

COUNTY OF HUMBOLDT
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2010

COUNTY OF HUMBOLDT
AUDIT REPORT

Table of Contents

	<u>Page</u>
<u>Introductory Section</u>	
Directory of Public Officials.....	5
<u>Financial Section</u>	
Independent Auditor’s Report.....	6-7
Management’s Discussion and Analysis (Required Supplementary Information).....	8-18
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities.....	20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	21
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets – Governmental Activities.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities	24
Proprietary Funds:	
Statement of Fund Net Assets.....	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	26
Statement of Cash Flows	27-28
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	29
Statement of Changes in Fiduciary Net Assets.....	30
Notes to Financial Statements.....	31-64
Required Supplementary Information:	
Schedule of Funding Progress	65
Budgetary Comparison Schedule:	
General Fund.....	66
Road Fund.....	67
Note to Required Supplementary Information.....	68

COUNTY OF HUMBOLDT
AUDIT REPORT

Table of Contents

	<u>Page</u>
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds	
Definition	69
Combining Balance Sheet.....	70-73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	74-77
Internal Service Funds:	
Combining Statement of Fund Net Assets.....	78-79
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	80-81
Combining Statement of Cash Flows	82-85
Self-Insurance Funds:	
Combining Statement of Fund Net Assets.....	86-88
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	89-91
Combining Statement of Cash Flows	92-97

INTRODUCTORY SECTION

COUNTY OF HUMBOLDT
BOARD OF SUPERVISORS AND FINANCE DIRECTORS
JUNE 30, 2010

BOARD OF SUPERVISORS
(as of June 30, 2010)

<u>Name</u>	<u>Office</u>
Jimmy Smith	Supervisor, District 1
Clif Clendensen	Supervisor, District 2
Mark Lovelace	Supervisor, District 3
Bonnie J. Neely	Supervisor, District 4
Jill Duffy	Supervisor, District 5

FINANCE ADMINISTRATORS

<u>Name</u>	<u>Office</u>
Philip Smith-Hanes	County Administrative Officer
Michael J. Giacone	Auditor/Controller
John Bartholomew	Treasurer/Tax Collector

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Humboldt
Eureka, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt, California (the "County"), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover, dated December 29, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Board of Supervisors
County of Humboldt

The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Gallina LLP

Roseville, California
December 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

COUNTY OF HUMBOLDT

Management's Discussion and Analysis June 30, 2010

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, 2010. 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 of the County exceeded liabilities at the close of the most recent fiscal year by \$451,903,833 (*net assets*). Of this amount, \$4,106,580 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors in accordance with the County's fund designation and fiscal policies. The remaining net assets of \$84,010,067 are restricted for specific purpose (*restricted net assets*), and \$363,787,186 invested in capital assets, net of related debt. The government's total net assets, as restated, increased by \$6,335,501 in comparison with the prior year.
- The County's net assets invested in capital assets, net of related debt, increased by \$1,663,043.
- The County's governmental funds reported combined fund balances of \$93,491,217 a decrease of \$505,580 in comparison with the prior year, as adjusted.
- The County's unreserved fund balance for the governmental funds at year-end was \$59,917,698, or 24.5% of total governmental funds expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and 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, 2010

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

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, 2010

The County maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Headwaters Mitigation Fund, Road Fund, and the other governmental funds combined into a single, aggregated column. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the supplementary information.

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

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

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

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

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

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

COUNTY OF HUMBOLDT

Management's Discussion and Analysis June 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, combined assets exceeded liabilities by \$451,903,833 at the close of the most recent fiscal year. Of these combined net assets 80.5% reflects the County's invested in capital assets, net of related debt. Another 18.5% of the County's net assets are subject to external restrictions on how they may be used. In addition, a portion of the remaining 1%, referred to as unrestricted, is dedicated for spending on specific programs or services.

The County's Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Current and Other Assets	\$ 126,675,492	\$ 132,088,437	\$ 1,807,241	\$ 1,391,024	\$ 128,482,733	\$ 133,479,461
Capital Assets	356,827,533	365,036,560	26,207,570	16,895,620	383,035,103	381,932,180
Total Assets	483,503,025	497,124,997	28,014,811	18,286,644	511,517,836	515,411,641
Current Liabilities	16,246,123	14,326,648	925,875	138,475	17,171,998	14,465,123
Long-Term Liabilities	42,331,657	40,122,544	110,348	41,207	42,442,005	40,163,751
Total Liabilities	58,577,780	54,449,192	1,036,223	179,682	59,614,003	54,628,874
Invested in Capital Assets, net of related debt	337,586,957	345,238,311	26,200,229	16,885,832	363,787,186	362,124,143
Restricted	84,010,067	21,836,076	--	--	84,010,067	21,836,076
Unrestricted	3,328,221	75,601,418	778,359	1,221,130	4,106,580	76,822,548
Total Net Assets	\$ 424,925,245	\$ 442,675,805	\$ 26,978,588	\$ 18,106,962	\$ 451,903,833	\$ 460,782,767

A small portion of the County's net assets, \$4,106,580, represents unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors. The majority of these unrestricted net assets have been designated for specific purposes and are not available for general use.

A significant portion of the County's net assets, \$363,787,186, 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 assets, \$84,010,067, represent resources that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the County reported positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental activities and business-type activities.

COUNTY OF HUMBOLDT

Management's Discussion and Analysis June 30, 2010

The County's net assets, as adjusted, increased by \$6,335,501 during the current fiscal year. The increase in net assets represents the degree to which increases in ongoing revenues exceeded ongoing expenses.

The County's Changes in Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Revenues						
Program Revenues:						
Fees, fines and charges for services	\$ 40,196,956	\$ 36,483,738	\$ 3,121,968	\$ 2,664,775	\$ 43,318,924	\$ 39,148,513
Operating grants/contributions	155,619,482	152,952,993	--	--	155,619,482	152,952,993
Capital grants/contributions	4,793,503	13,404,207	5,614,588	6,317,333	10,408,091	19,721,540
General Revenues:						
Property taxes	38,740,889	40,729,690	--	--	38,740,889	40,729,690
Sales taxes	6,031,211	7,910,183	--	--	6,031,211	7,910,183
Treansient occupancy tax	1,093,382	--	--	--	1,093,382	--
Other taxes	2,187,020	4,069,806	--	--	2,187,020	4,069,806
Interest and investment income	1,805,747	2,664,957	16,884	14,831	1,822,631	2,679,788
Other	2,534,589	9,467,497	2,009	48,214	2,536,598	9,515,711
Total Revenues	253,002,779	267,683,071	8,755,449	9,045,153	261,758,228	276,728,224
Expenses						
General Government	14,407,928	23,679,022	--	--	14,407,928	23,679,022
Public Protection	69,248,720	76,410,363	--	--	69,248,720	76,410,363
Public Ways and Facilities	27,002,303	31,399,906	--	--	27,002,303	31,399,906
Health and Sanitation	55,573,996	48,017,131	--	--	55,573,996	48,017,131
Public Assistance	78,632,341	73,026,315	--	--	78,632,341	73,026,315
Education	3,160,195	3,582,223	--	--	3,160,195	3,582,223
Recreation and cultural services	2,809,387	2,442,667	--	--	2,809,387	2,442,667
Interest and long-term debt	848,603	922,318	--	--	848,603	922,318
Aviation	--	--	3,739,254	3,358,246	3,739,254	3,358,246
Total Expenses	251,683,473	259,479,945	3,739,254	3,358,246	255,422,727	262,838,191
Change in Net Assets	1,319,306	8,203,126	5,016,195	5,686,907	6,335,501	13,890,033
Net Assets - Beginning	442,672,805	434,018,601	18,106,962	12,371,947	460,779,767	446,390,548
Prior period adjustment	(19,066,866)	454,078	3,855,431	48,108	(15,211,435)	502,186
Net Assets - Ending	\$ 424,925,245	\$ 442,675,805	\$ 26,978,588	\$ 18,106,962	\$ 451,903,833	\$ 460,782,767

COUNTY OF HUMBOLDT

Management's Discussion and Analysis
June 30, 2010

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, *unrestricted fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June, 30, 2010, the County's governmental funds reported combined fund balances of \$93,491,217. Of these combined fund balances, \$59,917,698 constitutes *unreserved fund balance of the General, Special Revenue, and Debt Service Funds*, which is available to meet the County's current and future need. The restricted fund balance, \$33,573,519 consists of amounts with constraints put on their use by externally imposed creditors, grantors, laws, regulations, or enabling legislation.

The General Fund is the chief operating fund of the County. At June 30, 2010, unrestricted fund balance was \$42,810,242, while total fund balance was \$54,971,495. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted and total fund balance to total fund expenditures. Unrestricted fund balance represents 20% of total General Fund expenditures, while the total fund balance represents 26% of total General Fund expenditures.

The County's management also assigns (earmarks) unreserved 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 \$42,810,242 General Fund unreserved fund balance is currently assigned.

Total governmental funds Fund Balance decreased by \$505,580 in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund increased \$2,909,509, Roads Fund increased \$893,515 and Headwaters Mitigation Fund decreased \$2,775,258. The non-major governmental funds decreased by \$1,533,346.

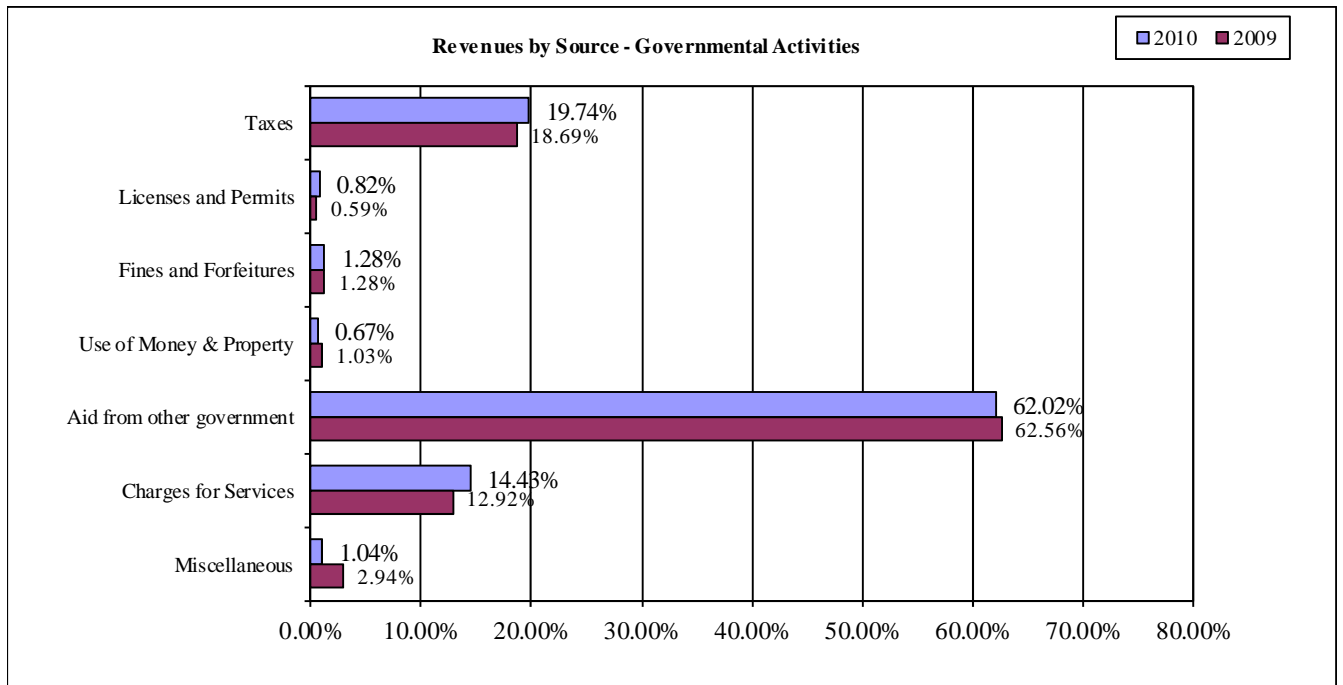
COUNTY OF HUMBOLDT

Management's Discussion and Analysis June 30, 2010

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

	Revenues Classified by Source Governmental Funds					
	FY 2010		FY 2009		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 48,052,502	19.74%	\$ 48,426,389	18.69%	\$ (373,887)	-0.77%
Licenses and Permits	1,984,885	0.82%	1,520,318	0.59%	464,567	30.56%
Fines and Forfeitures	3,105,087	1.28%	3,327,726	1.28%	(222,639)	-6.69%
Use of Money & Property	1,637,916	0.67%	2,664,957	1.03%	(1,027,041)	-38.54%
Aid from other government	150,948,300	62.02%	162,126,436	62.56%	(11,178,136)	-6.89%
Charges for Services	35,106,984	14.43%	33,474,584	12.92%	1,632,400	4.88%
Miscellaneous	2,534,589	1.04%	7,628,606	2.94%	(5,094,017)	-66.78%
Total Revenue by Source	\$ 243,370,263	100.00%	\$ 259,169,016	100.00%	\$(15,798,753)	

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



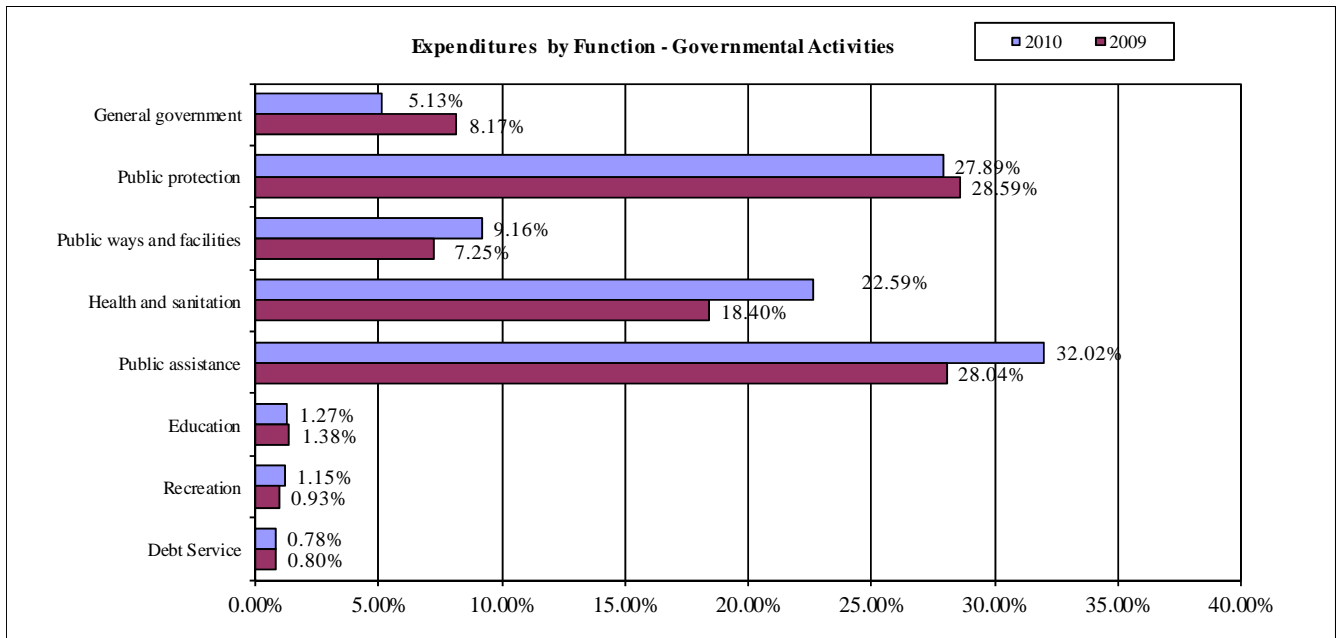
COUNTY OF HUMBOLDT

Management's Discussion and Analysis June 30, 2010

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

	Expenditures Classified by Function Governmental Funds					
	FY 2010		FY 2009		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 12,514,962	5.13%	\$ 21,236,188	8.17%	\$ (8,721,226)	-41.07%
Public protection	68,021,554	27.89%	74,339,561	28.59%	(6,318,007)	-8.50%
Public ways and facilities	22,336,311	9.16%	18,863,578	7.25%	3,472,733	18.41%
Health and sanitation	55,103,594	22.59%	47,851,717	18.40%	7,251,877	15.15%
Public assistance	78,090,704	32.02%	72,904,521	28.04%	5,186,183	7.11%
Education	3,093,707	1.27%	3,576,371	1.38%	(482,664)	-13.50%
Recreation	2,806,047	1.15%	2,412,348	0.93%	393,699	16.32%
Debt Service	1,908,964	0.78%	2,074,435	0.80%	(165,471)	-7.98%
Capital outlay	-0-	0.00%	16,768,209	6.45%	(16,768,209)	-100.00%
Total by Function	\$ 243,875,843	100.00%	\$ 260,026,928	100.00%	\$ (16,151,085)	

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



Proprietary funds reporting focuses on determining operating income, changes in net assets (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.

Net assets restricted for investment in capital assets net of related debt at fiscal year end were \$26,200,229. Unrestricted net assets of the enterprise funds at fiscal year end were \$778,359.

COUNTY OF HUMBOLDT

Management's Discussion and Analysis June 30, 2010

The net assets, as adjusted, of the enterprise funds increased \$5,016,195 from 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 assets of the internal service funds at fiscal year-end were \$12,227,443 and include \$7,109,929 invested in capital assets.

The net assets of the internal service funds decreased \$395,819 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.

Differences between the original budget and the final amended budget resulted in a \$14,382,706 increase in appropriations. The components of appropriations variance are briefly summarized as follows: \$313,676 increase in general government; \$4,500,368 increase in public protection; \$8,026,117 increase in public assistance; \$11,987 increase in public ways and facilities; \$1,438,100 increase in public health and sanitation; \$7,128 increase in education; and \$85,330 increase in recreation.

Even with these adjustments, actual expenditures were \$42,541,062 below final budget amounts. Resources available for appropriation were \$39,749,086 below final budget amounts.

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

Budgetary Comparison General Fund				
	Original	Final	Net Change	
	Budget	Budget	Amount	Percent
Total Revenues	\$ 236,912,936	\$ 251,300,257	\$ 14,387,321	5.73%
Total Expenditures	238,719,715	253,102,421	14,382,706	5.68%
Other Financing Sources (Uses)	210,284	210,284	-	0.00%
Net Change in Fund Balances	<u>\$ 475,842,935</u>	<u>\$ 504,612,962</u>	<u>\$ 28,770,027</u>	

COUNTY OF HUMBOLDT

Management's Discussion and Analysis June 30, 2010

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

Budgetary Comparison General Fund				
	Final	Actual	Net Change	
	Budget	Amounts	Amount	Percent
Total Revenues	\$ 251,300,257	\$ 211,551,171	\$ (39,749,086)	-18.79%
Total Expenditures	253,102,421	210,561,359	(42,541,062)	-20.20%
Other Financing Sources (Uses)	210,284	2,216,084	2,005,800	90.51%
Net Change in Fund Balances	<u>\$ 504,612,962</u>	<u>\$ 424,328,614</u>	<u>\$ (80,284,348)</u>	

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business type activities as of June 30, 2010, amounted to \$383,035,103 (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	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,979,356	\$ 3,979,356	\$ 1,976,177	\$ 1,976,177	\$ 5,955,533	\$ 5,955,533
Structures & Improvements	93,430,304	92,595,796	25,079,898	24,711,001	118,510,202	117,306,797
Equipment	28,002,232	27,074,666	1,661,194	1,661,194	29,663,426	28,735,860
Infrastructure	578,176,282	570,990,994	--	--	578,176,282	570,990,994
Construction In Progress	5,766,153	5,950,525	13,598,551	7,748,210	19,364,704	13,698,735
Total	<u>709,354,327</u>	<u>700,591,337</u>	<u>42,315,820</u>	<u>36,096,582</u>	<u>751,670,147</u>	<u>736,687,919</u>
Accumulated Depreciation	<u>(352,526,794)</u>	<u>(337,032,663)</u>	<u>(16,108,250)</u>	<u>(15,144,349)</u>	<u>(368,635,044)</u>	<u>(352,177,012)</u>
Net Capital Assets	<u>\$ 356,827,533</u>	<u>\$ 363,558,674</u>	<u>\$ 26,207,570</u>	<u>\$ 20,952,233</u>	<u>\$ 383,035,103</u>	<u>\$ 384,510,907</u>

Additional information regarding capital assets is presented in note 5.

COUNTY OF HUMBOLDT

Management's Discussion and Analysis June 30, 2010

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total debt obligation outstanding of \$19,240,576. Of this amount, \$13,285,000 comprises 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	
	2010	2009	2010	2009	2010	2009
Certificates of participation	\$ 13,285,000	\$ 13,940,000	\$ --	\$ --	\$ 13,285,000	\$ 13,940,000
Unamortized premium	37,959	40,331	--	--	37,959	40,331
Capital Lease Obligations	5,917,617	5,817,918	--	--	5,917,617	5,817,918
Notes Payable	--	--	7,341	9,788	7,341	9,788
Total Debt	19,240,576	19,798,249	7,341	9,788	19,247,917	19,808,037
Less Current Portion	(1,201,414)	(1,122,484)	(2,447)	(2,447)	(1,203,861)	(1,124,931)
Net Long-Term Debt	\$ 18,039,162	\$ 18,675,765	\$ 4,894	\$ 7,341	\$ 18,044,056	\$ 18,683,106

Reductions of the County's total outstanding debt included principal payments of \$557,673 and amortization of bond premium of \$2,372 with \$848,603 in interest expense for governmental activities and principal payments of \$2,447 with no interest expense for business-type activities.

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 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's fiscal year 2010-11 budget takes into consideration the overall financial health of the County and related impacts of the California State Budget.

REQUEST FOR INFORMATION

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

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

COUNTY OF HUMBOLDT

Statement of Net Assets June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	\$ 74,425,043	\$ 1,206,204	\$ 75,631,247
Restricted cash:			
Cash with fiscal agent	2,155,703	--	2,155,703
Receivables, net:			
Accounts	5,300,759	283,240	5,583,999
Other governmental agencies	22,453,661	943,759	23,397,420
Due from external parties	4,468,450	--	4,468,450
Inventory	327,991	179,384	507,375
Deposits and other assets	1,232,446	--	1,232,446
Deferred costs	446,002	--	446,002
Loan receivable	15,060,091	--	15,060,091
Internal balances	805,346	(805,346)	--
Capital assets:			
Nondepreciable	9,745,509	15,574,728	25,320,237
Depreciable, net	347,082,024	10,632,842	357,714,866
Total Assets	<u>\$ 483,503,025</u>	<u>\$ 28,014,811</u>	<u>\$ 511,517,836</u>
LIABILITIES			
Accounts payable	\$ 6,127,381	\$ 870,186	\$ 6,997,567
Accrued salaries and benefits	4,911,140	55,689	4,966,829
Interest payable	113,219	--	113,219
Unearned revenue	4,876,931	--	4,876,931
Other liabilities	217,452	--	217,452
Long-Term Liabilities:			
Portion due or payable within one year:			
Certificates of participation	675,000	--	675,000
Notes payable	--	2,447	2,447
Capital leases	526,414	--	526,414
Compensated absences	8,077,689	31,372	8,109,061
Claims liability	1,400,938	--	1,400,938
Portion due or payable after one year:			
Certificates of participation, net of amortized discount	12,647,959	--	12,647,959
Notes payable	--	4,894	4,894
Capital leases	5,391,203	--	5,391,203
Compensated absences	9,501,544	71,635	9,573,179
OPEB Liability	4,110,910	--	4,110,910
Total Liabilities	<u>58,577,780</u>	<u>1,036,223</u>	<u>59,614,003</u>
NET ASSETS			
Invested in capital assets, net of related debt	337,586,957	26,200,229	363,787,186
Restricted for:			
Economic development	33,973,946	--	33,973,946
Debt service and capital projects	4,166,763	--	4,166,763
Other Grants and special taxes	45,869,358	--	45,869,358
Unrestricted	3,328,221	778,359	4,106,580
Total Net Assets	<u>424,925,245</u>	<u>26,978,588</u>	<u>451,903,833</u>
Total Liabilities and Net Assets	<u>\$ 483,503,025</u>	<u>\$ 28,014,811</u>	<u>\$ 511,517,836</u>

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

COUNTY OF HUMBOLDT

Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 14,407,928	\$ 3,921,170	\$ 1,827,773	\$ 129,437
Public protection	69,248,720	10,643,334	27,369,133	--
Public ways and facilities	27,002,303	1,029,947	12,932,416	4,664,066
Health and sanitation	55,573,996	18,837,038	41,732,127	--
Public assistance	78,632,341	5,178,224	70,593,192	--
Education	3,160,195	78,955	563,723	--
Recreation and culture	2,809,387	508,288	601,118	--
Debt Service				
Interest	848,603	--	--	--
Total Governmental Activities	<u>251,683,473</u>	<u>40,196,956</u>	<u>155,619,482</u>	<u>4,793,503</u>
Business-Type Activities:				
Airport	3,739,254	3,121,968	--	5,614,588
Total Business-type Activities	<u>3,739,254</u>	<u>3,121,968</u>	<u>--</u>	<u>5,614,588</u>
 Total Humboldt County	 <u>\$255,422,727</u>	 <u>\$ 43,318,924</u>	 <u>\$ 155,619,482</u>	 <u>\$ 10,408,091</u>

General Revenues:

Taxes:

 Property taxes

 Sales and use taxes

 Transient occupancy tax

 Other

Unrestricted interest and investment earnings

Miscellaneous

 Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year, as restated

Net Assets - End of Year

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (8,529,548)	\$ --	\$ (8,529,548)
(31,236,253)	--	(31,236,253)
(8,375,874)	--	(8,375,874)
4,995,169	--	4,995,169
(2,860,925)	--	(2,860,925)
(2,517,517)	--	(2,517,517)
(1,699,981)	--	(1,699,981)
<u>(848,603)</u>	<u>--</u>	<u>(848,603)</u>
<u>(51,073,532)</u>	<u>--</u>	<u>(51,073,532)</u>
<u>--</u>	<u>4,997,302</u>	<u>4,997,302</u>
<u>--</u>	<u>4,997,302</u>	<u>4,997,302</u>
<u>(51,073,532)</u>	<u>4,997,302</u>	<u>(46,076,230)</u>
38,740,889	--	38,740,889
6,031,211	--	6,031,211
1,093,382	--	1,093,382
2,187,020	--	2,187,020
1,805,747	16,884	1,822,631
2,534,589	2,009	2,536,598
<u>52,392,838</u>	<u>18,893</u>	<u>52,411,731</u>
1,319,306	5,016,195	6,335,501
<u>423,605,939</u>	<u>21,962,393</u>	<u>445,568,332</u>
<u>\$ 424,925,245</u>	<u>\$ 26,978,588</u>	<u>\$ 451,903,833</u>

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF HUMBOLDT

Balance Sheet Governmental Funds June 30, 2010

	General Funds	Headwaters Mitigation Funds	Road Fund	Other Governmental	Total
<u>Assets</u>					
Cash and investments	\$ 37,445,141	\$ 12,055,740	\$ 9,819,788	\$ 7,498,611	\$ 66,819,280
Restricted assets:					
Cash with fiscal agent	--	--	--	2,155,703	2,155,703
Department cash funds	19,530	--	200	865	20,595
Receivables, net					
Accounts	5,218,029	--	--	79,242	5,297,271
Other governmental agencies	20,001,616	--	2,452,045	--	22,453,661
Interest	--	--	--	--	--
Due from other funds	451,379	5,555,558	--	560,214	6,567,151
Advances to other funds	--	805,346	--	--	805,346
Loans receivable	11,889,628	3,170,463	--	--	15,060,091
Prepays and other assets	38,670	--	--	1,215	39,885
Total Assets	<u>\$ 75,063,993</u>	<u>\$ 21,587,107</u>	<u>\$ 12,272,033</u>	<u>\$ 10,295,850</u>	<u>\$ 119,218,983</u>
<u>Liabilities</u>					
Accounts payable	\$ 4,632,073	\$ 207,067	\$ 792,162	\$ 29,483	\$ 5,660,785
Accrued salaries and benefits	4,326,816	--	250,294	181,204	4,758,314
Due to other funds	1,498,283	--	--	603,809	2,102,092
Other liabilities	55,952	--	--	--	55,952
Unearned revenue	114,689	--	3,571,249	--	3,685,938
Deferred revenue	9,464,685	--	--	--	9,464,685
Total Liabilities	<u>20,092,498</u>	<u>207,067</u>	<u>4,613,705</u>	<u>814,496</u>	<u>25,727,766</u>
<u>Fund Balances</u>					
Reserved:					
Encumbrances	213,425	--	--	29,946	243,371
Departmental cash	19,530	--	200	865	20,595
Prepays and other assets	38,670	--	--	1,215	39,885
Loans receivable and advances	11,889,628	3,975,809	--	--	15,865,437
Economic development	--	17,404,231	--	--	17,404,231
Unreserved, reported in:					
General fund	42,810,242	--	--	--	42,810,242
Special revenue funds	--	--	7,658,128	7,206,530	14,864,658
Debt service funds	--	--	--	2,242,798	2,242,798
Total Fund Balances	<u>54,971,495</u>	<u>21,380,040</u>	<u>7,658,328</u>	<u>9,481,354</u>	<u>93,491,217</u>
Total Liabilities and Fund Balances	<u>\$ 75,063,993</u>	<u>\$ 21,587,107</u>	<u>\$ 12,272,033</u>	<u>\$ 10,295,850</u>	<u>\$ 119,218,983</u>

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

COUNTY OF HUMBOLDT

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

Fund Balance - total governmental funds (page 21)	\$ 93,491,217
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred charges in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	
Deferred issuance costs	446,002
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	349,152,793
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	9,464,685
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 assets.	12,227,443
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.	(113,219)
Long-term liabilities, including capital leases, are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Certificates of participation	(13,285,000)
Unamortized premium	(37,959)
Capital leases	(5,352,806)
OPEB Liability	(4,110,910)
Compensated absences	(16,957,001)
Net assets of governmental activities (page 19)	<u>\$ 424,925,245</u>

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

COUNTY OF HUMBOLDT

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

	General Funds	Headwaters Mitigation Funds	Road Fund	Other Governmental	Total
Revenues:					
Taxes	\$ 42,509,876	\$ --	\$ 2,806,453	\$ 2,736,173	\$ 48,052,502
Licenses and permits	1,871,871	--	113,014	--	1,984,885
Fines, forfeitures and penalties	2,483,144	--	--	621,943	3,105,087
Use of money and property	832,538	531,734	78,233	195,411	1,637,916
Aid from other governments	127,798,472	--	17,596,482	5,553,346	150,948,300
Charges for services	34,163,979	--	843,344	99,661	35,106,984
Other revenues	2,178,048	--	64,226	292,315	2,534,589
Total Revenues	<u>211,837,928</u>	<u>531,734</u>	<u>21,501,752</u>	<u>9,498,849</u>	<u>243,370,263</u>
Expenditures:					
Current:					
General government	12,507,332	--	--	7,630	12,514,962
Public protection	61,989,639	--	--	6,031,915	68,021,554
Public ways and facilities	1,728,074	--	20,608,237	--	22,336,311
Health and sanitation	55,103,594	--	--	--	55,103,594
Public assistance	78,090,704	--	--	--	78,090,704
Education	144,772	--	--	2,948,935	3,093,707
Recreation and culture	1,277,055	1,528,992	--	--	2,806,047
Debt service:					
Principal	228,650	--	--	891,461	1,120,111
Interest and other charges	74,683	--	--	714,170	788,853
Total Expenditures	<u>211,144,503</u>	<u>1,528,992</u>	<u>20,608,237</u>	<u>10,594,111</u>	<u>243,875,843</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>693,425</u>	<u>(997,258)</u>	<u>893,515</u>	<u>(1,095,262)</u>	<u>(505,580)</u>
Other Financing Sources (Uses):					
Transfers in	3,778,000	--	--	1,712,162	5,490,162
Transfers out	(1,561,916)	(1,778,000)	--	(2,150,246)	(5,490,162)
Total Other Financing Sources (Uses)	<u>2,216,084</u>	<u>(1,778,000)</u>	<u>--</u>	<u>(438,084)</u>	<u>--</u>
Net Changes in Fund Balances	2,909,509	(2,775,258)	893,515	(1,533,346)	(505,580)
Fund Balances, Beginning of Year	63,427,534	24,155,298	6,702,751	12,268,417	106,554,000
Prior period adjustment	(11,365,548)	--	62,062	(1,253,717)	(12,557,203)
Fund Balances, End of Year	<u>\$ 54,971,495</u>	<u>\$ 21,380,040</u>	<u>\$ 7,658,328</u>	<u>\$ 9,481,354</u>	<u>\$ 93,491,217</u>

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

COUNTY OF HUMBOLDT

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2010

Net change to fund balance - total governmental funds (page 23) \$ (505,580)

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	\$ 8,323,787	
Less: current year depreciation	(15,210,933)	(6,887,146)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	9,464,685
---	-----------

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

Principal payments on certificates of participation and capital leases.	1,120,112
---	-----------

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	(6,475)	
Change in OPEB	(1,529,056)	
Amortization of bond issuance costs	(28,169)	
Change in compensated absences	84,382	
Change in amortization of debt premium	2,372	(1,476,946)

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.	(395,819)
--	-----------

Change in net assets of governmental activities (page 20)	\$ 1,319,306
---	--------------

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

COUNTY OF HUMBOLDT

Statement of Fund Net Assets
Proprietary Funds
June 30, 2010

	Business -Type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	Aviation	
<u>ASSETS</u>		
Current Assets:		
Cash and investments	\$ 1,205,804	\$ 7,574,893
Departmental cash funds	400	10,275
Accounts receivable	283,240	3,488
Due from other governments	943,759	--
Due from other funds	--	1,440,502
Inventory	179,384	327,991
Prepaid expenses	--	1,192,561
Total Current Assets	<u>2,612,587</u>	<u>10,549,710</u>
Noncurrent Assets:		
Capital assets:		
Non-depreciable	15,574,728	--
Depreciable, net	<u>10,632,842</u>	<u>7,674,740</u>
Total Noncurrent Assets	<u>26,207,570</u>	<u>7,674,740</u>
Total Assets	<u>\$ 28,820,157</u>	<u>\$ 18,224,450</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	870,186	466,596
Accrued salaries and benefits	55,689	152,826
Due to other funds	--	1,437,111
Advances from other funds	805,346	--
Provision for estimated claims	--	1,400,938
Other liabilities	--	161,500
Deferred revenue	--	1,190,993
Notes payable	2,447	--
Capital leases	--	128,412
Liability for compensated absences	31,372	294,810
Total Current Liabilities	<u>1,765,040</u>	<u>5,233,186</u>
Noncurrent Liabilities:		
Capital leases	--	436,399
Notes payable	4,894	--
Liability for compensated absences	71,635	327,422
Total Noncurrent Liabilities	<u>76,529</u>	<u>763,821</u>
Total Liabilities	<u>1,841,569</u>	<u>5,997,007</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	26,200,229	7,109,929
Unrestricted	778,359	5,117,514
Total Net Assets	<u>26,978,588</u>	<u>12,227,443</u>
Total Liabilities and Net Assets	<u>\$ 28,820,157</u>	<u>\$ 18,224,450</u>

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

COUNTY OF HUMBOLDT

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

	Business -Type Activities - Enterprise Fund	Governmental Activities
	Aviation	Internal Service Funds
Operating Revenues:		
Charges for services	\$ 3,121,968	\$ 27,199,388
Other revenue	2,009	1,108,446
Total Operating Revenues	3,123,977	28,307,834
Operating Expenses:		
Salaries and benefits	1,063,183	3,162,321
Services and supplies	1,714,722	3,825,079
Claims expense	--	20,781,919
Depreciation and amortization	961,349	1,067,173
Other expenses	--	7,513
Total Operating Expenses	3,739,254	28,844,005
Operating Income (Loss)	(615,277)	(536,171)
Non-Operating Revenue (Expenses):		
Investment income	16,884	167,831
Interest expense	--	(27,479)
Total Non-Operating Revenue (Expenses)	16,884	140,352
Income (Loss) Before Capital Contributions	(598,393)	(395,819)
Capital grants	5,614,588	--
Net Income (Loss)	5,016,195	(395,819)
Net Assets - Beginning of Year - As previously stated	17,663,872	10,607,661
Prior period adjustments	4,298,521	2,015,601
Net Assets - End of Year	\$ 26,978,588	\$ 12,227,443

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

COUNTY OF HUMBOLDT

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

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Aviation	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers and other funds	\$ 2,129,049	\$ --
Cash receipts from internal fund services provided	--	28,342,910
Cash paid to suppliers for goods and services	(1,158,164)	(24,793,669)
Cash paid to employees for services	(982,071)	(3,113,959)
Net Cash Provided (Used) by Operating Activities	(11,186)	435,282
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interfund loans from other funds	263,209	2,553,277
Interfund loans to other funds	(7,863)	(2,167,017)
Miscellaneous	261,851	50,283
Net Cash Provided (Used) by Noncapital Financing Activities	517,197	436,543
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	5,614,588	--
Purchase of capital assets	(6,219,238)	(1,318,897)
Principal repayments	(2,447)	(120,727)
Net Cash Provided (Used) by Capital and Related Financing Activities	(607,097)	(1,439,624)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	16,884	140,352
Net Cash Provided (Used) by Investing Activities	16,884	140,352
Net Increase (Decrease) in Cash and Cash Equivalents	(84,202)	(427,447)
Cash and Cash Equivalents, Beginning of Year	1,290,406	8,012,615
Cash and Cash Equivalents, End of Year	\$ 1,206,204	\$ 7,585,168
Reconciliation of Cash and Cash Equivalents to the Statement of Fund Net Assets		
Cash and investments	\$ 1,205,804	\$ 7,574,893
Department cash funds	400	10,275
Total Cash and Cash Equivalents	\$ 1,206,204	\$ 7,585,168

continued

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

COUNTY OF HUMBOLDT

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

	Business-Type Activities - <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Fund</u>
	<u>Aviation</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (615,277)	\$ (536,171)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	961,349	1,067,173
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(283,240)	(3,488)
Due from other governmental entities	(711,688)	43,579
Deposits with others	--	7,938
Prepaid assets	--	30,778
Increase (decrease) in:		
Accounts payable	556,558	(92,722)
Accrued salaries and benefits	9,524	31,799
Claims payable	--	(73,000)
Deferred revenue	--	(43,731)
Other liabilities	--	(13,436)
Liability for compensated absences	71,588	16,563
Net Cash Provided (Used) by Operating Activities	<u>\$ (11,186)</u>	<u>\$ 435,282</u>

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

COUNTY OF HUMBOLDT

Statement of Fiduciary Net Assets
June 30, 2010

	<u>Investment Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Pooled cash and investments	\$ 123,585,091	\$ 24,322,483
Taxes receivable	--	8,050,808
Due from other funds	--	229,260
	<hr/>	<hr/>
Total Assets	<u>\$ 123,585,091</u>	<u>\$ 32,602,551</u>
<u>Liabilities</u>		
Advances from other funds	\$ 32,130	\$ 4,665,580
Agency funds held for others	--	27,936,971
	<hr/>	<hr/>
Total Liabilities	<u>32,130</u>	<u>32,602,551</u>
<u>Net assets</u>		
Net assets held in trust for investment pool participants	<hr/> 123,552,961	<hr/> --
	<hr/>	<hr/>
Total Net Assets	<u>\$ 123,552,961</u>	<u>\$ --</u>

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

COUNTY OF HUMBOLDT

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

	<u>Investment Trust Fund</u>
<u>Additions</u>	
Contributions to pooled investments	\$ 331,971,667
Investment income	<u>2,880,302</u>
Total Additions	<u>334,851,969</u>
<u>Deductions</u>	
Distributions from pooled investments	<u>349,952,536</u>
Total Deductions	<u>349,952,536</u>
Change in net assets	(15,100,567)
Net Assets - Beginning of Year	<u>138,653,528</u>
Net Assets - End of Year	<u><u>\$ 123,552,961</u></u>

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

NOTES TO FINANCIAL STATEMENTS

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

COUNTY OF HUMBOLDT

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

Note 1: Summary of Significant Accounting Policies

A. Description of the Reporting Entity

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

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

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

Blended Component Units

The Public Facilities Corporation (the "Corporation") is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on December 11, 1985. The Corporation's Board of Directors was 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.

COUNTY OF HUMBOLDT

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

Note 1: **Summary of Significant Accounting Policies**

A. **Description of the Reporting Entity**

Blended Component Units (continued)

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

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

COUNTY OF HUMBOLDT

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

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation

Government-Wide Financial Statements

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

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

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

COUNTY OF HUMBOLDT

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

Note 1: **Summary of Significant Accounting Policies** (continued)

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

Fund Financial Statements (continued)

The County reports the following major governmental funds:

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

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.

COUNTY OF HUMBOLDT

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

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

- 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. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

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

For its business-type activities and enterprise funds, the County has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

COUNTY OF HUMBOLDT

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

Note 1: **Summary of Significant Accounting Policies** (continued)

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

The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

D. **Future Accounting Pronouncements**

Governmental Accounting Standards Board Statement 54

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

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

E. **Cash and Cash Equivalents**

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

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

COUNTY OF HUMBOLDT

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

Note 1: Summary of Significant Accounting Policies (continued)

F. **Property Tax** (continued)

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.

On September 21, 1993, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes, excluding assessments and debt repayment levies, are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided.

In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95 percent of the total years' delinquent secured property taxes, penalties and interest (not including assessments and debt replacement levies) outstanding at June 30, 1993.

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

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

The County is required to create a tax loss reserve fund (an agency fund) under one or two alternative methods: (1) 1 percent of the total amount of taxes and assessments levied on the secured roll for the year or (2) 25 percent of the total delinquent secured taxes for participating entities in the County as calculated at the end of the fiscal year. For fiscal year 2010-2011, the County opted to use method (1) which required a tax loss reserve of at least 1 percent of total taxes and assessments levied on the secured roll. The County was not in compliance with this requirement during fiscal year 2010-2011.

COUNTY OF HUMBOLDT

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

Note 1: **Summary of Significant Accounting Policies** (continued)

G. Inventories

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

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

H. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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

The estimated useful lives are as follows:

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

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

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

COUNTY OF HUMBOLDT

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

Note 1: **Summary of Significant Accounting Policies** (continued)

I. **Deferred Revenue and Unearned Revenue**

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

J. **Compensated Absences**

County employees are granted vacation, holiday, comp time and sick leave in varying amounts. In the vent 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 assets. In the proprietary funds, accumulated compensated absences is recorded as an expense and liability as the benefits accrue to employees.

K. **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 fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

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

COUNTY OF HUMBOLDT

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

Note 1: **Summary of Significant Accounting Policies** (continued)

L. **Estimates**

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

Note 2: **Cash and Investments**

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

Cash:

Cash on hand and imprest cash	\$	36,520
Deposits		<u>2,052,647</u>
Total Cash and Deposits		<u>2,089,167</u>

Investments:

In Treasurer's pool		228,423,776
External to Treasurer's pool		<u>2,155,703</u>
Total Investments		<u>230,579,479</u>

In Transit:

Outstanding checks		<u>(6,974,122)</u>
		<u>(6,974,122)</u>

Total	\$	<u>225,694,524</u>
-------	----	--------------------

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

Primary Government:

Governmental activities	\$	76,580,746
Business-type activities		1,206,204

Investment trust fund		123,585,091
Agency funds		<u>24,322,483</u>

Total	\$	<u>225,694,524</u>
-------	----	--------------------

COUNTY OF HUMBOLDT

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

Note 2: **Cash and Investments** (continued)

Investments

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury and Agency Securities	5 years	100%	N/A
Bonds and Notes issued by local agencies	5 years	100%	N/A
Registered State Warrants and Municipal Notes and Bonds	5 years	100%	N/A
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 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%	10%
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 (CaITRUST)	N/A	As limited by CaITRUST	N/A
Collateralized Time Deposits	5 years	N/A	N/A

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

	Interest Rates	Maturities	Par	Fair Value	Cost	WAM (Years)
Investments in Investment Pool						
Federal Agency Issues - Coupon	1.00% - 4.25%	4/24/12 - 6/30/15	\$ 88,950,000	\$ 89,414,548	\$ 88,946,367	4.26
Government National Mortgage Assoc.	8.00% - 12.00%	5/15/13 - 4/15/17	7,561	8,486	7,431	5.69
Negotiable CDS	3.00% - 4.17%	7/8/10 - 4/15/13	8,000,000	8,000,000	8,000,000	0.98
Medium Term Corporate Notes	3.75% - 6.05%	3/15/11 - 11/1/12	6,000,000	6,216,755	6,059,318	1.45
LAIF	Variable	On Demand	<u>125,410,660</u>	<u>125,410,660</u>	<u>125,410,660</u>	--
Total Investments in Investment Pool			<u>\$ 228,368,221</u>	<u>\$ 229,050,449</u>	<u>\$ 228,423,776</u>	
Investments outside Investment Pool						
<i>Cash held with fiscal agent</i>						
Money Market Mutual Funds	Variable	On Demand	<u>\$ 2,155,703</u>	<u>\$ 2,155,703</u>	<u>\$ 2,155,703</u>	--
Total Investments			<u>\$ 230,523,924</u>	<u>\$ 231,206,152</u>	<u>\$ 230,579,479</u>	

COUNTY OF HUMBOLDT

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

Note 2: **Cash and Investments** (continued)

Investments (continued)

The fair value of the investments is obtained by the County's safekeeping agent. At June 30, 2010, the difference between the cost and fair value of cash and investments was not material (fair value was 100.27% of carrying value). The County is reporting its cash and investments at cost.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2010.

	<u>Moody's</u>	<u>% of Portfolio</u>
Federal National Mortgage	AAA	18.38%
Federal Home Loan Bank	AAA	10.50%
Federal Home Loan Mortgage Corp.	AAA	8.75%
Federal Farm Credits	AAA	1.31%
Government National Mortgage Assoc.	AAA	0.00%
Medium-term notes	AA	2.65%
Certificates of deposit	Unrated	3.50%
California Local Agency Investment Fund	Unrated	54.91%
Total		<u>100.00%</u>

COUNTY OF HUMBOLDT

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

Note 2: **Cash and Investments** (continued)

Concentration of Credit Risk (continued)

At June 30, 2010, the County had the following investments in any one issuer that represent 5 percent or more of the total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded because they are not a concentration of credit risk.

Federal National Mortgage	Government Sponsored	\$ 37,951,000	16.91%
Federal Home Loan Bank	Government Sponsored	23,999,000	10.69%
Federal Home Loan Mortgage Corp.	Government Sponsored	19,997,000	8.91%

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, 2010, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$125,410,660, which approximates fair value and is the same as 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 \$66,384,617,119 million, of which 100% was invested in non-derivative financial products.

COUNTY OF HUMBOLDT

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

Note 2: **Cash and Investments** (continued)

County Investment pool Condensed Financial Statements

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

Statement of Net Assets

Net assets held for pool participants	\$ 223,506,701
Equity of external pool participants	\$ 123,585,091
Equity of internal pool participants	99,921,610
Total net assets	<u>\$ 223,506,701</u>

Statement of Changes in Net Assets

Net assets at July 1, 2009	\$ 247,895,981
Net change in investments by pool participants	<u>(24,389,280)</u>
Net assets at June 30, 2010	<u>\$ 223,506,701</u>

Note 3: **Interfund Transactions**

The composition of interfund balances as of June 30, 2010 are as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 375,654
	Nonmajor Governmental Funds	43,595
	Investment Trust Fund	32,130
Headwaters Mitigation Funds	General Fund	1,494,892
	Agency Funds	4,060,666
Nonmajor Governmental Funds	Nonmajor Governmental Funds	560,214
Internal Service Funds	Internal Service Funds	1,437,111
	General Fund	3,391
Agency Funds	Agency Funds	<u>229,260</u>
		<u>\$ 8,236,913</u>

The due to/from other funds account balance primarily resulted from interfund cash transactions to eliminate cash deficits at June 30, 2010 for reporting purposes.

COUNTY OF HUMBOLDT

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

Note 3: **Interfund Transactions** (continued)

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Headwaters Mitigation Funds	Aviation Fund	\$ 805,346

The advances resulted from an interfund loan from the Headwaters Fund to the Aviation Fund.

Transfers

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

Transfer from	Transfer to	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 314,544	Library operating subsidy
	Nonmajor Governmental Funds	1,247,372	Debt service payments
Headwaters Mitigation Funds	General Fund	1,778,000	Budgeted transfer
Nonmajor Governmental Funds	Nonmajor Governmental Funds	150,246	Debt service payments
	General Fund	2,000,000	General reserve
		\$5,490,162	

COUNTY OF HUMBOLDT

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

Note 4: **Capital Assets**

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

	Restated Balance July 1, 2009	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2010
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,979,356	\$ --	\$ --	\$ --	\$ 3,979,356
Construction in progress	5,950,525	2,642,254	--	(2,826,626)	5,766,153
Total capital assets, not being depreciated	<u>9,929,881</u>	<u>2,642,254</u>	<u>--</u>	<u>(2,826,626)</u>	<u>9,745,509</u>
Capital assets, being depreciated:					
Infrastructure	570,990,994	4,396,510	--	2,788,778	578,176,282
Structures and improvements	92,595,796	796,660	--	37,848	93,430,304
Equipment	27,074,666	1,846,702	(919,136)	--	28,002,232
Total capital assets, being depreciated	<u>690,661,456</u>	<u>7,039,872</u>	<u>(919,136)</u>	<u>2,826,626</u>	<u>699,608,818</u>
Less accumulated depreciation for:					
Infrastructure	(280,101,268)	(11,767,114)	--	--	(291,868,382)
Structures and improvements	(40,222,504)	(2,559,651)	--	--	(42,782,155)
Equipment	(16,708,891)	(1,955,176)	787,810	--	(17,876,257)
Total accumulated depreciation	<u>(337,032,663)</u>	<u>(16,281,941)</u>	<u>787,810</u>	<u>--</u>	<u>(352,526,794)</u>
Total capital assets, being depreciated, net	<u>353,628,793</u>	<u>(9,242,069)</u>	<u>(131,326)</u>	<u>2,826,626</u>	<u>347,082,024</u>
Governmental activities capital assets, net	<u>\$ 363,558,674</u>	<u>\$ (6,599,815)</u>	<u>\$ (131,326)</u>	<u>\$ --</u>	<u>356,827,533</u>
	Restated Balance July 1, 2009	Additions	Deletions	Transfers & Adjustments	Balance June 30, 2010
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,976,177	\$ --	\$ --	\$ --	\$ 1,976,177
Construction in progress	7,748,210	5,850,341	--	--	13,598,551
Total capital assets, not being depreciated	<u>9,724,387</u>	<u>5,850,341</u>	<u>--</u>	<u>--</u>	<u>15,574,728</u>
Capital assets, being depreciated:					
Structures and improvements	24,711,001	368,897	--	--	25,079,898
Equipment	1,661,194	--	--	--	1,661,194
Total capital assets, being depreciated	<u>26,372,195</u>	<u>368,897</u>	<u>--</u>	<u>--</u>	<u>26,741,092</u>
Less accumulated depreciation for:					
Structures and improvements	(14,292,256)	(848,919)	--	--	(15,141,175)
Equipment	(852,093)	(114,982)	--	--	(967,075)
Total accumulated depreciation	<u>(15,144,349)</u>	<u>(963,901)</u>	<u>--</u>	<u>--</u>	<u>(16,108,250)</u>
Total capital assets, being depreciated, net	<u>11,227,846</u>	<u>(595,004)</u>	<u>--</u>	<u>--</u>	<u>10,632,842</u>
Business-type activities capital assets, net	<u>\$ 20,952,233</u>	<u>\$ 5,255,337</u>	<u>\$ --</u>	<u>\$ --</u>	<u>26,207,570</u>

COUNTY OF HUMBOLDT

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

Note 4: **Capital Assets** (continued)

Restatement of Beginning Capital Asset Balances

<u>Capital Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Previously reported June 30, 2009	\$ 365,036,560	\$ 16,895,620
Prior Period Adjustments:		
Understatement of CIP	1,971,203	3,655,528
Overstatement of Motor Pool vehicles	(4,323,646)	--
Adjustments to accumulated depreciation	777,215	401,085
Various adjustments to equipment and structures	<u>97,342</u>	<u>--</u>
	<u>\$ 363,558,674</u>	<u>\$ 20,952,233</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,812,152
Public protection	393,351
Public ways and facilities	11,848,069
Health and sanitation	57,964
Public assistance	100,787
Education	2,445
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset	<u>1,067,173</u>
Total Depreciation Expense - Governmental Functions	<u>\$ 16,281,941</u>

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

Aviation	<u>\$ 961,349</u>
----------	-------------------

COUNTY OF HUMBOLDT

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

Note 5: **Lease Commitments**

Operating Leases

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

At June 30, 2010, the future minimum rental payments required under operating leases for buildings and equipment were as follows:

Fiscal Year Ending June 30,	General Fund
<u> </u>	<u> </u>
2011	\$ 3,290,535
2012	3,471,667
2013	2,913,813
2014	2,264,510
2015	3,632,834
	<u><u>\$ 15,573,359</u></u>

Rent expenditures were \$3,627,623 for the year ended June 30, 2010.

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, 2010:

	Stated Interest Rate	Present Value of Remaining Payments as of <u>June 30, 2010</u>
Animal shelter	2.0% - 4.4%	\$ 3,177,700
Phone system	2.80%	564,811
Building remodel	5.10%	2,175,106
Total		<u><u>\$ 5,917,617</u></u>

COUNTY OF HUMBOLDT

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

Note 5: **Lease Commitments** (continued)

Capital Leases (continued)

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

Animal shelter	\$ 3,752,300
Phone system	685,538
Building remodel	3,619,634
Less: accumulated depreciation	<u>(1,471,984)</u>
Total	<u>\$ 6,585,488</u>

As of June 30, 2010, future minimum lease payments under capital leases was as follows:

<u>Year Ending</u> <u>June 30:</u>	
2011	\$ 785,065
2012	788,158
2013	791,486
2014	795,026
2015	639,096
2016 - 2020	2,415,650
2021 - 2025	<u>1,323,988</u>
Total Future Minimum Lease Payments	7,538,469
Less: Interest	<u>(1,620,852)</u>
Present Value of Minimum Lease Payments	<u>\$5,917,617</u>

COUNTY OF HUMBOLDT

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

Note 6: **Long-Term Liabilities**

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Amounts Due Within One Year
Governmental Activities					
Certificates of participation	\$ 13,940,000	\$ --	\$ (655,000)	\$ 13,285,000	\$ 675,000
Unamortized premium	40,331	--	(2,372)	37,959	--
Compensated absences	17,615,633	7,398,606	(7,435,006)	17,579,233	8,077,689
Capital lease obligations	5,817,918	685,538	(585,839)	5,917,617	526,414
Liability for unpaid claims	1,473,938	1,794,972	(1,867,972)	1,400,938	1,400,938
Total Governmental Activities					
Long-term liabilities	<u>\$ 38,887,820</u>	<u>\$ 9,879,116</u>	<u>\$ (10,546,189)</u>	<u>\$ 38,220,747</u>	<u>\$ 10,680,041</u>
Business-type Activities					
Notes payable	9,788	--	(2,447)	7,341	2,447
Compensated absences	31,419	71,588	--	103,007	31,372
Total Business-type Activities					
Long-term liabilities	<u>\$ 41,207</u>	<u>\$ 71,588</u>	<u>\$ (2,447)</u>	<u>\$ 110,348</u>	<u>\$ 33,819</u>

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

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

Year Ending June 30	Governmental Activities	
	Certificates of Participation	
	Principal	Interest
2011	\$ 675,000	\$ 565,659
2012	695,000	542,709
2013	725,000	516,994
2014	750,000	489,444
2015	780,000	460,944
2016-2020	4,405,000	1,795,265
2021-2025	4,750,000	734,762
2026	505,000	23,735
	<u>\$ 13,285,000</u>	<u>\$ 5,129,512</u>

COUNTY OF HUMBOLDT

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

Note 6: **Long-Term Liabilities** (continued)

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

Year Ending June 30	Business-Type Activities	
	Notes Payable	
	Principal	Interest
2011	\$ 2,447	\$ 510
2012	2,447	340
2013	2,447	169
	\$ 7,341	\$ 1,019

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

	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2010
<u>Governmental Activities</u>						
Certificates of Participation (to refund outstanding principal of the County's COP 1994 Series A and the County's 1996 Series A (Justice Facility).	2003	2026	2.5%-4.7%	\$655,000-\$505,000	\$ 17,815,000	\$ 13,285,000
<u>Business-Type Activities</u>						
Note Payable (loan agreement with the State of California for airport improvements.	1988	2013	6.94%	\$2,447	\$ 61,177	\$ 7,341

Note 7: **Net Assets/Fund Balances Net Assets**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

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

COUNTY OF HUMBOLDT

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

Note 7: **Net Assets/Fund Balances Net Assets** (continued)

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

Fund Balances

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2010, reservations of fund balance are described below:

The term “reserved” is used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure. The County’s management will sometimes designate portions of unreserved (available) fund balance based on tentative future spending plans.

Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned.

The County has “reserved” fund balances as follows:

- Reserve for Encumbrances was created to represent encumbrances outstanding at the end of the fiscal year, based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year. Encumbrance accounting is employed as an extension of the budgetary process. This method records purchase orders, contracts and other commitments for the expenditure of funds in order to reserve that portion of the applicable appropriation. Encumbrance carryover at year end as reserved fund balances.
- Reserved for Department Cash was created to represent the portion of the fund balance that is not available for expenditures because the County maintains various levels of revolving funds for daily operations.
- Inventories represents the portion of assets which do not represent available spendable resources.

COUNTY OF HUMBOLDT

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

Note 7: **Net Assets/Fund Balances Net Assets** (continued)

Fund Balances (continued)

- Reserve for Prepaids and Other Assets represents resources set aside and not available as spendable resources.
- Reserve for Loans Receivable and Advances represents loans due to the County that are long-term in nature.
- Reserve for Capital Projects represents loans due to the County that are long-term in nature.
- Reserve for Debt Service represents funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.
- Reserve for Economic Development represents funds dedicated to alleviating property tax losses caused by the transfer of the Headwaters Forest into public ownership, and to provide financial resources for economic development projects that will be determined in future years.
- Net assets held in trust for investment pool participants represents investment funds held for external pool participants and do not represent available spending resources.

Note 8: **Employee's Retirement System**

A. **Plan Description**

The County's defined benefit pension plans (the Miscellaneous Plan and the Safety Plan) provide profit retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan and the Safety Plan are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

COUNTY OF HUMBOLDT

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

Note 8: **Employee's Retirement System** (continued)

B. Funding Policy

Active plan members in the Miscellaneous and the Safety Plan are required to contribute 8% and 9% of their annual covered salary, respectively. The County is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009/2010 was 17.718% for July through August 2009 and 17.948% for the balance of the fiscal year for miscellaneous employees, and 21.748% for safety plan employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For the Miscellaneous Plan for fiscal year 2009/2010, the County's annual pension cost was \$13,433,086 and the County actually contributed \$13,433,086. For the Safety Plan for fiscal year 2009/2010, the County's annual pension cost was \$3,218,101 and the County actually contributed \$3,218,101. The required Miscellaneous Plan and Safety Plan contributions for fiscal year 2009/2010 was determined as part of the June 30, 2007 actuarial valuations using the entry age normal actuarial cost method, with the contributions determined as a percent of pay. The actuarial assumptions include (a) 7.75% investment rate of return (net of administrative expenses); (b) projected annual salary increases that vary by duration of service ranging from 3.25% to 14.45% for the Miscellaneous Plan (3.25% to 13.15% for the Safety Plan); and (c) 3.0% cost-of-living adjustment for both plans. The actuarial value of the assets of the Miscellaneous Plan and the Safety Plan were determined using a technique that smoothes the effect of short-term volatility in the market value of the investments over a three-year-period. The unfunded actuarial accrued liability (or excess assets) of both plans is being amortized as a level percentage of projected payroll. The remaining amortization periods at June 30, 2010 for the Miscellaneous Plan and the Safety Plan were 23 years and 32 years, respectively.

Three Year Trend Information for PERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 14,387,783	100%	\$ --
June 30, 2009	15,449,039	100%	--
June 30, 2010	16,651,187	100%	--

COUNTY OF HUMBOLDT

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

Note 8: **Employee's Retirement System** (continued)

D. Funding Status

The funded status of the County's Safety and Miscellaneous Plans (in thousands) as of June 30, 2009, the date of the latest actuarial valuation, is as follows:

	Safety	Miscellaneous
Actuarial accrued liability (AAL)	\$ 125,956	\$ 438,789
Actuarial value of plan assets	107,351	343,310
Unfunded actuarial accrued liability (UAAL)	\$ 18,605	\$ 95,479
Funded ratio (actuarial value of plan assets/AAL)	85%	78%
Covered payroll (active Plan members)	14,734	79,299
Unfunded actuarial accrued liability as a percentage of covered payroll	126%	120%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 9: **Other Post Employment Benefit (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 \$101.00 per month that the County designates for PEMHCA. The \$101.00 per month was increased by law to \$105.00 for 2010, and will be indexed with medical inflation (CPI) for years 2011 and thereafter.

COUNTY OF HUMBOLDT

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

Note 9: **Other Post Employment Benefit (OPEB)** (continued)

A. **Plan Description** (continued)

Post-Retirement Coverage

The County also offers PEMHCA to its retirees. The County makes the required statutory PEMHCA contribution as described above. Prior to 2009, the County made additional contributions to a small number of retirees with special agreements, which have now been settled. The County pays a 0.43%-of-premium administrative fee to PEMHCA for each retiree.

Healthcare Premiums

The following table shows January 1, 2010 monthly PERS Health (PEMHCA) premiums for retirees within the Other Northern California region:

	<u>Blue Shield</u>		<u>PERS Choice</u>	<u>PERS Care</u>	
	<u>HMO</u>	<u>Kaiser HMO</u>	<u>PPO</u>	<u>PPO</u>	<u>PORAC</u>
<u>Basic Plan</u>					
Retiree	\$586.02	\$539.49	\$492.41	\$840.31	\$484.00
Retiree + 1	1,172.04	1,078.98	984.82	1,680.62	906.00
Family	1,523.65	1,402.67	1,280.27	2,184.81	1,151.00
 <u>Medicare Supplement</u>					
Retiree	\$299.53	\$298.36	\$356.09	\$410.60	\$363.00
Retiree + 1	599.06	596.72	712.18	821.20	723.00
Family	898.59	895.08	1,068.27	1,231.80	1,157.00

B. **Funding Policy**

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

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

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

COUNTY OF HUMBOLDT

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

Note 9: **Other Post Employment Benefit (OPEB)** (continued)

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

The following table shows the components of the County's Annual OPEB Cost for the fiscal years ended June 30, 2010 and June 30, 2009, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation/(Asset):

	<u>FYE 6/30/10</u>	<u>FYE 6/30/09</u>
Annual Required Contribution	\$ 1,917,286	\$ 1,607,018
Interest on Net OPEB Obligation/(Asset)	129,093	79,577
Adjustment to Annual Required Contribution	<u>(167,953)</u>	<u>(96,353)</u>
Annual OPEB cost (expense)	1,878,426	1,590,242
Contributions made	<u>(349,370)</u>	<u>(334,667)</u>
Increase in Net OPEB Obligation/(Asset)	1,529,056	1,255,575
Net OPEB Obligation/(Asset) - Beginning of year	<u>2,581,854</u>	<u>1,326,279</u>
Net OPEB Obligation/(Asset) - End of year	<u>\$ 4,110,910</u>	<u>\$ 2,581,854</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, 2010, 2009, and 2008 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
6/30/10	\$ 1,878,426	\$ 349,370	18.60%	\$ 4,110,910
6/30/09	1,590,242	334,667	21.05%	2,581,854
6/30/08	1,607,018	280,739	17.47%	1,326,279

The funded status of the plan as of the most recent two actuarial valuations was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Projected United Credit Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
July 1, 2007	\$ --	\$ 10,764,776	\$ 10,764,776	0.0%	\$ 75,031,676	14.35%
July 1, 2009	--	13,516,544	13,516,544	0.0%	85,602,335	15.79%

COUNTY OF HUMBOLDT

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

Note 9: **Other Post Employment Benefit (OPEB)** (continued)

D. Schedule of Funding Progress (continued)

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, 2009. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent after 2 years. These assumptions reflect an implicit 3 percent general inflation assumption. The County's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2010 was 30 years. The County's plan is considered a single-employer plan under GASB 45.

COUNTY OF HUMBOLDT

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

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:

	Balance at June 30, 2009	Current Year Claims and Changes in Estimates	Claims Payments	Balance at June 30, 2010
Liability and auto	\$ 1,268,000	\$ 68,339	\$ 141,339	\$ 1,195,000
Dental	79,348	1,375,042	1,375,042	79,348
Unemployment	126,590	351,591	351,591	126,590
	<u>\$ 1,473,938</u>	<u>\$ 1,794,972</u>	<u>\$ 1,867,972</u>	<u>\$ 1,400,938</u>

	Balance at June 30, 2008	Current Year Claims and Changes in Estimates	Claims Payments	Balance at June 30, 2009
Liability and auto	\$ 1,654,761	\$ 1,341,800	\$ 1,728,561	\$ 1,268,000
Dental	77,427	1,391,529	1,389,608	79,348
Unemployment	174,862	310,722	358,994	126,590
	<u>\$ 1,907,050</u>	<u>\$ 3,044,051</u>	<u>\$ 3,477,163</u>	<u>\$ 1,473,938</u>

COUNTY OF HUMBOLDT

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

Note 10: **Risk Management** (continued)

The claims liability, including incurred but not reported claims, were based on actuarial reviews. An actuarial review of the liability program was performed by Bickmore Risk Services in June 2010. Actuarial reviews of dental and unemployment programs were last performed by Demsey, Fillinger and Associates and Bay Actuarial Consultants, Inc. in June and May 2009, respectively.

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	Talx 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, 2010:

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

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

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

COUNTY OF HUMBOLDT

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

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, 2010, 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, 2009 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, 2010, there were outstanding commitments of \$743,036 for road and bridge projects and \$3,266,201 for airport projects.

Note 13: **Deficit Fund Balance or Net Assets**

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

	<u>Accumulated Deficit</u>
Courthouse Construction Fund B	\$ 558,972
Dental insurance	739,500
Medical insurance	815,850
Unemployment insurance	148,813
County insurance	112,840

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 the Financial Statements For the Fiscal Year Ended June 30, 2010

Note 14: Notes Receivable CDBG, CalHOME and HOME

The County has loans to low-income home owners for residential housing improvements and to developers for the construction of low-income qualified rental property. The loans are made through the Community Development Block Grant Program, the CalHOME Program and the HOME Program. The notes have interest rates from 0% to 3%. The terms of the notes range from five to fifty-five years. The notes are due upon sale of the property or maturity date. The notes are secured by real estate.

Note 15: Prior Period Adjustment

The County has determined that certain transactions were recorded incorrectly in a prior year. Additionally, the County reclassified some of its funds for financial reporting purposes.

Restatement of Beginning Equity

	Government-Wide Statements		Fund Statements				
	Governmental Activities	Business-Type Activities (1)	General Fund Statements	CDBG Fund	Road Fund	Nonmajor Governmental Funds	Nonmajor Internal Service Funds
Net assets/fund balance as of June 30, 2009, as previously reported	\$ 442,675,805	\$ 18,106,962	\$ 52,330,322	\$ 11,097,212	\$ 6,702,751	\$ 11,825,327	\$ 10,607,661
Combine CDBG fund with General Fund	--	--	11,097,212	(11,097,212)	--	--	--
Subtotal	<u>442,675,805</u>	<u>18,106,962</u>	<u>63,427,534</u>	<u>--</u>	<u>6,702,751</u>	<u>11,825,327</u>	<u>10,607,661</u>
<u>Reclassifications</u>							
Reclassify Agency funds	841,637	--	1,797,760	--	--	(956,123)	--
Reclassify Aviation Capital Projects to Enterprise	--	(443,090)	--	--	--	443,090	--
Subtotal	<u>841,637</u>	<u>(443,090)</u>	<u>1,797,760</u>	<u>--</u>	<u>--</u>	<u>(513,033)</u>	<u>--</u>
<u>Prior Year Restatements</u>							
Overstatement of accrued salaries	1,890,077	--	1,787,927	--	102,150	--	--
Overstatement of accrued interest receivable	(957,690)	(17,391)	(727,502)	--	(40,088)	(76,354)	(113,746)
Understatement of capital lease obligations	(685,538)	--	--	--	--	--	(685,538)
Correction of interfund loans repaid in prior year	32,557	--	--	--	--	--	32,557
Record beginning OPEB balance	(2,581,854)	--	--	--	--	--	--
Understatement (overstatement) of receivables	(14,223,733)	315,400	(14,223,733)	--	--	--	--
Understatement of compensated absences	--	(53,549)	--	--	--	--	--
Overstatement of cash with fiscal agent	(221,240)	--	--	--	--	(221,240)	--
Overstatement of deferred bond charges	(2,002,146)	--	--	--	--	--	--
Adjust capital asset balances	(1,161,936)	4,054,061	--	--	--	--	2,782,328
Subtotal	<u>(19,911,503)</u>	<u>4,298,521</u>	<u>(13,163,308)</u>	<u>--</u>	<u>62,062</u>	<u>(297,594)</u>	<u>2,015,601</u>
Net assets/fund balance as of June 30, 2009, as restated	<u>\$ 423,605,939</u>	<u>\$ 21,962,393</u>	<u>\$ 52,061,986</u>	<u>\$ --</u>	<u>\$ 6,764,813</u>	<u>\$ 11,014,700</u>	<u>\$ 12,623,262</u>

Other than the adjustments affecting the governmental and internal service funds summarized below, the beginning net assets of the government-wide statements governmental activities was restated to adjust deferred issuance costs to agree to the County's records (\$2 million) and to report the other post employment benefits (OPEB) obligation balance (\$2.5 million) at the beginning of the year not reported in the prior audit. Beginning net assets was also restated to properly adjust beginning capital assets to

COUNTY OF HUMBOLDT

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

Note 15: **Prior Period Adjustment** (continued)

Restatement of Beginning Equity (continued)

agree to the County's records, including adjusting for motor pool vehicles that were incorrectly reported within an internal service fund and as a government-wide adjustment (\$4.3 million) resulting in double reporting.

The beginning net assets of the aviation enterprise fund was restated to reclassify the aviation capital projects fund previously reported as a governmental fund despite tracking project costs benefitting the enterprise fund (\$443 thousand). Net assets was also restated to account for revenue earned in the prior year (\$315 thousand), to correct beginning compensated absences (\$53 thousand) to agree to the County's schedule, and to correct the portion of accrued interest earnings (\$18 thousand) incorrectly accrued in prior years. The beginning net assets was also restated to properly adjust beginning capital assets, primarily construction in progress (\$4 million), to agree to the County's records.

The beginning fund balance for the general fund was restated to reclassify governmental trust funds previously reported as agency funds (\$1.79 million), to combine the CDBG and economic development fund (\$11.1 million) with the general fund for financial reporting, and to correct the portion of accrued salaries (\$1.8 million), accrued interest earnings (\$728 thousand) and receivables (\$14.2 million) incorrectly accrued in prior years.

The beginning fund balance of the road fund was restated to correct the portion of accrued salaries (\$102 thousand) and accrued interest earnings incorrectly accrued in prior years.

The beginning fund balance for the nonmajor governmental funds was restated to reclassify governmental trust funds previously reported as agency funds (\$956 thousand), and adjust cash with fiscal agent (\$221 thousand) and to correct the portion of accrued interest earnings (\$76 thousand) incorrectly accrued in prior years.

The beginning net assets of the internal service funds was restated to reverse interfund loans repaid in prior years (\$33 thousand) and to correct the portion of accrued interest earnings (\$114 thousand) incorrectly accrued in prior years. The beginning net assets was also restated to properly account for a capital lease not reported in the prior year (\$685 thousand) and to adjust beginning capital assets to agree to the County's records (\$2.8 million).

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF HUMBOLDT

Required Supplementary Information For the Year Ended June 30, 2010

SCHEDULE OF FUNDING PROGRESS – RETIREMENT PLAN

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

Funded Status of Plan

Miscellaneous Plan

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
June 30, 2007	\$ 358,328,304	\$ 294,754,825	\$ 63,573,479	82.3%	\$ 69,041,741	92.1%
June 30, 2008	387,800,636	321,543,435	66,257,201	82.9%	70,676,151	93.7%
June 30, 2009	438,789,239	343,309,825	95,479,414	78.2%	79,298,521	120.4%

Safety Plan

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
June 30, 2007	\$ 106,973,850	\$ 95,495,553	\$ 11,478,297	89.3%	\$ 12,318,733	93.2%
June 30, 2008	114,354,464	102,193,809	12,160,655	89.4%	13,444,846	90.4%
June 30, 2009	125,955,745	107,351,051	18,604,694	85.2%	14,733,880	126.3%

SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTH PLAN

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

Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
July 1, 2007	\$ 10,764,776	\$ --	\$ 10,764,776	0.0%	\$ 75,031,676	14.35%
July 1, 2009	13,516,544	--	13,516,544	0.0%	85,602,335	15.79%

COUNTY OF HUMBOLDT

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 43,837,660	\$ 43,849,647	\$ 42,601,125	\$ (1,248,522)
Licenses and permits	1,362,232	1,399,232	1,505,586	106,354
Fines, forfeits and penalties	1,851,508	1,851,508	1,654,276	(197,232)
Use of money and property	494,000	494,000	411,789	(82,211)
Aid from other governments	146,607,291	158,275,976	129,294,046	(28,981,930)
Charges for services	36,723,538	38,572,354	34,007,975	(4,564,379)
Other revenue	6,036,707	6,857,540	2,076,374	(4,781,166)
Total Revenues	236,912,936	251,300,257	211,551,171	(39,749,086)
Expenditures:				
Current:				
General government	15,917,882	16,231,558	12,241,796	3,989,762
Public protection	72,660,160	77,160,528	61,989,639	15,170,889
Public way and facilities	1,702,120	1,714,107	1,713,799	308
Health and sanitation	62,492,603	63,930,703	55,103,594	8,827,109
Public assistance	84,346,255	92,372,372	78,090,704	14,281,668
Education	143,382	150,510	144,772	5,738
Recreation and culture	1,457,313	1,542,643	1,277,055	265,588
Total Expenditures	238,719,715	253,102,421	210,561,359	42,541,062
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,806,779)	(1,802,164)	989,812	2,791,976
Other Financing Sources (Uses):				
Transfers in	6,321,603	6,321,603	3,778,000	(2,543,603)
Transfers out	(6,111,319)	(6,111,319)	(1,561,916)	4,549,403
Total Other Financing Sources (Uses)	210,284	210,284	2,216,084	2,005,800
Net Change in Fund Balances	(1,596,495)	(1,591,880)	3,205,896	4,797,776
Budgetary Fund Balances - Beginning of Year	11,502,112	11,502,112	11,502,112	--
Budgetary Fund Balances - End of Year	\$ 9,905,617	\$ 9,910,232	\$ 14,708,008	\$ 4,797,776

(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	\$ 211,551,171
Receipts from funds reclassified from County Agency Funds, not budgeted	286,757
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 22)	\$ 211,837,928

Uses/outflows of resources

Actual amounts from the budgetary comparison schedule	\$ 210,561,359
Disbursements from funds reclassified from County Agency Funds, not budgeted	583,144
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 22)	\$ 211,144,503

COUNTY OF HUMBOLDT

Budgetary Comparison Schedule

Road Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 3,263,103	\$ 3,263,103	\$ 2,806,453	\$ (456,650)
Licenses and permits	56,500	56,500	113,014	56,514
Use of money and property	100,000	100,000	78,233	(21,767)
Aid from other governments	20,940,769	23,238,108	17,596,482	(5,641,626)
Charges for services	860,300	860,300	843,344	(16,956)
Other revenue	65,700	65,700	64,226	(1,474)
Total Revenues	<u>25,286,372</u>	<u>27,583,711</u>	<u>21,501,752</u>	<u>(6,081,959)</u>
Expenditures:				
Current:				
Public way and facilities	27,432,627	29,734,966	20,608,237	9,126,729
Contingencies	700,000	695,000	--	695,000
Total Expenditures	<u>28,132,627</u>	<u>30,429,966</u>	<u>20,608,237</u>	<u>9,821,729</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,846,255)	(2,846,255)	893,515	3,739,770
Budgetary Fund Balances - Beginning of Year	<u>6,764,813</u>	<u>6,764,813</u>	<u>6,764,813</u>	<u>--</u>
Budgetary Fund Balances - End of Year	<u><u>\$ 3,918,558</u></u>	<u><u>\$ 3,918,558</u></u>	<u><u>\$ 7,658,328</u></u>	<u><u>\$ 3,739,770</u></u>

COUNTY OF HUMBOLDT

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

BUDGETARY BASIS OF ACCOUNTING

General Budget Policies

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

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

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

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or for major capital projects) that are legally restricted to expenditures for particular purposes.

Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

COUNTY OF HUMBOLDT

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue			
	Recorder's Record Conversion	Family Support	Courthouse Construction Fund A	Courthouse Construction Fund B
<u>Assets</u>				
Cash and investments	\$ --	\$ 1,402,633	\$ 1,363,724	\$ --
Cash with fiscal agent	--	--	--	--
Departmental cash funds	--	--	--	--
Receivables:				
Accounts	--	24,770	27	27
Due from other funds	--	--	560,214	--
Advances to other funds	--	--	--	--
Prepays and other assets	--	--	--	1,215
	--	--	--	1,215
Total Assets	\$ --	\$ 1,427,403	\$ 1,923,965	\$ 1,242
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ --	\$ 7,216	\$ --	\$ --
Salaries and benefits payable	--	124,424	--	--
Due to other funds	--	--	--	560,214
	--	--	--	560,214
Total Liabilities	--	131,640	--	560,214
Fund Balance				
Reserved:				
Encumbrances	--	29,946	--	--
Departmental cash	--	--	--	--
Prepays and other assets	--	--	--	1,215
Unreserved:				
Undesignated	--	1,265,817	1,923,965	(560,187)
	--	1,265,817	1,923,965	(560,187)
Total Fund Balances	--	1,295,763	1,923,965	(558,972)
Total Liabilities and Fund Balances	\$ --	\$ 1,427,403	\$ 1,923,965	\$ 1,242

COUNTY OF HUMBOLDT

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

	Special Revenue			
	Microfilm	Automated Warrants	General Reserve	County Library
<u>Assets</u>				
Cash and investments	\$ --	\$ --	\$ 1,000,000	\$ 706,750
Cash with fiscal agent	--	--	--	--
Departmental cash funds	--	--	--	865
Receivables:				
Accounts	--	--	--	54,418
Due from other funds	--	--	--	--
Advances to other funds	--	--	--	--
Prepays and other assets	--	--	--	--
	--	--	1,000,000	762,033
Total Assets	\$ --	\$ --	\$ 1,000,000	\$ 762,033
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ 17,225
Salaries and benefits payable	--	--	--	56,780
Due to other funds	--	--	--	--
	--	--	--	74,005
Total Liabilities	--	--	--	74,005
Fund Balance				
Reserved:				
Encumbrances	--	--	--	--
Departmental cash	--	--	--	865
Prepays and other assets	--	--	--	--
Unreserved:				
Undesignated	--	--	1,000,000	687,163
	--	--	1,000,000	688,028
Total Fund Balances	--	--	1,000,000	688,028
Total Liabilities and Fund Balances	\$ --	\$ --	\$ 1,000,000	\$ 762,033

COUNTY OF HUMBOLDT

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

	Special Revenue			
	Fish and Game Propagation	Special Aviation	Special Districts Under County Board of Supervisors	Total Special Revenue
<u>Assets</u>				
Cash and investments	\$ 21,882	\$ 107,230	\$ 2,809,297	\$ 7,411,516
Cash with fiscal agent	--	--	--	--
Departmental cash funds	--	--	--	865
Receivables:				
Accounts	--	--	--	79,242
Due from other funds	--	--	--	560,214
Advances to other funds	--	--	--	--
Prepays and other assets	--	--	--	1,215
	<u>\$ 21,882</u>	<u>\$ 107,230</u>	<u>\$ 2,809,297</u>	<u>\$ 8,053,052</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 4,357	\$ 135	\$ 550	\$ 29,483
Salaries and benefits payable	--	--	--	181,204
Due to other funds	--	--	43,595	603,809
	<u>4,357</u>	<u>135</u>	<u>44,145</u>	<u>814,496</u>
 Fund Balance				
Reserved:				
Encumbrances	--	--	--	29,946
Departmental cash	--	--	--	865
Prepays and other assets	--	--	--	1,215
Unreserved:				
Undesignated	17,525	107,095	2,765,152	7,206,530
	<u>17,525</u>	<u>107,095</u>	<u>2,765,152</u>	<u>7,238,556</u>
 Total Liabilities and Fund Balances				
	<u>\$ 21,882</u>	<u>\$ 107,230</u>	<u>\$ 2,809,297</u>	<u>\$ 8,053,052</u>

COUNTY OF HUMBOLDT

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

	Debt Service	
	Public Property Leasing	Total
<u>Assets</u>		
Cash and investments	\$ 87,095	\$ 7,498,611
Cash with fiscal agent	2,155,703	2,155,703
Departmental cash funds	--	865
Receivables:		
Accounts	--	79,242
Due from other funds	--	560,214
Advances to other funds	--	--
Prepays and other assets	--	1,215
	<u>\$ 2,242,798</u>	<u>\$ 10,295,850</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ --	\$ 29,483
Salaries and benefits payable	--	181,204
Due to other funds	--	603,809
	<u>--</u>	<u>814,496</u>
<u>Fund Balance</u>		
Reserved:		
Encumbrances	--	29,946
Departmental cash	--	865
Prepays and other assets	--	1,215
Unreserved:		
Undesignated	2,242,798	9,449,328
	<u>2,242,798</u>	<u>9,481,354</u>
Total Fund Balances	<u>2,242,798</u>	<u>9,481,354</u>
Total Liabilities and Fund Balances	<u>\$ 2,242,798</u>	<u>\$ 10,295,850</u>

COUNTY OF HUMBOLDT

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

	Special Revenue			
	Recorder's Record Conversion	Family Support	Courthouse Construction Fund A	Courthouse Construction Fund B
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Fines, forfeitures and penalties	--	--	360,486	252,782
Use of money and property	2,982	29,702	28,566	--
Intergovernmental	--	4,989,954	--	--
Charges for services	25,537	--	--	--
Miscellaneous	114,497	--	--	--
Total Revenues	<u>143,016</u>	<u>5,019,656</u>	<u>389,052</u>	<u>252,782</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	454,841	4,920,596	--	--
Education	--	--	--	--
Debt Service:				
Principal	--	--	--	236,461
Interest and Other Charges	--	--	38,875	78,074
Total Expenditures	<u>454,841</u>	<u>4,920,596</u>	<u>38,875</u>	<u>314,535</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(311,825)</u>	<u>99,060</u>	<u>350,177</u>	<u>(61,753)</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	--	--	(74,385)	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(74,385)</u>	<u>--</u>
Net Change in Fund Balances	(311,825)	99,060	275,792	(61,753)
Fund Balances - Beginning of Year	318,034	1,196,703	1,669,286	(497,219)
Prior Period Adjustments	<u>(6,209)</u>	<u>--</u>	<u>(21,113)</u>	<u>--</u>
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ 1,295,763</u>	<u>\$ 1,923,965</u>	<u>\$ (558,972)</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue			
	Microfilm	Automated Warrants	General Reserve	County Library
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ 2,063,586
Fines, forfeitures and penalties	--	--	--	--
Use of money and property	--	--	--	6,781
Intergovernmental	--	--	--	554,396
Charges for services	--	--	--	74,124
Miscellaneous	--	--	--	124,034
Total Revenues	--	--	--	2,822,921
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	--	--	--	--
Education	--	--	--	2,948,935
Debt Service:				
Principal	--	--	--	--
Interest and Other Charges	--	--	--	--
Total Expenditures	--	--	--	2,948,935
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	--	--	(126,014)
Other Financing Sources (Uses):				
Transfers in	--	--	--	314,544
Transfers out	--	--	(2,000,000)	(75,861)
Total Other Financing Sources (Uses)	--	--	(2,000,000)	238,683
Net Change in Fund Balances	--	--	(2,000,000)	112,669
Fund Balances - Beginning of Year	--	--	3,000,000	585,423
Prior Period Adjustments	--	--	--	(10,064)
Fund Balances - End of Year	\$ --	\$ --	\$ 1,000,000	\$ 688,028

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue			
	Fish and Game Propagation	Special Aviation	Special Districts Under County Board of Supervisors	Total Special Revenue
Revenues:				
Taxes	\$ --	\$ --	\$ 672,587	\$ 2,736,173
Fines, forfeitures and penalties	8,675	--	--	621,943
Use of money and property	315	2,208	55,696	126,250
Intergovernmental	--	--	8,996	5,553,346
Charges for services	--	--	--	99,661
Miscellaneous	--	--	53,784	292,315
Total Revenues	<u>8,990</u>	<u>2,208</u>	<u>791,063</u>	<u>9,429,688</u>
Expenditures:				
Current:				
General government	--	7,630	--	7,630
Public protection	4,357	--	652,121	6,031,915
Education	--	--	--	2,948,935
Debt Service:				
Principal	--	--	--	236,461
Interest and Other Charges	--	--	--	116,949
Total Expenditures	<u>4,357</u>	<u>7,630</u>	<u>652,121</u>	<u>9,341,890</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,633</u>	<u>(5,422)</u>	<u>138,942</u>	<u>87,798</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	314,544
Transfers out	--	--	--	(2,150,246)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,835,702)</u>
Net Change in Fund Balances	4,633	(5,422)	138,942	(1,747,904)
Fund Balances - Beginning of Year	13,153	112,569	3,620,988	10,018,937
Prior Period Adjustments	(261)	(52)	(994,778)	(1,032,477)
Fund Balances - End of Year	<u>\$ 17,525</u>	<u>\$ 107,095</u>	<u>\$ 2,765,152</u>	<u>\$ 7,238,556</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	<u>Debt Service</u>	
	Public Property Leasing	Total
Revenues:		
Taxes	\$ --	\$ 2,736,173
Fines, forfeitures and penalties	--	621,943
Use of money and property	69,161	195,411
Intergovernmental	--	5,553,346
Charges for services	--	99,661
Miscellaneous	--	292,315
Total Revenues	69,161	9,498,849
Expenditures:		
Current:		
General government	--	7,630
Public protection	--	6,031,915
Education	--	2,948,935
Debt Service:		
Principal	655,000	891,461
Interest and Other Charges	597,221	714,170
Total Expenditures	1,252,221	10,594,111
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,183,060)	(1,095,262)
Other Financing Sources (Uses):		
Transfers in	1,397,618	1,712,162
Transfers out	--	(2,150,246)
Total Other Financing Sources (Uses)	1,397,618	(438,084)
Net Change in Fund Balances	214,558	(1,533,346)
Fund Balances - Beginning of Year	2,249,480	12,268,417
Prior Period Adjustments	(221,240)	(1,253,717)
Fund Balances - End of Year	\$ 2,242,798	\$ 9,481,354

INTERNAL SERVICE FUNDS

COUNTY OF HUMBOLDT

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

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,155,894	\$ 473,165	\$ 212,704
Accounts receivable	3,446	--	--
Due from other funds	--	--	3,391
Inventory	261,101	--	--
Prepaid expenses	--	--	--
Total Current Assets	<u>1,420,441</u>	<u>473,165</u>	<u>216,095</u>
Noncurrent Assets:			
Capital assets, net of depreciation	<u>1,267,448</u>	<u>668,593</u>	<u>--</u>
Total Noncurrent Assets	<u>1,267,448</u>	<u>668,593</u>	<u>--</u>
Total Assets	<u>\$ 2,687,889</u>	<u>\$ 1,141,758</u>	<u>\$ 216,095</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 106,834	\$ 168,895	\$ 1,678
Accrued payroll and benefits	37,405	71,417	2,506
Due to other funds	--	--	--
Other liabilities	--	--	--
Deferred revenue	--	--	--
Capital leases	--	128,412	--
Liability for compensated absences	45,679	205,013	10,713
Provision for estimated claims	--	--	--
Total Current Liabilities	<u>189,918</u>	<u>573,737</u>	<u>14,897</u>
Long-term Liabilities:			
Capital leases	--	436,399	--
Liability for compensated absences	<u>171,135</u>	<u>--</u>	<u>--</u>
Total Liabilities	<u>361,053</u>	<u>1,010,136</u>	<u>14,897</u>
<u>Net Assets</u>			
Invested in capital assets	1,267,448	103,782	--
Unrestricted	<u>1,059,388</u>	<u>27,840</u>	<u>201,198</u>
Total Net Assets	<u>2,326,836</u>	<u>131,622</u>	<u>201,198</u>
Total Liabilities and Net Assets	<u>\$ 2,687,889</u>	<u>\$ 1,141,758</u>	<u>\$ 216,095</u>

COUNTY OF HUMBOLDT

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

<u>Assets</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 2,274,729	\$ 3,468,676	\$ 7,585,168
Accounts receivable	42	--	3,488
Due from other funds	--	1,437,111	1,440,502
Inventory	66,890	--	327,991
Prepaid expenses	--	1,192,561	1,192,561
Total Current Assets	<u>2,341,661</u>	<u>6,098,348</u>	<u>10,549,710</u>
Noncurrent Assets:			
Capital assets, net of depreciation	<u>5,712,945</u>	<u>25,754</u>	<u>7,674,740</u>
Total Noncurrent Assets	<u>5,712,945</u>	<u>25,754</u>	<u>7,674,740</u>
Total Assets	<u><u>\$ 8,054,606</u></u>	<u><u>\$ 6,124,102</u></u>	<u><u>\$ 18,224,450</u></u>
 <u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 67,618	\$ 121,571	\$ 466,596
Accrued payroll and benefits	16,503	24,995	152,826
Due to other funds	--	1,437,111	1,437,111
Other liabilities	--	161,500	161,500
Deferred revenue	--	1,190,993	1,190,993
Capital leases	--	--	128,412
Liability for compensated absences	28,964	4,441	294,810
Provision for estimated claims	--	1,400,938	1,400,938
Total Current Liabilities	<u>113,085</u>	<u>4,341,549</u>	<u>5,233,186</u>
Long-term Liabilities:			
Capital leases	--	--	436,399
Liability for compensated absences	--	156,287	327,422
Total Liabilities	<u>113,085</u>	<u>4,497,836</u>	<u>5,997,007</u>
 <u>Net Assets</u>			
Invested in capital assets	5,712,945	25,754	7,109,929
Unrestricted	2,228,576	1,600,512	5,117,514
Total Net Assets	<u>7,941,521</u>	<u>1,626,266</u>	<u>12,227,443</u>
Total Liabilities and Net Assets	<u><u>\$ 8,054,606</u></u>	<u><u>\$ 6,124,102</u></u>	<u><u>\$ 18,224,450</u></u>

COUNTY OF HUMBOLDT

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

	Heavy Equipment	Information Technology	Central Services
Operating Revenues:			
Charges for services	\$ 1,767,817	\$ 2,713,391	\$ 281,646
Miscellaneous revenues	502,907	2	29,054
Total Operating Revenues	2,270,724	2,713,393	310,700
Operating Expenses:			
Salaries and benefits	719,293	1,404,607	190,882
Services and supplies	1,125,071	1,204,478	68,542
Self-insurance claims and purchase premiums	--	--	--
Depreciation	164,714	190,572	--
Other expenses	--	--	--
Total Operating Expenses	2,009,078	2,799,657	259,424
Net Operating Income (Loss)	261,646	(86,264)	51,276
Non-Operating Revenues (Expenses):			
Interest income	15,460	--	--
Interest expense	--	--	--
Total Non-Operating Revenues	15,460	--	--
Change in Net Assets	277,106	(86,264)	51,276
Net Assets - Beginning of Year	1,106,426	802,368	149,922
Prior period adjustments	943,304	(584,482)	--
Net Assets - End of Year	\$ 2,326,836	\$ 131,622	\$ 201,198

COUNTY OF HUMBOLDT

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

	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,859,107	\$ 20,577,427	\$ 27,199,388
Miscellaneous revenues	<u>187,508</u>	<u>388,975</u>	<u>1,108,446</u>
 Total Operating Revenues	 <u>2,046,615</u>	 <u>20,966,402</u>	 <u>28,307,834</u>
 Operating Expenses:			
Salaries and benefits	296,836	550,703	3,162,321
Services and supplies	1,314,385	112,603	3,825,079
Self-insurance claims and purchase premiums	--	20,781,919	20,781,919
Depreciation	705,660	6,227	1,067,173
Other expenses	<u>--</u>	<u>7,513</u>	<u>7,513</u>
 Total Operating Expenses	 <u>2,316,881</u>	 <u>21,458,965</u>	 <u>28,844,005</u>
 Net Operating Income (Loss)	 <u>(270,266)</u>	 <u>(492,563)</u>	 <u>(536,171)</u>
 Non-Operating Revenues (Expenses):			
Interest income	54,328	98,043	167,831
Interest expense	<u>--</u>	<u>(27,479)</u>	<u>(27,479)</u>
 Total Non-Operating Revenues	 <u>54,328</u>	 <u>70,564</u>	 <u>140,352</u>
 Change in Net Assets	 (215,938)	 (421,999)	 (395,819)
 Net Assets - Beginning of Year	 6,434,286	 2,114,659	 10,607,661
Prior period adjustments	<u>1,723,173</u>	<u>(66,394)</u>	<u>2,015,601</u>
 Net Assets - End of Year	 <u>\$ 7,941,521</u>	 <u>\$ 1,626,266</u>	 <u>\$ 12,227,443</u>

COUNTY OF HUMBOLDT

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

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 2,295,766	\$ 2,723,374	\$ 310,700
Cash paid to suppliers for goods and services	(1,099,154)	(1,351,121)	(70,514)
Cash paid to employees	(698,261)	(1,405,505)	(190,809)
	<u>498,351</u>	<u>(33,252)</u>	<u>49,377</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loans from other funds	--	--	--
Interfund loans to other funds	--	--	(3,391)
Miscellaneous revenue	--	--	--
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>--</u>	<u>(3,391)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(81,734)	(418)	--
Principal repayments	--	(120,727)	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(81,734)</u>	<u>(121,145)</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	<u>15,460</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Investing Activities	<u>15,460</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	432,077	(154,397)	45,986
Cash and Cash Equivalents, Beginning of Year	<u>723,817</u>	<u>627,562</u>	<u>166,718</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,155,894</u>	<u>\$ 473,165</u>	<u>\$ 212,704</u>

continued

COUNTY OF HUMBOLDT

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

	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 2,046,573	\$ 20,966,497	\$ 28,342,910
Cash paid to suppliers for goods and services	(1,308,723)	(20,964,157)	(24,793,669)
Cash paid to employees	(295,984)	(523,400)	(3,113,959)
	<u>441,866</u>	<u>(521,060)</u>	<u>435,282</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loans from other funds	2,450,191	103,086	2,553,277
Interfund loans to other funds	--	(2,163,626)	(2,167,017)
Miscellaneous revenue	--	50,283	50,283
Net Cash Provided (Used) by Investing Activities	<u>2,450,191</u>	<u>(2,010,257)</u>	<u>436,543</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,219,346)	(17,399)	(1,318,897)
Sale of capital assets	--	--	(120,727)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,219,346)</u>	<u>(17,399)</u>	<u>(1,439,624)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	54,328	70,564	140,352
Net Cash Provided (Used) by Investing Activities	<u>54,328</u>	<u>70,564</u>	<u>140,352</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,727,039	(2,478,152)	(427,447)
Cash and Cash Equivalents, Beginning of Year	<u>547,690</u>	<u>5,946,828</u>	<u>8,012,615</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,274,729</u>	<u>\$ 3,468,676</u>	<u>\$ 7,585,168</u>

continued

COUNTY OF HUMBOLDT

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

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 261,646	\$ (86,264)	\$ 51,276
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	164,714	190,572	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	(3,446)	--	--
Due from other governmental entities	28,488	2,043	--
Deposits with others	--	7,938	--
Prepaid expenses	--	--	--
Increase (decrease) in:			
Payables	25,917	(146,643)	(1,972)
Accrued salaries and benefits	10,434	16,731	(3,529)
Liability for compensated absences	10,598	(17,629)	3,602
Claims payable	--	--	--
Unearned revenue	--	--	--
Other liabilities	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 498,351</u>	<u>\$ (33,252)</u>	<u>\$ 49,377</u>

continued

COUNTY OF HUMBOLDT

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

	Motor Pool	Insurance Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (270,266)	\$ (492,563)	\$ (536,171)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	705,660	6,227	1,067,173
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	(42)	--	(3,488)
Due from other governmental entities	--	13,048	43,579
Deposits with others	--	--	7,938
Prepaid expenses	--	30,778	30,778
Increase (decrease) in:			
Payables	5,662	24,314	(92,722)
Accrued salaries and benefits	4,335	3,828	31,799
Liability for compensated absences	(3,483)	23,475	16,563
Claims payable	--	(73,000)	(73,000)
Unearned revenue	--	(43,731)	(43,731)
Other liabilities	--	(13,436)	(13,436)
	<u>\$ 441,866</u>	<u>\$ (521,060)</u>	<u>\$ 435,282</u>
Net Cash Provided (Used) by Operating Activities			

SELF-INSURANCE FUNDS

COUNTY OF HUMBOLDT

Combining Statement of Fund Net Assets
Insurance Funds
June 30, 2010

	<u>Dental</u>	<u>County Insurance</u>	<u>Communications</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ --	\$ 64,941	\$ 76,699
Receivables:			
Due from other funds	--	--	--
Prepaid expenses	28,000	--	--
Total Current Assets	<u>28,000</u>	<u>64,941</u>	<u>76,699</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	4,534	21,220
Total Noncurrent Assets	<u>--</u>	<u>4,534</u>	<u>21,220</u>
Total Assets	<u>\$ 28,000</u>	<u>\$ 69,475</u>	<u>\$ 97,919</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ --	\$ 1,863	\$ 23,210
Accrued payroll and benefits	--	23,499	1,496
Due to other funds	688,152	--	--
Other liabilities	--	--	--
Deferred revenue	--	--	--
Liability for compensated absences	--	2,454	1,987
Provision for estimated claims	79,348	--	--
Total Current Liabilities	<u>767,500</u>	<u>27,816</u>	<u>26,693</u>
Long-term Liabilities:			
Liability for compensated absences	--	154,499	1,788
Total Liabilities	<u>767,500</u>	<u>182,315</u>	<u>28,481</u>
<u>Net Assets</u>			
Invested in capital assets	--	4,534	21,220
Unrestricted	(739,500)	(117,374)	48,218
Total Net Assets	<u>(739,500)</u>	<u>(112,840)</u>	<u>69,438</u>
Total Liabilities and Net Assets	<u>\$ 28,000</u>	<u>\$ 69,475</u>	<u>\$ 97,919</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Fund Net Assets (continued)
Insurance Funds
June 30, 2010

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>	<u>Medical</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 8,304	\$ 1,816,275	\$ --
Receivables:			
Due from other funds	1,437,111	--	--
Prepaid expenses	--	16,344	1,127,763
Total Current Assets	<u>1,445,415</u>	<u>1,832,619</u>	<u>1,127,763</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	--	--
Total Noncurrent Assets	<u>--</u>	<u>--</u>	<u>--</u>
Total Assets	<u><u>\$ 1,445,415</u></u>	<u><u>\$ 1,832,619</u></u>	<u><u>\$ 1,127,763</u></u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ --	\$ 80,064	\$ 3,661
Accrued payroll and benefits	--	--	--
Due to other funds	--	--	748,959
Other liabilities	--	2,700	--
Deferred revenue	--	--	1,190,993
Liability for compensated absences	--	--	--
Provision for estimated claims	--	1,195,000	--
Total Current Liabilities	<u>--</u>	<u>1,277,764</u>	<u>1,943,613</u>
Long-term Liabilities:			
Liability for compensated absences	--	--	--
Total Liabilities	<u>--</u>	<u>1,277,764</u>	<u>1,943,613</u>
<u>Net Assets</u>			
Invested in capital assets	--	--	--
Unrestricted	1,445,415	554,855	(815,850)
Total Net Assets	<u>1,445,415</u>	<u>554,855</u>	<u>(815,850)</u>
Total Liabilities and Net Assets	<u><u>\$ 1,445,415</u></u>	<u><u>\$ 1,832,619</u></u>	<u><u>\$ 1,127,763</u></u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Fund Net Assets (continued)
Insurance Funds
June 30, 2010

	Unemployment	Purchased Insurance Premium	Total
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 26,890	\$ 1,475,567	\$ 3,468,676
Receivables:			
Due from other funds	--	--	1,437,111
Prepaid expenses	--	20,454	1,192,561
Total Current Assets	26,890	1,496,021	6,098,348
Noncurrent Assets:			
Capital assets, net of depreciation	--	--	25,754
Total Noncurrent Assets	--	--	25,754
Total Assets	\$ 26,890	\$ 1,496,021	\$ 6,124,102
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 841	\$ 11,932	\$ 121,571
Accrued payroll and benefits	--	--	24,995
Due to other funds	--	--	1,437,111
Other liabilities	48,272	110,528	161,500
Deferred revenue	--	--	1,190,993
Liability for compensated absences	--	--	4,441
Provision for estimated claims	126,590	--	1,400,938
Total Current Liabilities	175,703	122,460	4,341,549
Long-term Liabilities:			
Liability for compensated absences	--	--	156,287
Total Liabilities	175,703	122,460	4,497,836
<u>Net Assets</u>			
Invested in capital assets	--	--	25,754
Unrestricted	(148,813)	1,373,561	1,600,512
Total Net Assets	(148,813)	1,373,561	1,626,266
Total Liabilities and Net Assets	\$ 26,890	\$ 1,496,021	\$ 6,124,102

COUNTY OF HUMBOLDT

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

	Dental	County Insurance	Communications
Operating Revenues:			
Charges for services	\$ 1,463,459	\$ 582,612	\$ 112,434
Miscellaneous revenues	267	62,119	77,149
 Total Operating Revenues	 1,463,726	 644,731	 189,583
 Operating Expenses:			
Salaries and benefits	--	479,629	71,074
Services and supplies	--	43,629	68,974
Self-insurance claims and purchase premiums	1,579,145	--	--
Depreciation	--	2,230	3,997
Other expenses	--	--	--
 Total Operating Expenses	 1,579,145	 525,488	 144,045
 Net Operating Income (Loss)	 (115,419)	 119,243	 45,538
 Non-Operating Revenues (Expenses):			
Interest income	--	2,052	--
Interest expense	(11,002)	(127)	--
 Total Non-Operating Revenues	 (11,002)	 1,925	 --
 Change in Net Assets	 (126,421)	 121,168	 45,538
 Net Assets - Beginning of Year	(663,362)	262,992	16,082
Prior period adjustments	50,283	(497,000)	7,818
 Net Assets - End of Year	 \$ (739,500)	 \$ (112,840)	 \$ 69,438

continued

COUNTY OF HUMBOLDT

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

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>	<u>Medical</u>
Operating Revenues:			
Charges for services	\$ 2,205,569	\$ 1,936,287	\$ 12,996,029
Miscellaneous revenues	<u>151,436</u>	<u>286</u>	<u>97,718</u>
 Total Operating Revenues	 <u>2,357,005</u>	 <u>1,936,573</u>	 <u>13,093,747</u>
Operating Expenses:			
Salaries and benefits	--	--	--
Services and supplies	--	--	--
Self-insurance claims and purchase premiums	3,648,048	1,761,035	12,433,195
Depreciation	--	--	--
Other expenses	<u>--</u>	<u>7,425</u>	<u>88</u>
 Total Operating Expenses	 <u>3,648,048</u>	 <u>1,768,460</u>	 <u>12,433,283</u>
 Net Operating Income (Loss)	 <u>(1,291,043)</u>	 <u>168,113</u>	 <u>660,464</u>
Non-Operating Revenues (Expenses):			
Interest income	30,223	36,132	--
Interest expense	<u>--</u>	<u>--</u>	<u>(16,350)</u>
 Total Non-Operating Revenues	 <u>30,223</u>	 <u>36,132</u>	 <u>(16,350)</u>
 Change in Net Assets	 (1,260,820)	 204,245	 644,114
Net Assets - Beginning of Year	2,613,233	238,474	(1,459,964)
Prior period adjustments	<u>93,002</u>	<u>112,136</u>	<u>--</u>
 Net Assets - End of Year	 <u>\$ 1,445,415</u>	 <u>\$ 554,855</u>	 <u>\$ (815,850)</u>

continued

COUNTY OF HUMBOLDT

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

	Unemployment	Purchased Insurance Premium	Total
Operating Revenues:			
Charges for services	\$ 224,983	\$ 1,056,054	\$ 20,577,427
Miscellaneous revenues	--	--	388,975
Total Operating Revenues	224,983	1,056,054	20,966,402
Operating Expenses:			
Salaries and benefits	--	--	550,703
Services and supplies	--	--	112,603
Self-insurance claims and purchase premiums	399,948	960,548	20,781,919
Depreciation	--	--	6,227
Other expenses	--	--	7,513
Total Operating Expenses	399,948	960,548	21,458,965
Net Operating Income (Loss)	(174,965)	95,506	(492,563)
Non-Operating Revenues (Expenses):			
Interest income	3,549	26,087	98,043
Interest expense	--	--	(27,479)
Total Non-Operating Revenues	3,549	26,087	70,564
Change in Net Assets	(171,416)	121,593	(421,999)
Net Assets - Beginning of Year	(48,951)	1,156,155	2,114,659
Prior period adjustments	71,554	95,813	(66,394)
Net Assets - End of Year	\$ (148,813)	\$ 1,373,561	\$ 1,626,266

COUNTY OF HUMBOLDT

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

	<u>Dental</u>	<u>County Insurance</u>	<u>Communications</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 1,463,726	\$ 644,731	\$ 189,583
Cash paid to suppliers for goods and services	(1,579,145)	(45,209)	(52,294)
Cash paid to employees	--	(452,649)	(70,751)
Net Cash Provided (Used) by Operating Activities	<u>(115,419)</u>	<u>146,873</u>	<u>66,538</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loans from other funds	103,086	--	--
Interfund loans to other funds	--	(83,339)	--
Miscellaneous revenue	50,283	--	--
Net Cash Provided (Used) by Investing Activities	<u>153,369</u>	<u>(83,339)</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	--	--	(17,399)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>(17,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	(11,002)	1,925	--
Net Cash Provided (Used) by Investing Activities	<u>(11,002)</u>	<u>1,925</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	26,948	65,459	49,139
Cash and Cash Equivalents, Beginning of Year	<u>(26,948)</u>	<u>(518)</u>	<u>27,560</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ --</u></u>	<u><u>\$ 64,941</u></u>	<u><u>\$ 76,699</u></u>

continued

COUNTY OF HUMBOLDT

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

	Workers' Compensation	Liability	Medical
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 2,357,005	\$ 1,920,929	\$ 13,097,138
Cash paid to suppliers for goods and services	(3,650,264)	(1,799,602)	(12,429,622)
Cash paid to employees	--	--	--
Net Cash Provided (Used) by Operating Activities	(1,293,259)	121,327	667,516
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loans from other funds	--	--	--
Interfund loans to other funds	(1,437,111)	--	(643,176)
Miscellaneous revenue	--	--	--
Net Cash Provided (Used) by Investing Activities	(1,437,111)	--	(643,176)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	--	--	--
Net Cash Provided (Used) by Capital and Related Financing Activities	--	--	--
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	30,223	36,132	(16,350)
Net Cash Provided (Used) by Investing Activities	30,223	36,132	(16,350)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,700,147)	157,459	7,990
Cash and Cash Equivalents, Beginning of Year	2,708,451	1,658,816	(7,990)
Cash and Cash Equivalents, End of Year	\$ 8,304	\$ 1,816,275	\$ --

continued

COUNTY OF HUMBOLDT

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

	<u>Unemployment</u>	<u>Purchased Insurance Premium</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 224,983	\$ 1,068,402	\$ 20,966,497
Cash paid to suppliers for goods and services	(399,107)	(1,008,914)	(20,964,157)
Cash paid to employees	--	--	(523,400)
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	(174,124)	59,488	(521,060)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loans from other funds	--	--	103,086
Interfund loans to other funds	--	--	(2,163,626)
Miscellaneous revenue	--	--	50,283
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Investing Activities	--	--	(2,010,257)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	--	--	(17,399)
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Capital and Related Financing Activities	--	--	(17,399)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	3,549	26,087	70,564
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Investing Activities	3,549	26,087	29,636
Net Increase (Decrease) in Cash and Cash Equivalents	(170,575)	85,575	(2,519,080)
Cash and Cash Equivalents, Beginning of Year	<u>197,465</u>	<u>1,389,992</u>	<u>5,946,828</u>
Cash and Cash Equivalents, End of Year	<u>\$ 26,890</u>	<u>\$ 1,475,567</u>	<u>\$ 3,468,676</u>

continued

COUNTY OF HUMBOLDT

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

	<u>Dental</u>	<u>County Insurance</u>	<u>Communications</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (115,419)	\$ 119,243	\$ 45,538
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	2,230	3,997
Changes in assets and liabilities:			
(Increase) decrease in:			
Due from other governmental entities	--	--	--
Prepaid expenses	--	--	--
Increase (decrease) in:			
Payables	--	(1,580)	16,680
Accrued salaries and benefits	--	4,356	(528)
Liability for compensated absences	--	22,624	851
Claims payable	--	--	--
Unearned revenue	--	--	--
Other liabilities	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (115,419)</u>	<u>\$ 146,873</u>	<u>\$ 66,538</u>

continued

COUNTY OF HUMBOLDT

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

	<u>Workers'</u>		<u>Liability</u>		<u>Medical</u>
	<u>Compensation</u>				
Reconciliation of Operating Income (Loss)					
to Net Cash Provided (Used) by					
Operating Activities:					
Operating income (loss)	\$ (1,291,043)	\$	168,113	\$	660,464
Adjustments to reconcile operating income					
(loss) to net cash provided (used) by					
operating activities:					
Depreciation	--		--		--
Changes in assets and liabilities:					
(Increase) decrease in:					
Due from other governmental entities	--		700		--
Prepaid expenses	--		(16,344)		47,122
Increase (decrease) in:					
Payables	(2,216)		39,158		3,661
Accrued salaries and benefits	--		--		--
Liability for compensated absences	--		--		--
Claims payable	--		(73,000)		--
Unearned revenue	--		--		(43,731)
Other liabilities	--		2,700		--
	<u> </u>		<u> </u>		<u> </u>
Net Cash Provided (Used) by					
Operating Activities	<u>\$ (1,293,259)</u>	<u>\$</u>	<u>121,327</u>	<u>\$</u>	<u>667,516</u>

continued

COUNTY OF HUMBOLDT

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

	<u>Unemployment</u>	<u>Purchased Insurance Premium</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (174,965)	\$ 95,506	\$ (492,563)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	--	6,227
Changes in assets and liabilities:			
(Increase) decrease in:			
Due from other governmental entities	--	12,348	13,048
Prepaid expenses	--	--	30,778
Increase (decrease) in:			
Payables	841	(32,230)	24,314
Accrued salaries and benefits	--	--	3,828
Liability for compensated absences	--	--	23,475
Claims payable	--	--	(73,000)
Unearned revenue	--	--	(43,731)
Other liabilities	--	(16,136)	(13,436)
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (174,124)</u>	<u>\$ 59,488</u>	<u>\$ (521,060)</u>