436)
Other Liabilities	-	1,867	1,867
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,024,373</u>	<u>\$ 1,248,082</u>	<u>\$ 2,764,855</u>

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INSURANCE FUNDS

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF NET POSITION
INSURANCE FUNDS
JUNE 30, 2017**

	Dental	County Insurance	Workers' Compensation
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 710,531	\$ 396,235	\$ 2,368,923
Due from Other Funds	-	-	-
Prepaid Expenses	28,000	29,406	-
Total Current Assets	738,531	425,641	2,368,923
Noncurrent Assets:			
Capital Assets, Net of Depreciation	-	878	-
Total Assets	738,531	426,519	2,368,923
LIABILITIES			
Current Liabilities:			
Accounts Payable	22,441	11,317	-
Accrued Payroll and Benefits	-	14,500	-
Due to Other Funds	-	-	-
Other Liabilities	-	-	-
Unearned Revenue	-	-	-
Liability for Compensated Absences	-	28,421	-
Provision for Estimated Claims	125,314	-	-
Total Current Liabilities	147,755	54,238	-
Total Liabilities	147,755	54,238	-
NET POSITION			
Net Investment in Capital Assets	-	878	-
Unrestricted	590,776	371,403	2,368,923
Total Net Position	\$ 590,776	\$ 372,281	\$ 2,368,923

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF NET POSITION (CONTINUED)
INSURANCE FUNDS
JUNE 30, 2017**

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,477,158	\$ -	\$ 783,627
Due from Other Funds	-	-	309,026
Prepaid Expenses	12,100	1,688,132	-
Total Current Assets	<u>3,489,258</u>	<u>1,688,132</u>	<u>1,092,653</u>
Noncurrent Assets:			
Capital Assets, Net of Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	3,489,258	1,688,132	1,092,653
LIABILITIES			
Current Liabilities:			
Accounts Payable	429,271	-	-
Accrued Payroll and Benefits	-	-	-
Due to Other Funds	-	309,026	-
Other Liabilities	372,000	-	48,272
Unearned Revenue	-	1,748,022	-
Liability for Compensated Absences	-	-	-
Provision for Estimated Claims	2,088,000	-	74,451
Total Current Liabilities	<u>2,889,271</u>	<u>2,057,048</u>	<u>122,723</u>
Total Liabilities	<u>2,889,271</u>	<u>2,057,048</u>	<u>122,723</u>
NET POSITION			
Net Investment in Capital Assets	-	-	-
Unrestricted	599,987	(368,916)	969,930
Total Net Position	<u>\$ 599,987</u>	<u>\$ (368,916)</u>	<u>\$ 969,930</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF NET POSITION (CONTINUED)
INSURANCE FUNDS
JUNE 30, 2017**

	Purchased Insurance Premium	Employee Benefits	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 137,634	\$ 90,598	\$ 7,964,706
Due from Other Funds	-	-	309,026
Prepaid Expenses	33,873	-	1,791,511
Total Current Assets	171,507	90,598	10,065,243
Noncurrent Assets:			
Capital Assets, Net of Depreciation	-	-	878
Total Assets	171,507	90,598	10,066,121
LIABILITIES			
Current Liabilities:			
Accounts Payable	8,907	-	471,936
Accrued Payroll and Benefits	-	-	14,500
Due to Other Funds	-	-	309,026
Other Liabilities	101,397	-	521,669
Unearned Revenue	-	-	1,748,022
Liability for Compensated Absences	-	-	28,421
Provision for Estimated Claims	-	-	2,287,765
Total Current Liabilities	110,304	-	5,381,339
Total Liabilities	110,304	-	5,381,339
NET POSITION			
Net Investment in Capital Assets	-	-	878
Unrestricted	61,203	90,598	4,683,904
Total Net Position	\$ 61,203	\$ 90,598	\$ 4,684,782

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INSURANCE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
OPERATING REVENUES			
Charges for Services	\$ 1,627,605	\$ 745,989	\$ 5,433,188
Miscellaneous Revenues	-	1,312	256,207
Total Operating Revenues	<u>1,627,605</u>	<u>747,301</u>	<u>5,689,395</u>
OPERATING EXPENSES			
Salaries and Benefits	-	526,152	-
Services and Supplies	172,608	231,207	5,379,380
Self-Insurance Claims	1,330,202	-	-
Depreciation	-	1,757	-
Total Operating Expenses	<u>1,502,810</u>	<u>759,116</u>	<u>5,379,380</u>
NET OPERATING INCOME (LOSS)	124,795	(11,815)	310,015
NONOPERATING REVENUES (EXPENSES)			
Interest Income	<u>8,341</u>	<u>7,316</u>	<u>24,040</u>
Income (Loss) Before Transfers	133,136	(4,499)	334,055
Transfers In	<u>-</u>	<u>21,602</u>	<u>-</u>
CHANGE IN NET POSITION	133,136	17,103	334,055
Net Position - Beginning of Year	<u>457,640</u>	<u>355,178</u>	<u>2,034,868</u>
NET POSITION - END OF YEAR	<u><u>\$ 590,776</u></u>	<u><u>\$ 372,281</u></u>	<u><u>\$ 2,368,923</u></u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (CONTINUED)
INSURANCE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
OPERATING REVENUES			
Charges for Services	\$ 2,969,307	\$ 20,735,578	\$ 401,105
Miscellaneous Revenues	1,500	2	-
Total Operating Revenues	<u>2,970,807</u>	<u>20,735,580</u>	<u>401,105</u>
OPERATING EXPENSES			
Salaries and Benefits	-	-	-
Services and Supplies	2,100,186	20,415,649	61,845
Self-Insurance Claims	178,225	-	73,609
Depreciation	1,477	-	-
Total Operating Expenses	<u>2,279,888</u>	<u>20,415,649</u>	<u>135,454</u>
NET OPERATING INCOME (LOSS)	690,919	319,931	265,651
NONOPERATING REVENUES (EXPENSES)			
Interest Income	<u>37,941</u>	<u>3,138</u>	<u>10,466</u>
Income (Loss) Before Transfers	728,860	323,069	276,117
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	728,860	323,069	276,117
Net Position - Beginning of Year	<u>(128,873)</u>	<u>(691,985)</u>	<u>693,813</u>
NET POSITION - END OF YEAR	<u>\$ 599,987</u>	<u>\$ (368,916)</u>	<u>\$ 969,930</u>

**COUNTY OF HUMBOLDT
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION (CONTINUED)
 INSURANCE FUNDS
 YEAR ENDED JUNE 30, 2017**

	Purchased Insurance Premium	Insurance Benefits	Total
OPERATING REVENUES			
Charges for Services	\$ 661,414	\$ 398,865	\$ 32,973,051
Miscellaneous Revenues	-	150	259,171
Total Operating Revenues	<u>661,414</u>	<u>399,015</u>	<u>33,232,222</u>
OPERATING EXPENSES			
Salaries and Benefits	-	-	526,152
Services and Supplies	1,014,339	419,683	29,794,897
Self-Insurance Claims	-	-	1,582,036
Depreciation	-	-	3,234
Total Operating Expenses	<u>1,014,339</u>	<u>419,683</u>	<u>31,906,319</u>
NET OPERATING INCOME (LOSS)	(352,925)	(20,668)	1,325,903
NONOPERATING REVENUES (EXPENSES)			
Interest Income	<u>4,178</u>	<u>1,822</u>	<u>97,242</u>
Income (Loss) Before Transfers	(348,747)	(18,846)	1,423,145
Transfers In	<u>-</u>	<u>-</u>	<u>21,602</u>
CHANGE IN NET POSITION	(348,747)	(18,846)	1,444,747
Net Position - Beginning of Year	<u>409,950</u>	<u>109,444</u>	<u>3,240,035</u>
NET POSITION - END OF YEAR	<u>\$ 61,203</u>	<u>\$ 90,598</u>	<u>\$ 4,684,782</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF CASH FLOWS
INSURANCE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Interfund Services Provided	\$ 1,627,754	\$ 717,895	\$ 5,689,395
Cash Paid to Suppliers for Goods and Services	(1,569,647)	(221,287)	(5,379,380)
Cash Paid to Employees	-	(534,019)	-
Net Cash Provided (Used) by Operating Activities	<u>58,107</u>	<u>(37,411)</u>	<u>310,015</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	-	-
Transfers from other funds	630,754	21,602	-
Net Cash Provided (Used) by Investing Activities	<u>630,754</u>	<u>21,602</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received (Paid)	<u>8,341</u>	<u>7,316</u>	<u>24,040</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	697,202	(8,493)	334,055
Cash and Cash Equivalents - Beginning of Year	<u>13,329</u>	<u>404,728</u>	<u>2,034,868</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 710,531</u>	<u>\$ 396,235</u>	<u>\$ 2,368,923</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INSURANCE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Interfund Services Provided	\$ 2,970,807	\$ 20,735,144	\$ 401,105
Cash Paid to Suppliers for Goods and Services	(2,202,474)	(20,416,554)	(199,009)
Cash Paid to Employees	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>768,333</u>	<u>318,590</u>	<u>202,096</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	(321,728)	(309,026)
Transfers from other funds	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(321,728)</u>	<u>(309,026)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received (Paid)	<u>37,941</u>	<u>3,138</u>	<u>10,466</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	806,274	-	(96,464)
Cash and Cash Equivalents - Beginning of Year	<u>2,670,884</u>	<u>-</u>	<u>880,091</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,477,158</u>	<u>\$ -</u>	<u>\$ 783,627</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INSURANCE FUNDS
YEAR ENDED JUNE 30, 2017**

	Purchased Insurance Premium	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Interfund Services Provided	\$ 661,414	\$ 399,041	\$ 33,202,555
Cash Paid to Suppliers for Goods and Services	(1,011,782)	(420,321)	(31,420,454)
Cash Paid to Employees	-	-	(534,019)
Net Cash Provided (Used) by Operating Activities	<u>(350,368)</u>	<u>(21,280)</u>	<u>1,248,082</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	-	(630,754)
Transfers from other funds	-	-	652,356
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>21,602</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received (Paid)	<u>4,178</u>	<u>1,822</u>	<u>97,242</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(346,190)	(19,458)	1,366,926
Cash and Cash Equivalents - Beginning of Year	<u>483,824</u>	<u>110,056</u>	<u>6,597,780</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 137,634</u></u>	<u><u>\$ 90,598</u></u>	<u><u>\$ 7,964,706</u></u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INSURANCE FUNDS
YEAR ENDED JUNE 30, 2017**

	Dental	County Insurance	Workers' Compensation
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 124,795	\$ (11,815)	\$ 310,015
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	149	-	-
Prepaid Expenses	-	(29,406)	-
Increase (Decrease) in:			
Payables	(91,967)	9,920	-
Accrued Salaries and Benefits	-	1,475	-
Liability for Compensated Absences	-	(9,342)	-
Claims Payable	25,130	-	-
Unearned Revenue	-	-	-
Other Liabilities	-	-	-
Net Cash Provided (Used) by Operating Activities	\$ 58,107	\$ (37,411)	\$ 310,015

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INSURANCE FUNDS
YEAR ENDED JUNE 30, 2017**

	<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)	\$ 690,919	\$ 319,931	\$ 265,651
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,477	-	-
Changes in Assets and Liabilities:			
(Increase) Decrease in:			
Accounts Receivable	-	-	-
Prepaid Expenses	(12,100)	(905)	-
Increase (Decrease) in:			
Payables	401,037	-	(368)
Accrued Salaries and Benefits	-	-	-
Liability for Compensated Absences	-	-	-
Claims Payable	(313,000)	-	(63,187)
Unearned Revenue	-	(436)	-
Other Liabilities	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 768,333</u>	<u>\$ 318,590</u>	<u>\$ 202,096</u>

**COUNTY OF HUMBOLDT
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INSURANCE FUNDS
YEAR ENDED JUNE 30, 2017**

	Purchased Insurance Premium	Employee Benefits	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (352,925)	\$ (20,668)	\$ 1,325,903
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	-	3,234
Changes in Assets and Liabilities:			
(Increase) Decrease in:			
Accounts Receivable	-	26	175
Prepaid Expenses	-	-	(42,411)
Increase (Decrease) in:			
Payables	690	(638)	318,674
Accrued Salaries and Benefits	-	-	1,475
Liability for Compensated Absences	-	-	(9,342)
Claims Payable	-	-	(351,057)
Unearned Revenue	-	-	(436)
Other Liabilities	1,867	-	1,867
Net Cash Provided (Used) by Operating Activities	<u>\$ (350,368)</u>	<u>\$ (21,280)</u>	<u>\$ 1,248,082</u>