

**COUNTY OF HUMBOLDT**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**COUNTY OF HUMBOLDT**  
**AUDIT REPORT**

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## **INTRODUCTORY SECTION**

**COUNTY OF HUMBOLDT**  
**BOARD OF SUPERVISORS AND FINANCE ADMINISTRATORS**  
**JUNE 30, 2011**

**BOARD OF SUPERVISORS**  
(as of June 30, 2011)

<u>Name</u>	<u>Office</u>
Jimmy Smith	Supervisor, District 1
Clif Clendensen	Supervisor, District 2
Mark Lovelace	Supervisor, District 3
Virginia Bass	Supervisor, District 4
Ryan Sundberg	Supervisor, District 5

**FINANCE ADMINISTRATORS**

<u>Name</u>	<u>Office</u>
Philip Smith-Hanes	County Administrative Officer
Joseph Mellett	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, 2011, 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, 2011, 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 March 29, 2012 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  
Eureka, California

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

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

  
Roseville, California  
March 29, 2012

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

# COUNTY OF HUMBOLDT

## Management's Discussion and Analysis June 30, 2011

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, 2011. 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 \$450,306,158 (*net assets*). Net assets of \$96,442,403 are restricted for specific purposes (*restricted net assets*), and \$361,627,976 are invested in capital assets, net of related debt. Unrestricted net assets were a negative \$7,764,221, primarily due to Governmental Accounting Standards Board (GASB) Statement No. 54, which requires presentation of certain long-term payroll liabilities as unrestricted net assets. The government's total net assets, as restated, decreased by \$1,597,675 in comparison with the prior year.
- The County's net assets invested in capital assets, net of related debt, decreased by \$1,859,210.
- The County's governmental funds reported combined fund balances of \$94,632,330, an increase of \$1,141,113 in comparison with the prior year, as adjusted. The unassigned portion of those fund balances was \$3,259,963. Because of reporting changes mandated by GASB 54, the classification of fund balances is not comparable to the prior year's statements.

### 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, 2011

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, 2011

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, 2011

### 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 \$450,306,158 at the close of the most recent fiscal year. Of these combined net assets 80.3% reflects the County's investment in capital assets, net of related debt. Another 21.4% of the County's net assets are subject to external restrictions on how they may be used. The unrestricted portion of net assets is negative due to the presentation requirements of GASB 54, as discussed earlier in this document.

The County's Net Assets

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Current and Other Assets	\$ 124,952,310	\$ 126,675,492	\$ 888,811	\$ 1,807,241	\$ 125,841,121	\$ 128,482,733
Capital Assets	347,037,962	356,827,533	32,532,699	26,207,570	379,570,661	383,035,103
Total Assets	471,990,272	483,503,025	33,421,510	28,014,811	505,411,782	511,517,836
Current Liabilities	12,259,413	16,246,123	285,079	925,875	12,544,492	17,171,998
Long-Term Liabilities	42,432,848	42,331,657	128,284	110,348	42,561,132	42,442,005
Total Liabilities	54,692,261	58,577,780	413,363	1,036,223	55,105,624	59,614,003
Invested in Capital Assets, net of related debt	329,001,171	337,586,957	32,626,805	26,200,229	361,627,976	363,787,186
Restricted	96,442,403	84,010,067	--	--	96,442,403	84,010,067
Unrestricted	(8,145,563)	3,328,221	381,342	778,359	(7,764,221)	4,106,580
Total Net Assets	\$ 417,298,011	\$ 424,925,245	\$ 33,008,147	\$ 26,978,588	\$ 450,306,158	\$ 451,903,833

A significant portion of the County's net assets, \$361,627,976, 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, \$96,442,403, represent resources that are subject to external restrictions by grantors and other governments on how they may be used.

The unrestricted portion of the County's net assets due to governmental activities is a negative \$8,145,563 primarily due to the GASB 54 classification of long-term payroll liabilities to the unrestricted category. These reclassifications include Other Post-Employment Benefits (OPEB) of \$5,607,464, and Compensated Absences of \$10,107,865. These liabilities accumulate over decades as part of the County's employment agreements and the timing for their translation into current year expense is not precisely subject to projection. Without these long-term payroll liabilities, unrestricted net assets would be a positive \$7,569,766.

# COUNTY OF HUMBOLDT

## Management's Discussion and Analysis June 30, 2011

The County's net assets, as adjusted, decreased by \$1,597,675 during the current fiscal year. The decrease in net assets represents the degree to which increases in ongoing expenses exceeded ongoing revenues.

### The County's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
<b>Revenues</b>						
<b>Program Revenues:</b>						
Fees, fines and charges for services	\$ 46,255,335	\$ 40,196,956	\$ 3,698,842	\$ 3,121,968	\$ 49,954,177	\$ 43,318,924
Operating grants/contributions	140,935,194	155,619,482	--	--	140,935,194	155,619,482
Capital grants/contributions	7,699,365	4,793,503	7,343,676	5,614,588	15,043,041	10,408,091
<b>General Revenues:</b>						
Property taxes	38,459,111	38,740,889	--	--	38,459,111	38,740,889
Sales taxes	6,767,444	6,031,211	--	--	6,767,444	6,031,211
Transient occupancy tax	1,166,821	1,093,382	--	--	1,166,821	1,093,382
Other taxes	2,726,294	2,187,020	--	--	2,726,294	2,187,020
Interest and investment income	1,208,497	1,805,747	15,539	16,884	1,224,036	1,822,631
Other	3,069,808	2,534,589	46,362	2,009	3,116,170	2,536,598
<b>Total Revenues</b>	<b>248,287,869</b>	<b>253,002,779</b>	<b>11,104,419</b>	<b>8,755,449</b>	<b>259,392,288</b>	<b>261,758,228</b>
<b>Expenses</b>						
General government	13,993,348	14,407,928	--	--	13,993,348	14,407,928
Public protection	72,546,562	69,248,720	--	--	72,546,562	69,248,720
Public ways and facilities	27,492,685	27,002,303	--	--	27,492,685	27,002,303
Health and sanitation	55,344,659	55,573,996	--	--	55,344,659	55,573,996
Public assistance	80,836,085	78,632,341	--	--	80,836,085	78,632,341
Education	3,286,985	3,160,195	--	--	3,286,985	3,160,195
Recreation and cultural services	1,595,009	2,809,387	--	--	1,595,009	2,809,387
Interest and long-term debt	819,770	848,603	--	--	819,770	848,603
Aviation	--	--	5,074,860	3,739,254	5,074,860	3,739,254
<b>Total Expenses</b>	<b>255,915,103</b>	<b>251,683,473</b>	<b>5,074,860</b>	<b>3,739,254</b>	<b>260,989,963</b>	<b>255,422,727</b>
<b>Change in Net Assets</b>	<b>(7,627,234)</b>	<b>1,319,306</b>	<b>6,029,559</b>	<b>5,016,195</b>	<b>(1,597,675)</b>	<b>6,335,501</b>
Net Assets - Beginning	424,925,245	442,672,805	26,978,588	18,106,962	451,903,833	460,779,767
Prior period adjustment	--	(19,066,866)	--	3,855,431	--	(15,211,435)
<b>Net Assets - Ending</b>	<b>\$ 417,298,011</b>	<b>\$ 424,925,245</b>	<b>\$ 33,008,147</b>	<b>\$ 26,978,588</b>	<b>\$ 450,306,158</b>	<b>\$ 451,903,833</b>

# COUNTY OF HUMBOLDT

Management's Discussion and Analysis  
June 30, 2011

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

**Governmental funds.** The general government functions are contained in the General, Special Revenue, and Debt Service Funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Note that these fund balance classifications have changed from the prior year due to GASB Statement No. 54.

At June, 30, 2011, the County's governmental funds reported combined fund balances of \$94,632,330. Of these combined fund balances, \$3,259,963 constitutes unassigned fund balance of the General Fund, which is available to meet the County's current and future needs. The restricted fund balance, \$90,453,464 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, 2011, unassigned fund balance was \$3,259,963, while total fund balance was \$53,106,363. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 1.5% of total General Fund expenditures, while the total fund balance represents 24.5% of total General Fund expenditures. These percentages are not comparable to the prior year because of the presentation changes mandated by GASB 54 – more of the fund balance has been classified as restricted than in the past.

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

Total governmental funds Fund Balance decreased by \$1,141,113 in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund decreased \$2,865,132, Roads Fund increased \$4,178,802 and Headwaters Mitigation Fund decreased \$732,220. The non-major governmental funds increased by \$559,663.

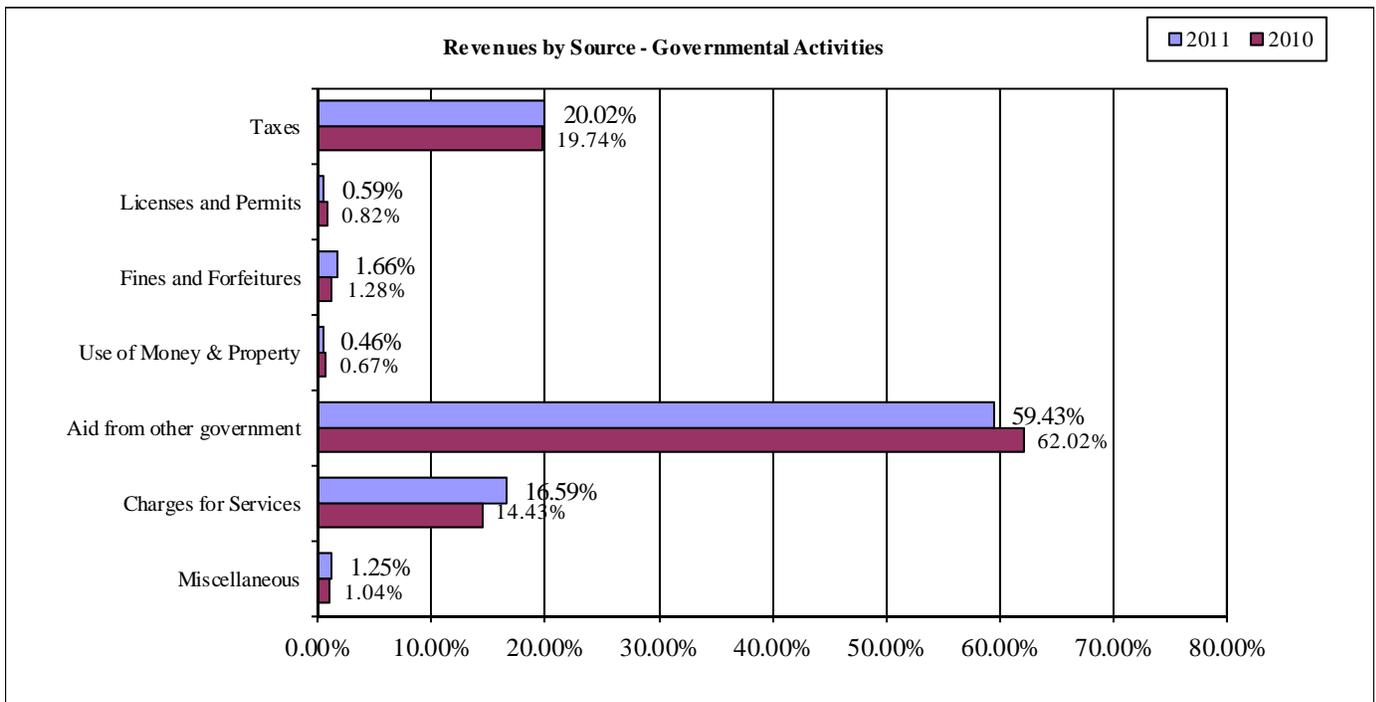
# COUNTY OF HUMBOLDT

## Management's Discussion and Analysis June 30, 2011

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 2011		FY 2010		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 49,119,670	20.02%	\$ 48,052,502	19.74%	\$ 1,067,168	2.22%
Licenses and Permits	1,460,051	0.59%	1,984,885	0.82%	(524,834)	-26.44%
Fines and Forfeitures	4,075,170	1.66%	3,105,087	1.28%	970,083	31.24%
Use of Money & Property	1,124,746	0.46%	1,637,916	0.67%	(513,170)	-31.33%
Aid from other government	145,832,715	59.43%	150,948,300	62.02%	(5,115,585)	-3.39%
Charges for Services	40,720,114	16.59%	35,106,984	14.43%	5,613,130	15.99%
Miscellaneous	3,069,778	1.25%	2,534,589	1.04%	535,189	21.12%
<b>Total Revenue by Source</b>	<b>\$ 245,402,244</b>	<b>100.00%</b>	<b>\$ 243,370,263</b>	<b>100.00%</b>	<b>\$ 2,031,981</b>	

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



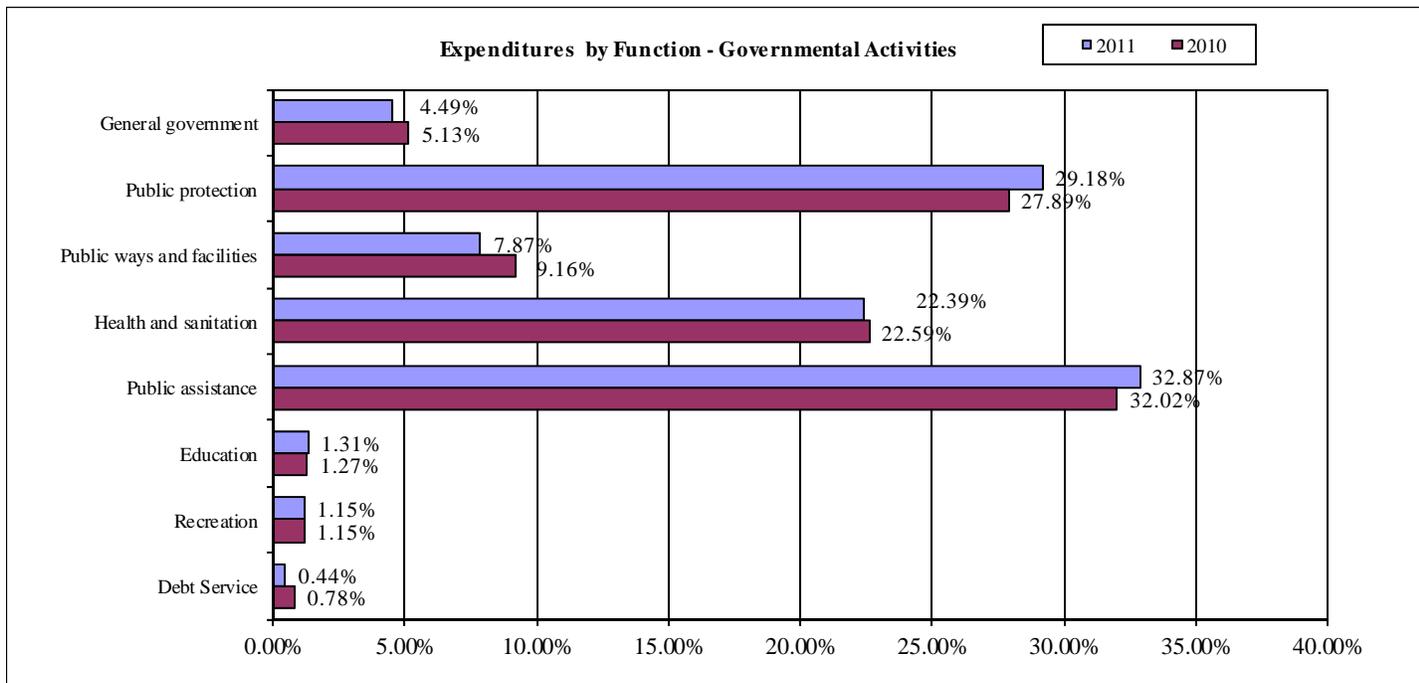
# COUNTY OF HUMBOLDT

## Management's Discussion and Analysis June 30, 2011

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

Expenditures Classified by Function Governmental Funds						
	FY 2011		FY 2010		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 10,972,765	4.49%	\$ 12,514,962	5.13%	\$ (1,542,197)	-12.32%
Public protection	71,272,855	29.18%	68,021,554	27.89%	3,251,301	4.78%
Public ways and facilities	19,212,707	7.87%	22,336,311	9.16%	(3,123,604)	-13.98%
Health and sanitation	54,691,876	22.39%	55,103,594	22.59%	(411,718)	-0.75%
Public assistance	80,281,072	32.87%	78,090,704	32.02%	2,190,368	2.80%
Education	3,196,041	1.31%	3,093,707	1.27%	102,334	3.31%
Recreation	2,813,376	1.15%	2,806,047	1.15%	7,329	0.26%
Debt Service	1,073,002	0.44%	1,908,964	0.78%	(835,962)	-43.79%
Capital outlay	747,437	0.31%	-	0.00%	747,437	
<b>Total by Function</b>	<b>\$ 244,261,131</b>	<b>100.00%</b>	<b>\$ 243,875,843</b>	<b>100.00%</b>	<b>\$ 385,288</b>	

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.

# COUNTY OF HUMBOLDT

## Management's Discussion and Analysis June 30, 2011

Enterprise fund net assets restricted for investment in capital assets net of related debt at fiscal year end was \$32,626,805. Unrestricted net assets of the enterprise funds at fiscal year end were \$381,342. The net assets, as adjusted, of the enterprise funds increased \$6,029,559 from the prior fiscal year.

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

Total net assets of the internal service funds at fiscal year-end were \$10,559,250 and include \$6,847,390 invested in capital assets. The net assets of the internal service funds decreased \$1,628,193 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 General Fund's original budget and the final amended budget resulted in a \$6,186,529 increase in appropriations. The major components of the appropriations increase are briefly summarized as follows: \$3,903,249 increase in public protection; \$894,700 increase in public assistance; \$943,578 increase in public health and sanitation; and a \$266,644 increase in recreation. Other budgetary categories were increased by lesser amounts, or in the case of general government expenditures were reduced by \$42,575.

Even with these adjustments, actual expenditures were \$43,050,604 below final budget amounts. Revenues available for appropriation were \$43,534,703 below final budget amounts.

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

	Budgetary Comparison General Fund			
	Original Budget	Final Budget	Net Change	
			Amount	Percent
Total Revenues	\$ 250,331,093	\$ 257,950,745	\$ 7,619,652	2.95%
Total Expenditures	(253,400,954)	(259,587,483)	(6,186,529)	2.38%
Other Financing Sources (Uses)	(4,121,887)	(632,929)	3,488,958	-551.24%
Net Change in Fund Balances	<u>\$ (7,191,748)</u>	<u>\$ (2,269,667)</u>	<u>\$ 4,922,081</u>	

# COUNTY OF HUMBOLDT

## Management's Discussion and Analysis June 30, 2011

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	\$ 257,950,745	\$ 214,416,042	\$ (43,534,703)	-20.30%
Total Expenditures	(259,587,483)	(216,536,879)	43,050,604	-19.88%
Other Financing Sources (Uses)	(632,929)	(1,074,929)	(442,000)	41.12%
Net Change in Fund Balances	<u>\$ (2,269,667)</u>	<u>\$ (3,195,766)</u>	<u>\$ (926,099)</u>	

### CAPITAL ASSETS

The County's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounted to \$379,669,661 (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	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,979,356	\$ 3,979,356	\$ 1,976,177	\$ 1,976,177	\$ 5,955,533	\$ 5,955,533
Structures & Improvements	94,816,212	93,430,304	25,079,898	25,079,898	119,896,110	118,510,202
Equipment	28,194,735	28,002,232	1,666,610	1,661,194	29,861,345	29,663,426
Infrastructure	585,344,114	578,176,282	--	--	585,344,114	578,176,282
Construction In Progress	2,658,168	5,766,153	20,962,435	13,598,551	23,620,603	19,364,704
Total	714,992,585	709,354,327	49,685,120	42,315,820	764,677,705	751,670,147
Accumulated Depreciation	(367,954,623)	(352,526,794)	(17,053,421)	(16,108,250)	(385,008,044)	(368,635,044)
Net Capital Assets	<u>\$ 347,037,962</u>	<u>\$ 356,827,533</u>	<u>\$ 32,631,699</u>	<u>\$ 26,207,570</u>	<u>\$ 379,669,661</u>	<u>\$ 383,035,103</u>

Additional information regarding capital assets is presented in note 4.

# COUNTY OF HUMBOLDT

## Management's Discussion and Analysis June 30, 2011

### DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total outstanding debt obligations of \$18,041,685. Of this amount, \$12,645,587 comprise bonds that are secured by the County's lease rental payments and other dedicated sources of revenue. The remainder of the County's debt represents loans secured solely by specified revenue sources.

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

	Long-Term Debt Obligations					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Certificates of participation	\$ 12,610,000	\$ 13,285,000	\$ --	\$ --	\$ 12,610,000	\$ 13,285,000
Unamortized premium	35,587	37,959	--	--	35,587	37,959
Capital Lease Obligations	5,391,204	5,917,617	--	--	5,391,204	5,917,617
Notes Payable	--	--	4,894	7,341	4,894	7,341
Total Debt	18,036,791	19,240,576	4,894	7,341	18,041,685	19,247,917
Less Current Portion	(1,250,574)	(1,201,414)	(2,447)	(2,447)	(1,253,021)	(1,203,861)
Net Long-Term Debt	\$ 16,786,217	\$ 18,039,162	\$ 2,447	\$ 4,894	\$ 16,788,664	\$ 18,044,056

Reductions of the County's total outstanding debt included principal payments of \$1,201,413 and amortization of bond premium of \$2,372 with \$714,543 in interest expense for governmental activities and principal payments of \$2,447 and \$510 of 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 6.

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

The County's fiscal year 2011-12 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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 71,698,560	\$ 708,305	\$ 72,406,865
Restricted cash:			
Cash with fiscal agent	2,224,200	--	2,224,200
Receivables, net:			
Accounts	9,241,032	372,108	9,613,140
Other governmental agencies	20,254,155	255,400	20,509,555
Due from external parties	2,163,753	--	2,163,753
Inventory	327,991	179,384	507,375
Deposits and other assets	1,451,275	--	1,451,275
Deferred costs	417,833	--	417,833
Loan receivable	16,448,125	--	16,448,125
Internal balances	725,386	(725,386)	--
Capital assets:			
Nondepreciable	6,637,524	22,938,612	29,576,136
Depreciable, net	340,400,438	9,693,087	350,093,525
Total Assets	<u>\$ 471,990,272</u>	<u>\$ 33,421,510</u>	<u>\$ 505,411,782</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,762,466	\$ 235,599	\$ 5,998,065
Accrued salaries and benefits	4,926,649	49,480	4,976,129
Interest payable	107,903	--	107,903
Unearned revenue	1,286,473	--	1,286,473
Other liabilities	175,922	--	175,922
Long-Term Liabilities:			
Portion due or payable within one year:			
Certificates of participation	695,000	--	695,000
Notes payable	--	2,447	2,447
Capital leases	555,574	--	555,574
Compensated absences	9,145,838	32,393	9,178,231
Claims liability	1,267,938	--	1,267,938
Portion due or payable after one year:			
Certificates of participation, net of unamortized premium	11,950,587	--	11,950,587
Notes payable	--	2,447	2,447
Capital leases	4,835,630	--	4,835,630
Compensated absences	8,374,817	90,997	8,465,814
OPEB liability	5,607,464	--	5,607,464
Total Liabilities	<u>54,692,261</u>	<u>413,363</u>	<u>55,105,624</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	329,001,171	32,626,805	361,627,976
Restricted for:			
Economic development	32,981,858	--	32,981,858
Debt service and capital projects	3,879,500	--	3,879,500
Other grants and special taxes	59,581,045	--	59,581,045
Unrestricted	(8,145,563)	381,342	(7,764,221)
Total Net Assets	<u>417,298,011</u>	<u>33,008,147</u>	<u>450,306,158</u>
Total Liabilities and Net Assets	<u>\$ 471,990,272</u>	<u>\$ 33,421,510</u>	<u>\$ 505,411,782</u>

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

**COUNTY OF HUMBOLDT**

Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 13,993,348	\$ 3,880,427	\$ 837,780	\$ --
Public protection	72,546,562	12,074,759	33,809,521	--
Public ways and facilities	27,492,685	922,759	12,523,153	6,310,228
Health and sanitation	55,344,659	23,279,010	20,833,653	132,905
Public assistance	80,836,085	5,353,418	72,369,569	--
Education	3,286,985	77,735	561,518	14,609
Recreation and culture	1,595,009	667,227	--	1,241,623
Debt Service				
Interest	819,770	--	--	--
Total Governmental Activities	<u>255,915,103</u>	<u>46,255,335</u>	<u>140,935,194</u>	<u>7,699,365</u>
Business-Type Activities:				
Aviation	<u>5,074,860</u>	<u>3,698,842</u>	<u>--</u>	<u>7,343,676</u>
Total Business-type Activities	<u>5,074,860</u>	<u>3,698,842</u>	<u>--</u>	<u>7,343,676</u>
Total Humboldt County	<u>\$260,989,963</u>	<u>\$ 49,954,177</u>	<u>\$ 140,935,194</u>	<u>\$ 15,043,041</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

  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
\$ (9,275,141)	\$ --	\$ (9,275,141)
(26,662,282)	--	(26,662,282)
(7,736,545)	--	(7,736,545)
(11,099,091)	--	(11,099,091)
(3,113,098)	--	(3,113,098)
(2,633,123)	--	(2,633,123)
313,841	--	313,841
<u>(819,770)</u>	<u>--</u>	<u>(819,770)</u>
<u>(61,025,209)</u>	<u>--</u>	<u>(61,025,209)</u>
<u>--</u>	<u>5,967,658</u>	<u>5,967,658</u>
<u>--</u>	<u>5,967,658</u>	<u>5,967,658</u>
<u>(61,025,209)</u>	<u>5,967,658</u>	<u>(55,057,551)</u>
38,459,111	--	38,459,111
6,767,444	--	6,767,444
1,166,821	--	1,166,821
2,726,294	--	2,726,294
1,208,497	15,539	1,224,036
3,069,808	46,362	3,116,170
<u>53,397,975</u>	<u>61,901</u>	<u>53,459,876</u>
(7,627,234)	6,029,559	(1,597,675)
<u>424,925,245</u>	<u>26,978,588</u>	<u>451,903,833</u>
<u>\$ 417,298,011</u>	<u>\$ 33,008,147</u>	<u>\$ 450,306,158</u>

**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

# COUNTY OF HUMBOLDT

## Balance Sheet Governmental Funds June 30, 2011

	General Fund	Headwaters Mitigation Funds	Road Fund	Other Governmental	Total
<u>Assets</u>					
Cash and investments	\$ 33,444,180	\$ 14,435,054	\$ 10,703,931	\$ 7,180,083	\$ 65,763,248
Restricted assets:					
Cash with fiscal agent	--	--	--	2,224,200	2,224,200
Department cash funds	19,730	--	200	865	20,795
Receivables, net					
Accounts	7,116,386	--	1,979,580	15,274	9,111,240
Other governmental agencies	18,443,742	--	1,810,413	--	20,254,155
Due from other funds	2,190,026	1,649,132	--	--	3,839,158
Advances to other funds	--	669,400	--	--	669,400
Loans receivable	12,492,093	3,956,032	--	--	16,448,125
Prepays and other assets	248,013	--	1,490	--	249,503
Total Assets	<u>\$ 73,954,170</u>	<u>\$ 20,709,618</u>	<u>\$ 14,495,614</u>	<u>\$ 9,420,422</u>	<u>\$ 118,579,824</u>
<u>Liabilities</u>					
Accounts payable	\$ 4,423,964	\$ 61,798	\$ 587,623	\$ 121,416	\$ 5,194,801
Accrued salaries and benefits	4,302,850	--	246,080	231,716	4,780,646
Due to other funds	1,657,067	--	--	26,273	1,683,340
Other liabilities	22,178	--	--	--	22,178
Deferred revenue	10,441,748	--	1,824,781	--	12,266,529
Total Liabilities	<u>20,847,807</u>	<u>61,798</u>	<u>2,658,484</u>	<u>379,405</u>	<u>23,947,494</u>
<u>Fund Balances</u>					
Nonspendable	248,013	669,400	1,490	--	918,903
Restricted	49,598,387	19,978,420	11,835,640	9,041,017	90,453,464
Unassigned	3,259,963	--	--	--	3,259,963
Total Fund Balances	<u>53,106,363</u>	<u>20,647,820</u>	<u>11,837,130</u>	<u>9,041,017</u>	<u>94,632,330</u>
	<u>\$ 73,954,170</u>	<u>\$ 20,709,618</u>	<u>\$ 14,495,614</u>	<u>\$ 9,420,422</u>	<u>\$ 118,579,824</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, 2011

Fund Balance - total governmental funds (page 17)	\$ 94,632,330
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred charges in governmental activities are not financial resources and, therefor, are not reported in governmental funds.	
Deferred issuance costs	417,833
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	339,754,173
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	12,266,529
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.	10,599,250
Interest payable on long-term debt does not require the use of current financial resources and, therefor, is not accrued as a liability in the governmental funds.	(107,903)
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	(12,610,000)
Unamortized premium	(35,587)
Capital leases	(4,954,805)
OPEB liability	(5,607,464)
Compensated absences	(17,056,345)
Net assets of governmental activiites (page 15)	<u>\$ 417,298,011</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, 2011

	General Fund	Headwaters Mitigation Funds	Road Fund	Other Governmental	Total
Revenues:					
Taxes	\$ 43,763,788	\$ --	\$ 2,614,441	\$ 2,741,441	\$ 49,119,670
Licenses and permits	1,393,314	--	66,737	--	1,460,051
Fines, forfeitures and penalties	3,447,799	--	--	627,371	4,075,170
Use of money and property	490,936	384,502	94,658	154,650	1,124,746
Aid from other governments	123,421,264	--	16,908,600	5,502,851	145,832,715
Charges for services	39,821,569	--	825,310	73,235	40,720,114
Other revenues	2,224,078	51	638,740	206,909	3,069,778
Total Revenues	<u>214,562,748</u>	<u>384,553</u>	<u>21,148,486</u>	<u>9,306,457</u>	<u>245,402,244</u>
Expenditures:					
Current:					
General government	10,952,912	--	--	19,853	10,972,765
Public protection	65,817,415	--	--	5,455,440	71,272,855
Public ways and facilities	2,243,023	--	16,969,684	--	19,212,707
Health and sanitation	54,691,876	--	--	--	54,691,876
Public assistance	80,281,072	--	--	--	80,281,072
Education	140,051	--	--	3,055,990	3,196,041
Recreation and culture	2,004,603	808,773	--	--	2,813,376
Debt service:					
Principal	150,200	--	--	922,802	1,073,002
Interest and other charges	71,799	--	--	675,638	747,437
Total Expenditures	<u>216,352,951</u>	<u>808,773</u>	<u>16,969,684</u>	<u>10,129,723</u>	<u>244,261,131</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,790,203)</u>	<u>(424,220)</u>	<u>4,178,802</u>	<u>(823,266)</u>	<u>1,141,113</u>
Other Financing Sources (Uses):					
Transfers in	308,000	--	--	1,533,175	1,841,175
Transfers out	<u>(1,382,929)</u>	<u>(308,000)</u>	--	<u>(150,246)</u>	<u>(1,841,175)</u>
Total Other Financing Sources (Uses)	<u>(1,074,929)</u>	<u>(308,000)</u>	--	<u>1,382,929</u>	--
Net Changes in Fund Balances	(2,865,132)	(732,220)	4,178,802	559,663	1,141,113
Fund Balances, Beginning of Year, Restated	<u>55,971,495</u>	<u>21,380,040</u>	<u>7,658,328</u>	<u>8,481,354</u>	<u>93,491,217</u>
Fund Balances, End of Year	<u>\$ 53,106,363</u>	<u>\$ 20,647,820</u>	<u>\$ 11,837,130</u>	<u>\$ 9,041,017</u>	<u>\$ 94,632,330</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, 2011

Net change to fund balance - total governmental funds (page 19)	\$	1,141,113
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ 6,214,130	
Less: current year depreciation	<u>(15,612,750)</u>	(9,398,620)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		2,801,844
<p>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.</p>		
Principal payments on certificates of participation and capital leases		1,073,001
<p>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.</p>		
Change in accrued interest on debt	5,316	
Change in OPEB	(1,496,554)	
Amortization of bond issuance costs	(28,169)	
Change in compensated absences	(99,344)	
Change in amortization of debt premium	<u>2,372</u>	(1,616,379)
<p>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.</p>		
		<u>(1,628,193)</u>
Change in net assets of governmental activities (page 16)	\$	<u><u>(7,627,234)</u></u>

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

**COUNTY OF HUMBOLDT**

Statement of Fund Net Assets  
Proprietary Funds  
June 30, 2011

	Business -Type Activities - Enterprise Fund	Governmental Activities
	Aviation	Internal Service Funds
<u>ASSETS</u>		
Current Assets:		
Cash and investments	\$ 707,905	\$ 5,904,242
Departmental cash funds	400	10,275
Accounts receivable	372,108	129,792
Due from other governments	255,400	--
Due from other funds	--	1,636,311
Inventory	179,384	327,991
Prepaid expenses	--	1,201,772
Total Current Assets	1,515,197	9,210,383
Noncurrent Assets:		
Capital assets:		
Non-depreciable	22,938,612	--
Depreciable, net	9,693,087	7,283,789
Total Noncurrent Assets	32,631,699	7,283,789
Total Assets	\$ 34,146,896	\$ 16,494,172
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	235,599	567,665
Accrued salaries and benefits	49,480	146,003
Due to other funds	55,986	1,572,390
Advances from other funds	669,400	--
Provision for estimated claims	--	1,267,938
Other liabilities	--	153,744
Deferred revenue	--	1,286,473
Notes payable	2,447	--
Capital leases	--	136,587
Liability for compensated absences	32,393	274,443
Total Current Liabilities	1,045,305	5,405,243
Noncurrent Liabilities:		
Capital leases	--	299,812
Notes payable	2,447	--
Liability for compensated absences	90,997	189,867
Total Noncurrent Liabilities	93,444	489,679
Total Liabilities	1,138,749	5,894,922
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	32,626,805	6,847,390
Unrestricted	381,342	3,751,860
Total Net Assets	33,008,147	10,599,250
Total Liabilities and Net Assets	\$ 34,146,896	\$ 16,494,172

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, 2011

	Business -Type Activities - Enterprise Fund	Governmental Activities Internal Service
	Aviation	Funds
Operating Revenues:		
Charges for services	\$ 3,698,842	\$ 27,801,938
Other revenue	46,362	1,526,307
Total Operating Revenues	3,745,204	29,328,245
Operating Expenses:		
Salaries and benefits	1,159,419	3,346,175
Services and supplies	2,968,622	3,943,177
Claims expense	--	22,587,048
Depreciation and amortization	945,171	1,111,908
Other expenses	--	30
Total Operating Expenses	5,073,212	30,988,338
Operating Income (Loss)	(1,328,008)	(1,660,093)
Non-Operating Revenue (Expenses):		
Investment income	15,539	83,751
Interest expense	(1,648)	(51,851)
Total Non-Operating Revenue (Expenses)	13,891	31,900
Income (Loss) Before Capital Contributions	(1,314,117)	(1,628,193)
Capital grants	7,343,676	--
Net Income (Loss)	6,029,559	(1,628,193)
Net Assets - Beginning of Year	26,978,588	12,227,443
Net Assets - End of Year	\$ 33,008,147	\$ 10,599,250

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, 2011

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Aviation	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers and other funds	\$ 4,344,695	\$ --
Cash receipts from internal fund services provided	--	29,288,210
Cash paid to suppliers for goods and services	(3,603,209)	(26,569,942)
Cash paid to employees for services	(1,145,245)	(3,510,920)
Net Cash Provided (Used) by Operating Activities	(403,759)	(792,652)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Interfund loans from other funds	(135,946)	1,605,269
Interfund loans to other funds	55,986	(1,665,799)
Net Cash Provided (Used) by Noncapital Financing Activities	(79,960)	(60,530)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants	7,343,676	--
Purchase of capital assets	(7,369,300)	(720,957)
Principal paid on capital debt	(2,447)	(128,412)
Interest paid on capital debt	(1,648)	(31,345)
Net Cash Provided (Used) by Capital and Related Financing Activities	(29,719)	(880,714)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	15,539	63,245
Net Cash Provided (Used) by Investing Activities	15,539	63,245
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(497,899)	(1,670,651)
<b>Cash and Cash Equivalents, Beginning of Year</b>	1,206,204	7,585,168
<b>Cash and Cash Equivalents, End of Year</b>	\$ 708,305	\$ 5,914,517
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Fund Net Assets</b>		
Cash and investments	\$ 707,905	\$ 5,904,242
Department cash funds	400	10,275
<b>Total Cash and Cash Equivalents</b>	\$ 708,305	\$ 5,914,517

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, 2011

	Business-Type Activities - Enterprise Fund	Governmental Activities
	<u>Aviation</u>	<u>Internal Service Fund</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ (1,328,008)	\$ (1,660,093)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	945,171	1,111,908
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(88,868)	(126,304)
Due from other governmental entities	688,359	--
Prepaid assets	--	(9,211)
Increase (decrease) in:		
Accounts payable	(634,587)	101,069
Accrued salaries and benefits	(6,209)	(6,823)
Claims payable	--	(133,000)
Deferred revenue	--	95,480
Other liabilities	--	(7,756)
Liability for compensated absences	20,383	(157,922)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (403,759)</u>	<u>\$ (792,652)</u>

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

COUNTY OF HUMBOLDT

Statement of Fiduciary Net Assets  
June 30, 2011

	Investment Trust Fund	Agency Funds
<u>Assets</u>		
Pooled cash and investments	\$ 141,621,423	\$ 29,690,506
Taxes receivable	--	8,638,276
 Total Assets	<u>\$ 141,621,423</u>	<u>\$ 38,328,782</u>
 <u>Liabilities</u>		
Due to other funds	\$ --	\$ 2,163,753
Agency funds held for others	--	36,165,029
 Total Liabilities	<u>--</u>	<u>38,328,782</u>
 <u>Net assets</u>		
Net assets held in trust for investment pool participants	<u>141,621,423</u>	<u>--</u>
 Total Net Assets	<u>\$ 141,621,423</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, 2011**

	<u>Investment Trust Fund</u>
<u>Additions</u>	
Contributions to pooled investments	\$ 353,281,049
Investment income	<u>1,815,457</u>
Total Additions	<u>355,096,506</u>
<u>Deductions</u>	
Distributions from pooled investments	<u>337,028,044</u>
Total Deductions	<u>337,028,044</u>
Change in net assets	18,068,462
Net Assets - Beginning of Year	<u>123,552,961</u>
Net Assets - End of Year	<u>\$ 141,621,423</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 Year Ended June 30, 2011

### Note 1: Summary of Significant Accounting Policies

#### A. Description of the Reporting Entity

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

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

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

#### Blended Component Units

The Public Facilities Corporation (the “Corporation”) is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on December 11, 1985. The Corporation’s Board of Directors 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 Year Ended June 30, 2011

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 Year Ended June 30, 2011

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 Year Ended June 30, 2011

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 Year Ended June 30, 2011

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 Year Ended June 30, 2011

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. **New Accounting Pronouncements**

*Governmental Accounting Standards Board Statement 54*

For the fiscal year ended June 30, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of this statement are effective for financial statement periods beginning after June 15, 2010.

GASB 54 establishes new accounting and financial reporting standards for all governments that report governmental funds. The statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and it clarifies the existing governmental fund type definitions to improve the comparability of governmental fund statements. GASB 54 establishes fund balance classifications that are hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reporting in governmental funds.

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 Year Ended June 30, 2011

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 Year Ended June 30, 2011

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

## G. Inventories

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

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

## H. Capital Assets

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

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

The estimated useful lives are as follows:

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

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

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

# COUNTY OF HUMBOLDT

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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 governmental fund financial statements, are offset by a nonspendable portion of fund balance to indicate that they are not available for appropriation and are not available financial resources.

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

## COUNTY OF HUMBOLDT

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

### L. Net Assets/Fund Balance

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.
- *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.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balances for governmental funds consist of the following categories:

- *Nonspendable Fund Balance* – includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact (such as inventories or prepaid amounts).
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by external parties (such as creditors, grant providers, or contributors) or by law.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purpose determined by the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action. The formal action must occur prior to the end of the reporting period. The amount which will be subject to the constraint may be determined in the subsequent period.

## COUNTY OF HUMBOLDT

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

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

- *Assigned Fund Balance* – is comprised of amounts intended to be used by the government entity for specific purposes that are neither restricted nor committed. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board delegates the authority. Assigned fund balance can be used to eliminate a projected budgetary deficit in the subsequent year's budget.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purposes.

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

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

### M. **Estimates**

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

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

Note 2: **Cash and Investments**

At June 30, 2011, total County cash and investments were as follows:

Cash:

Cash on hand and imprest cash	\$ 36,720
Deposits	6,737,021
Total Cash and Deposits	<u>6,773,741</u>

Investments:

In Treasurer's pool	243,720,894
External to Treasurer's pool	2,224,200
Total Investments	<u>245,945,094</u>

In Transit:

Outstanding checks	(6,769,154)
Other	(6,687)
	<u>(6,775,841)</u>

Total	<u>\$ 245,942,994</u>
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Cash and investments were reported in the Basic Financial Statements as follows:

Primary Government:

Governmental activities	\$ 73,922,760
Business-type activities	708,305

Investment trust fund	141,621,423
Agency funds	<u>29,690,506</u>

Total	<u>\$ 245,942,994</u>
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## COUNTY OF HUMBOLDT

### Notes to the Financial Statements For the Year Ended June 30, 2011

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, 2011, the County had the following investments:

	Interest Rates	Maturities	Par	Fair Value	Cost	WAM (Years)
Investments in Investment Pool						
Federal Agency Issues - Coupon	1.50% - 4.00%	4/24/12 - 4/27/16	\$ 127,360,000	\$ 127,708,665	\$ 127,371,042	4.32
Negotiable CDS	1.15% - 4.17%	7/8/11 - 4/15/13	16,000,000	16,000,000	16,000,000	0.17
Medium Term Corporate Notes	4.95% - 6.05%	10/17/11 - 11/1/12	4,000,000	4,140,990	4,031,658	0.81
Government National Mortgage Assoc.	8.00% - 12.00%	5/15/13 - 4/15/17	5,703	6,503	5,606	4.90
Local Investment Agency Fund	Variable	On Demand	96,312,588	96,312,588	96,312,588	-
Total Investments in Investment Pool			<u>\$ 243,678,291</u>	<u>\$ 244,168,746</u>	<u>\$ 243,720,894</u>	
Investments outside Investment Pool						
<i>Cash held with fiscal agent</i>						
Money Market Mutual Funds	Variable	On Demand	\$ 2,224,200	\$ 2,224,200	\$ 2,224,200	-
Total Investments			<u>\$ 245,902,491</u>	<u>\$ 246,392,946</u>	<u>\$ 245,945,094</u>	

## COUNTY OF HUMBOLDT

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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, 2011, the difference between the cost and fair value of cash and investments was not material (fair value was 100.19% 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, 2011.

	<u>Moody's</u>	<u>% of Portfolio</u>
Federal National Mortgage	AAA	12.31%
Federal Home Loan Bank	AAA	23.38%
Federal Home Loan Mortgage Corp.	AAA	8.20%
Federal Farm Credits	AAA	8.41%
Government National Mortgage Assoc.	AAA	0.00%
Medium-term notes	AA	1.70%
Certificates of deposit		6.55%
California Local Agency Investment Fund	Unrated	39.45%
Total		<u>100.00%</u>

# COUNTY OF HUMBOLDT

## Notes to the Financial Statements For the Year Ended June 30, 2011

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

#### Concentration of Credit Risk (continued)

At June 30, 2011, 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	\$ 30,056,101	12.31%
Federal Home Loan Bank	Government Sponsored	57,096,823	23.38%
Federal Home Loan Mortgage Corp.	Government Sponsored	20,017,424	8.20%
Federal Farm Credits		20,538,317	8.41%

#### 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, 2011, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$96,312,351, 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 \$66,489,270,500 million, of which 100% was invested in non-derivative financial products.

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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, 2011:

**Statement of Net Assets**

Net assets held for pool participants	\$ 243,686,474
Equity of external pool participants	\$ 141,621,423
Equity of internal pool participants	102,065,051
Total net assets	<u>\$ 243,686,474</u>

**Statement of Changes in Net Assets**

Net assets at July 1, 2010	\$ 223,506,701
Net change in investments by pool participants	20,179,773
Net assets at June 30, 2011	<u>\$ 243,686,474</u>

Note 3: **Interfund Transactions**

The composition of interfund balances as of June 30, 2011 are as follows:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 2,163,753
	Nonmajor Governmental Funds	26,273
Headwaters Mitigation Funds	General Fund	1,649,132
Internal Service Funds	Internal Service Funds	1,572,390
	General Fund	7,935
	Aviation Fund	<u>55,986</u>
		<u>\$ 5,475,469</u>

The due to/from other funds account balance primarily resulted from interfund cash transactions to eliminate cash deficits at June 30, 2011 for reporting purposes.

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Headwaters Mitigation Funds	Aviation Fund	<u>\$ 669,400</u>

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:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	\$ 291,675	Library operating subsidy
	Nonmajor Governmental Funds	1,091,254	Debt service payments
Headwaters Mitigation Funds	General Fund	308,000	Budgeted transfer
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>150,246</u>	Debt service payments
		<u>\$1,841,175</u>	

## COUNTY OF HUMBOLDT

### Notes to the Financial Statements For the Year Ended June 30, 2011

#### Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Restated Balance July 1, 2010	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2011
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 3,979,356	\$ --	\$ --	\$ --	\$ 3,979,356
Construction in progress	5,766,153	2,441,808	--	(5,549,793)	2,658,168
Total capital assets, not being depreciated	<u>9,745,509</u>	<u>2,441,808</u>	<u>--</u>	<u>(5,549,793)</u>	<u>6,637,524</u>
Capital assets, being depreciated:					
Infrastructure	578,176,282	1,527,366	--	5,640,466	585,344,114
Structures and improvements	93,430,304	1,375,454	--	10,454	94,816,212
Equipment	28,002,232	1,777,029	(1,610,584)	26,058	28,194,735
Total capital assets, being depreciated	<u>699,608,818</u>	<u>4,679,849</u>	<u>(1,610,584)</u>	<u>5,676,978</u>	<u>708,355,061</u>
Less accumulated depreciation for:					
Infrastructure	(291,868,382)	(12,048,328)	--	--	(303,916,710)
Structures and improvements	(42,782,155)	(2,626,358)	--	14,247	(45,394,266)
Equipment	(17,876,257)	(2,049,973)	1,266,687	15,896	(18,643,647)
Total accumulated depreciation	<u>(352,526,794)</u>	<u>(16,724,659)</u>	<u>1,266,687</u>	<u>30,143</u>	<u>(367,954,623)</u>
Total capital assets, being depreciated, net	<u>347,082,024</u>	<u>(12,044,810)</u>	<u>(343,897)</u>	<u>5,707,121</u>	<u>340,400,438</u>
Governmental activities capital assets, net	<u>\$ 356,827,533</u>	<u>\$ (9,603,002)</u>	<u>\$ (343,897)</u>	<u>\$ 157,328</u>	<u>347,037,962</u>
	Restated Balance July 1, 2010	Additions	Deletions	Transfers & Adjustments	Balance June 30, 2011
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,976,177	\$ --	\$ --	\$ --	\$ 1,976,177
Construction in progress	13,598,551	7,363,884	--	--	20,962,435
Total capital assets, not being depreciated	<u>15,574,728</u>	<u>7,363,884</u>	<u>--</u>	<u>--</u>	<u>22,938,612</u>
Capital assets, being depreciated:					
Structures and improvements	25,079,898	--	--	--	25,079,898
Equipment	1,661,194	5,416	--	--	1,666,610
Total capital assets, being depreciated	<u>26,741,092</u>	<u>5,416</u>	<u>--</u>	<u>--</u>	<u>26,746,508</u>
Less accumulated depreciation for:					
Structures and improvements	(15,141,175)	(836,363)	--	--	(15,977,538)
Equipment	(967,075)	(108,808)	--	--	(1,075,883)
Total accumulated depreciation	<u>(16,108,250)</u>	<u>(945,171)</u>	<u>--</u>	<u>--</u>	<u>(17,053,421)</u>
Total capital assets, being depreciated, net	<u>10,632,842</u>	<u>(939,755)</u>	<u>--</u>	<u>--</u>	<u>9,693,087</u>
Business-type activities capital assets, net	<u>\$ 26,207,570</u>	<u>\$ 6,424,129</u>	<u>\$ --</u>	<u>\$ --</u>	<u>32,631,699</u>

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,840,458
Public protection	414,253
Public ways and facilities	12,134,389
Health and sanitation	74,125
Public assistance	115,927
Education	2,519
Recreation and culture	31,080
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset	1,111,908
Total Depreciation Expense - Governmental Functions	\$ 16,724,659

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

Aviation	\$ 945,171
----------	------------

Note 5: **Lease Commitments**

**Operating Leases**

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

At June 30, 2011, the future minimum rental payments required under operating leases for buildings and equipment were as follows:

Fiscal Year Ending June 30,	
2012	\$ 3,471,667
2013	2,913,813
2014	2,264,510
2015	1,465,481
2016	1,189,868
2017	948,433
	\$12,253,772

COUNTY OF HUMBOLDT

Notes to the Financial Statements  
For the Year Ended June 30, 2011

Note 5: Lease Commitments (continued)

Operating Leases (continued)

Rent expenditures were \$3,605,068 for the year ended June 30, 2011.

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, 2011:

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2011
Animal shelter	2.0% - 4.4%	\$ 3,027,500
Phone system	2.80%	436,399
Building remodel	5.10%	1,927,305
Total		<u>\$ 5,391,204</u>

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>(1,701,985)</u>
Total	<u>\$ 6,355,487</u>

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

Capital Leases (continued)

As of June 30, 2011, future minimum lease payments under capital leases was as follows:

<u>Year Ending June 30:</u>	
2012	\$ 788,158
2013	791,486
2014	795,026
2015	639,096
2016	647,743
2017 - 2021	2,091,736
2022 - 2026	<u>1,000,159</u>
Total Future Minimum Lease Payments	<u>6,753,404</u>
Less: Interest	<u>(1,362,200)</u>
 Present Value of Minimal Lease Payments	 <u><u>\$ 5,391,204</u></u>

Note 6: **Long-Term Liabilities**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year
<b>Governmental Activities</b>					
Certificates of participation	\$ 13,285,000	\$ --	\$ (675,000)	\$ 12,610,000	\$ 695,000
Unamortized premium	37,959	--	(2,372)	35,587	--
Compensated absences	17,579,233	7,438,829	(7,497,407)	17,520,655	9,145,838
Capital lease obligations	5,917,617	--	(526,413)	5,391,204	555,574
Liability for unpaid claims	<u>1,400,938</u>	<u>1,918,178</u>	<u>(2,051,178)</u>	<u>1,267,938</u>	<u>1,267,938</u>
 Total Governmental Activities					
Long-term liabilities	<u>\$ 38,220,747</u>	<u>\$ 9,357,007</u>	<u>\$ (10,752,370)</u>	<u>\$ 36,825,384</u>	<u>\$ 11,664,350</u>
 <b>Business-type Activities</b>					
Notes payable	7,341	--	(2,447)	4,894	2,447
Compensated absences	<u>103,007</u>	<u>53,087</u>	<u>(32,704)</u>	<u>123,390</u>	<u>32,393</u>
 Total Business-type Activities					
Long-term liabilities	<u>\$ 110,348</u>	<u>\$ 53,087</u>	<u>\$ (35,151)</u>	<u>\$ 128,284</u>	<u>\$ 34,840</u>

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

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, 2011, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Certificates of Participation	
	Principal	Interest
2012	\$ 695,000	\$ 542,709
2013	725,000	516,994
2014	750,000	489,444
2015	780,000	460,944
2016	810,000	429,744
2017 - 2021	4,590,000	1,607,800
2022 - 2026	4,260,000	516,218
	\$ 12,610,000	\$ 4,563,853

As of June 30, 2011, annual debt service requirements of business-type activities to maturity are as follows:

Year Ending June 30	Business-Type Activities	
	Notes Payable	
	Principal	Interest
2012	\$ 2,447	\$ 340
2013	2,447	169
	\$ 4,894	\$ 509

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

Long-term debt at June 30, 2011, consisted of the following:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2011</u>
<b><u>Governmental Activities</u></b>						
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	<u>\$ 17,815,000</u>	<u>\$ 12,610,000</u>
<b><u>Business-Type Activities</u></b>						
Note Payable (loan agreement with the State of California for airport improvements.	1988	2013	6.94%	\$2,447	<u>\$ 61,177</u>	<u>\$ 4,894</u>

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

Classification

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned. A detailed schedule of fund balances at June 30, 2011 is as follows:

	General Fund	Headwater Mitigation	Road Fund	Other Governmental Funds
Nonspendable:				
Prepays and inventory	\$ 248,013	\$ --	\$ 1,490	\$ --
Advances	--	669,400	--	--
Total Nonspendable	<u>248,013</u>	<u>669,400</u>	<u>1,490</u>	<u>--</u>
Restricted for:				
General government	2,144,459	--	--	--
Public protection	10,929,025	--	--	4,292,335
Public ways and facilities	1,532,659	--	11,835,640	188,524
Health and sanitation	5,015,798	--	--	--
Public assistance	17,356,255	--	--	--
Education	286,153	--	--	680,658
Economic development	12,334,038	19,978,420	--	--
Debt service	--	--	--	3,879,500
Total Restricted	<u>49,598,387</u>	<u>19,978,420</u>	<u>11,835,640</u>	<u>9,041,017</u>
Unassigned	<u>3,259,963</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Fund Balance	<u>\$ 53,106,363</u>	<u>\$ 20,647,820</u>	<u>\$ 11,837,130</u>	<u>\$ 9,041,017</u>

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

**Restatement of Beginning Fund Balances**

In addition to redefining the classifications included within fund balance, GASB Statement No. 54 clarified the governmental fund type definitions resulting in funds previously presented as special revenue funds being reported as part of the General Fund for fiscal year 2010-11. For fiscal year 2010-11, the General Reserve and Recorder's Record Conversion funds were combined with the General Fund as summarized in the table below. Additionally, Courthouse Construction A and B funds were combined into one fund for financial reporting.

	Fund Statements	
	General Fund	Other Governmental Funds
Fund balance as of June 30, 2010, as previously reported	\$ 54,971,495	\$ 9,481,354
Reclassifications:		
General Reserve and Recorder's Record Conversion Funds	1,000,000	(1,000,000)
Fund balance as of July 1, 2010, restated	\$ 55,971,495	\$ 8,481,354

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 Year Ended June 30, 2011

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

**B. Funding Policy**

Active plan members in the Miscellaneous and the Safety Plan are required to contribute 7.703% 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 2010/2011 was 18.039% for miscellaneous employees, and 20.997% 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 fiscal year 2010/2011, the County's annual pension cost was \$16,979,948 and the County actually contributed \$16,979,948. The required Miscellaneous Plan and Safety Plan contributions for fiscal year 2010/2011 was determined as part of the June 30, 2008 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, 2011 for the Miscellaneous Plan and the Safety Plan were 20 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, 2009	\$ 15,449,039	100%	\$ --
June 30, 2010	16,651,187	100%	--
June 30, 2011	16,979,948	100%	--

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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)	\$ 134,227	\$ 470,877
Actuarial value of plan assets	113,020	366,481
Unfunded actuarial accrued liability (UAAL)	\$ 21,207	\$ 104,396
Funded ratio (actuarial value of plan assets/AAL)	84.2%	77.8%
Covered payroll (active Plan members)	15,259	81,351
Unfunded actuarial accrued liability as a percentage of covered payroll	139.0%	128.3%

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 Year Ended June 30, 2011

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:

	Blue Shield HMO	Kaiser HMO	PERS Choice PPO	PERS Care PPO	PORAC
<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 Year Ended June 30, 2011

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, 2011 and June 30, 2010, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation/(Asset):

	<u>FYE 6/30/11</u>	<u>FYE 6/30/10</u>
Annual Required Contribution	\$ 1,917,286	\$ 1,917,286
Interest on Net OPEB Obligation/(Asset)	205,584	129,093
Adjustment to Annual Required Contribution	<u>(165,708)</u>	<u>(167,953)</u>
Annual OPEB cost (expense)	1,957,162	1,878,426
Contributions made	<u>(460,608)</u>	<u>(349,370)</u>
Increase in Net OPEB Obligation/(Asset)	1,496,554	1,529,056
Net OPEB Obligation/(Asset) - Beginning of year	4,110,910	2,581,854
Net OPEB Obligation/(Asset) - End of year	<u>\$ 5,607,464</u>	<u>\$ 4,110,910</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, 2011, 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>
6/30/09	\$ 1,590,242	\$ 334,667	21.05%	\$ 2,581,854
6/30/10	1,878,426	349,370	18.60%	4,110,910
6/30/11	1,957,162	460,608	23.53%	5,607,464

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 Year Ended June 30, 2011

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, 2011 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 Year Ended June 30, 2011

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, 2010	Current Year Claims and Changes in Estimates	Claims Payments	Balance at June 30, 2011
Liability and auto	\$ 1,195,000	\$ (38,514)	\$ (94,486)	\$ 1,062,000
Dental	79,348	1,362,549	(1,362,549)	79,348
Unemployment	126,590	594,143	(594,143)	126,590
	<u>\$ 1,400,938</u>	<u>\$ 1,918,178</u>	<u>\$(2,051,178)</u>	<u>\$ 1,267,938</u>

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

	<u>Balance at June 30, 2009</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at June 30, 2010</u>
Liability and auto	\$ 1,268,000	\$ 68,339	\$ (141,339)	\$ 1,477,678
Dental	79,348	1,375,042	(1,375,042)	2,829,432
Unemployment	126,590	351,591	(351,591)	829,772
	<u>\$ 1,473,938</u>	<u>\$ 1,794,972</u>	<u>\$(1,867,972)</u>	<u>\$ 5,136,882</u>

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 March 2011. 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, 2011:

- 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

## COUNTY OF HUMBOLDT

Notes to the Financial Statements  
For the Year Ended June 30, 2011

Note 11: **Joint Ventures** (continued)

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

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

Note 12: **Commitments and Contingencies**

A. **Grants**

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including the year ended June 30, 2011, 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, 2011, there were outstanding commitments of \$7,404,013 for road and bridge projects and \$3,827,000 for airport projects.

**COUNTY OF HUMBOLDT**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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>
Dental insurance	\$ 885,358
Medical insurance	522,006
Unemployment insurance	644,165
County insurance	156,696

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

Note 14: **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.

**REQUIRED SUPPLEMENTARY INFORMATION**

## COUNTY OF HUMBOLDT

### Required Supplementary Information For the Year Ended June 30, 2011

#### **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, 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%
June 30, 2010	470,876,804	366,481,341	104,395,413	77.8%	81,350,885	128.3%

##### 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, 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%
June 30, 2010	134,226,996	113,019,790	21,207,206	84.2%	15,259,039	139.0%

#### **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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 42,846,342	\$ 43,106,164	\$ 43,654,193	\$ 548,029
Licenses and permits	1,705,936	1,752,158	1,674,684	(77,474)
Fines, forfeits and penalties	1,482,868	1,503,868	1,666,081	162,213
Use of money and property	477,000	479,450	205,380	(274,070)
Aid from other governments	158,072,753	161,036,699	125,856,664	(35,180,035)
Charges for services	41,377,360	44,412,033	39,219,896	(5,192,137)
Other revenue	4,368,834	5,660,373	2,139,144	(3,521,229)
Total Revenues	<u>250,331,093</u>	<u>257,950,745</u>	<u>214,416,042</u>	<u>(43,534,703)</u>
Expenditures:				
Current:				
General government	14,984,457	14,941,882	10,903,427	4,038,455
Public protection	74,227,156	78,130,405	66,421,925	11,708,480
Public way and facilities	1,878,243	2,090,664	2,093,925	(3,261)
Health and sanitation	63,006,719	63,950,297	54,691,876	9,258,421
Public assistance	97,417,252	98,311,952	80,281,072	18,030,880
Education	138,845	147,357	140,051	7,306
Recreation and culture	1,748,282	2,014,926	2,004,603	10,323
Total Expenditures	<u>253,400,954</u>	<u>259,587,483</u>	<u>216,536,879</u>	<u>43,050,604</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,069,861)</u>	<u>(1,636,738)</u>	<u>(2,120,837)</u>	<u>(484,099)</u>
Other Financing Sources (Uses):				
Transfers in	1,722,641	5,061,853	308,000	(4,753,853)
Transfers out	<u>(5,844,528)</u>	<u>(5,694,782)</u>	<u>(1,382,929)</u>	<u>4,311,853</u>
Total Other Financing Sources (Uses)	<u>(4,121,887)</u>	<u>(632,929)</u>	<u>(1,074,929)</u>	<u>(442,000)</u>
Net Change in Fund Balances	(7,191,748)	(2,269,667)	(3,195,766)	(926,099)
Budgetary Fund Balances - Beginning of Year	<u>15,832,474</u>	<u>15,832,474</u>	<u>15,832,474</u>	<u>--</u>
Budgetary Fund Balances - End of Year	<u>\$ 8,640,726</u>	<u>\$ 13,562,807</u>	<u>\$ 12,636,708</u>	<u>\$ (926,099)</u>

(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	\$ 214,416,042
Receipts from funds reclassified from County Agency Funds, not budgeted	<u>146,706</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 19)	<u>\$ 214,562,748</u>

Uses/outflows of resources

Disbursements from funds reclassified from County Agency Funds, not budgeted	<u>\$ 216,536,879</u> <u>(183,928)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 19)	<u>\$ 216,352,951</u>

**COUNTY OF HUMBOLDT**

Budgetary Comparison Schedule  
Road Fund  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 2,276,063	\$ 2,324,132	\$ 2,614,441	\$ 290,309
Licenses and permits	61,500	61,500	66,737	5,237
Use of money and property	25,000	25,000	94,658	69,658
Aid from other governments	29,887,880	29,917,880	16,908,600	(13,009,280)
Charges for services	899,867	899,867	825,310	(74,557)
Other revenue	57,200	582,307	638,740	56,433
Total Revenues	<u>33,207,510</u>	<u>33,810,686</u>	<u>21,148,486</u>	<u>(12,662,200)</u>
Expenditures:				
Current:				
Public way and facilities	38,541,596	39,144,772	16,969,684	22,175,088
Contingencies	580,000	580,000	--	580,000
Total Expenditures	<u>39,121,596</u>	<u>39,724,772</u>	<u>16,969,684</u>	<u>22,755,088</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,914,086)	(5,914,086)	4,178,802	10,092,888
Budgetary Fund Balances - Beginning of Year	<u>7,658,328</u>	<u>7,658,328</u>	<u>7,658,328</u>	<u>--</u>
Budgetary Fund Balances - End of Year	<u>\$ 1,744,242</u>	<u>\$ 1,744,242</u>	<u>\$ 11,837,130</u>	<u>\$ 10,092,888</u>

## COUNTY OF HUMBOLDT

### Note to Required Supplementary Information For the Year Ended June 30, 2011

#### **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**

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

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

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**COUNTY OF HUMBOLDT**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011

	Special Revenue		
	Family Support	Courthouse Construction	County Library
<u>Assets</u>			
Cash and investments	\$ 1,680,572	\$ 1,573,789	\$ 767,756
Cash with fiscal agent	--	--	--
Departmental cash funds	--	--	865
Receivables:			
Accounts	--	60	15,214
Total Assets	\$ 1,680,572	\$ 1,573,849	\$ 783,835
<u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 6,261	\$ --	\$ 29,747
Salaries and benefits payable	158,286	--	73,430
Due to other funds	--	--	--
Total Liabilities	164,547	--	103,177
 <u>Fund Balance</u>			
Restricted	1,516,025	1,573,849	680,658
Total Fund Balances	1,516,025	1,573,849	680,658
Total Liabilities and Fund Balances	\$ 1,680,572	\$ 1,573,849	\$ 783,835

continued

**COUNTY OF HUMBOLDT**

Combining Balance Sheet (continued)  
 Nonmajor Governmental Funds  
 June 30, 2011

	Special Revenue			
	Fish and Game Propagation	Special Aviation	Special Districts Under County Board of Supervisors	Total Special Revenue
<u>Assets</u>				
Cash and investments	\$ 19,846	\$ 188,792	\$ 2,867,877	\$ 7,098,632
Cash with fiscal agent	--	--	--	--
Departmental cash funds	--	--	--	865
Receivables:				
Accounts	--	--	--	15,274
 Total Assets	<u>\$ 19,846</u>	<u>\$ 188,792</u>	<u>\$ 2,867,877</u>	<u>\$ 7,114,771</u>
 <u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ --	\$ 268	\$ 85,140	\$ 121,416
Salaries and benefits payable	--	--	--	231,716
Due to other funds	--	--	26,273	26,273
 Total Liabilities	<u>--</u>	<u>268</u>	<u>111,413</u>	<u>379,405</u>
 Fund Balance				
Restricted	<u>19,846</u>	<u>188,524</u>	<u>2,756,464</u>	<u>6,735,366</u>
 Total Fund Balances	<u>19,846</u>	<u>188,524</u>	<u>2,756,464</u>	<u>6,735,366</u>
 Total Liabilities and Fund Balances	<u>\$ 19,846</u>	<u>\$ 188,792</u>	<u>\$ 2,867,877</u>	<u>\$ 7,114,771</u>

continued

**COUNTY OF HUMBOLDT**

Combining Balance Sheet (continued)  
 Nonmajor Governmental Funds  
 June 30, 2011

	<u>Debt Service</u>	
	Public Property Leasing	Total
<u>Assets</u>		
Cash and investments	\$ 81,451	\$ 7,180,083
Cash with fiscal agent	2,224,200	2,224,200
Departmental cash funds	--	865
Receivables:		
Accounts	--	15,274
	--	15,274
Total Assets	\$ 2,305,651	\$ 9,420,422
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ --	\$ 121,416
Salaries and benefits payable	--	231,716
Due to other funds	--	26,273
	--	26,273
Total Liabilities	--	379,405
Fund Balance		
Restricted	2,305,651	9,041,017
Total Fund Balances	2,305,651	9,041,017
Total Liabilities and Fund Balances	\$ 2,305,651	\$ 9,420,422

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2011

	Special Revenue		
	Family Support	Courthouse Construction	County Library
Revenues:			
Taxes	\$ --	\$ --	\$ 2,039,461
Fines, forfeitures and penalties	--	611,209	--
Use of money and property	19,656	21,248	5,726
Intergovernmental	4,828,971	--	564,659
Charges for services	--	--	73,235
Miscellaneous	--	--	149,725
Total Revenues	4,848,627	632,457	2,832,806
Expenditures:			
Current:			
General government	--	--	--
Public protection	4,628,365	--	--
Education	--	--	3,055,990
Debt Service:			
Principal	--	247,802	--
Interest and Other Charges	--	101,414	--
Total Expenditures	4,628,365	349,216	3,055,990
Excess (Deficiency) of Revenues Over (Under) Expenditures	220,262	283,241	(223,184)
Other Financing Sources (Uses):			
Transfers in	--	--	291,675
Transfers out	--	(74,385)	(75,861)
Total Other Financing Sources (Uses)	--	(74,385)	215,814
Net Change in Fund Balances	220,262	208,856	(7,370)
Fund Balances - Beginning of Year	1,295,763	1,364,993	688,028
Fund Balances - End of Year	\$ 1,516,025	\$ 1,573,849	\$ 680,658

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (continued)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2011

	Special Revenue			
	Fish and Game Propagation	Special Aviation	Special Districts Under County Board of Supervisors	Total Special Revenue
Revenues:				
Taxes	\$ --	\$ --	\$ 701,980	\$ 2,741,441
Fines, forfeitures and penalties	16,162	--	--	627,371
Use of money and property	256	1,282	35,905	84,073
Intergovernmental	--	100,000	9,221	5,502,851
Charges for services	--	--	--	73,235
Miscellaneous	--	--	57,184	206,909
Total Revenues	<u>16,418</u>	<u>101,282</u>	<u>804,290</u>	<u>9,235,880</u>
Expenditures:				
Current:				
General government	--	19,853	--	19,853
Public protection	14,097	--	812,978	5,455,440
Education	--	--	--	3,055,990
Debt Service:				
Principal	--	--	--	247,802
Interest and Other Charges	--	--	--	101,414
Total Expenditures	<u>14,097</u>	<u>19,853</u>	<u>812,978</u>	<u>8,880,499</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,321</u>	<u>81,429</u>	<u>(8,688)</u>	<u>355,381</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	291,675
Transfers out	--	--	--	(150,246)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>141,429</u>
Net Change in Fund Balances	2,321	81,429	(8,688)	496,810
Fund Balances - Beginning of Year	<u>17,525</u>	<u>107,095</u>	<u>2,765,152</u>	<u>6,238,556</u>
Fund Balances - End of Year	<u>\$ 19,846</u>	<u>\$ 188,524</u>	<u>\$ 2,756,464</u>	<u>\$ 6,735,366</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, 2011

	<u>Debt Service</u>	
	Public Property Leasing	Total
Revenues:		
Taxes	\$ --	\$ 2,741,441
Fines, forfeitures and penalties	--	627,371
Use of money and property	70,577	154,650
Intergovernmental	--	5,502,851
Charges for services	--	73,235
Miscellaneous	--	206,909
Total Revenues	70,577	9,306,457
Expenditures:		
Current:		
General government	--	19,853
Public protection	--	5,455,440
Education	--	3,055,990
Debt Service:		
Principal	675,000	922,802
Interest and Other Charges	574,224	675,638
Total Expenditures	1,249,224	10,129,723
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,178,647)	(823,266)
Other Financing Sources (Uses):		
Transfers in	1,241,500	1,533,175
Transfers out	--	(150,246)
Total Other Financing Sources (Uses)	1,241,500	1,382,929
Net Change in Fund Balances	62,853	559,663
Fund Balances - Beginning of Year	2,242,798	8,481,354
Fund Balances - End of Year	\$ 2,305,651	\$ 9,041,017

## **INTERNAL SERVICE FUNDS**

**COUNTY OF HUMBOLDT**

Combining Statement of Fund Net Assets  
Internal Service Funds  
June 30, 2011

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,292,637	\$ 383,715	\$ 100,692
Accounts receivable	129,792	--	--
Due from other funds	--	--	7,935
Inventory	261,101	--	--
Prepaid expenses	--	1,570	--
Total Current Assets	<u>1,683,530</u>	<u>385,285</u>	<u>108,627</u>
Noncurrent Assets:			
Capital assets, net of depreciation	<u>1,377,224</u>	<u>515,680</u>	<u>--</u>
Total Noncurrent Assets	<u>1,377,224</u>	<u>515,680</u>	<u>--</u>
Total Assets	<u>\$ 3,060,754</u>	<u>\$ 900,965</u>	<u>\$ 108,627</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 93,996	\$ 14,532	\$ 1,263
Accrued payroll and benefits	36,369	68,238	5,910
Due to other funds	--	--	--
Other liabilities	--	--	--
Deferred revenue	--	--	--
Capital leases	--	136,587	--
Liability for compensated absences	43,957	175,767	2,445
Provision for estimated claims	--	--	--
Total Current Liabilities	<u>174,322</u>	<u>395,124</u>	<u>9,618</u>
Long-term Liabilities:			
Capital leases	--	299,812	--
Liability for compensated absences	189,867	--	--
Total Liabilities	<u>364,189</u>	<u>694,936</u>	<u>9,618</u>
<u>Net Assets</u>			
Invested in capital assets	1,377,224	79,281	--
Unrestricted	1,319,341	126,748	99,009
Total Net Assets	<u>2,696,565</u>	<u>206,029</u>	<u>99,009</u>
Total Liabilities and Net Assets	<u>\$ 3,060,754</u>	<u>\$ 900,965</u>	<u>\$ 108,627</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Fund Net Assets  
Internal Service Funds  
June 30, 2011

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 55,186	\$ 2,347,743	\$ 1,734,544	\$ 5,914,517
Accounts receivable	--	--	--	129,792
Due from other funds	--	55,986	1,572,390	1,636,311
Inventory	--	66,890	--	327,991
Prepaid expenses	--	295	1,199,907	1,201,772
Total Current Assets	<u>55,186</u>	<u>2,470,914</u>	<u>4,506,841</u>	<u>9,210,383</u>
Noncurrent Assets:				
Capital assets, net of depreciation	21,871	5,366,957	2,057	7,283,789
Total Noncurrent Assets	<u>21,871</u>	<u>5,366,957</u>	<u>2,057</u>	<u>7,283,789</u>
Total Assets	<u>\$ 77,057</u>	<u>\$ 7,837,871</u>	<u>\$ 4,508,898</u>	<u>\$ 16,494,172</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	\$ 2,398	\$ 40,490	\$ 414,986	\$ 567,665
Accrued payroll and benefits	2,634	14,376	18,476	146,003
Due to other funds	--	--	1,572,390	1,572,390
Other liabilities	--	--	153,744	153,744
Deferred revenue	--	--	1,286,473	1,286,473
Capital leases	--	--	--	136,587
Liability for compensated absences	435	27,048	24,791	274,443
Provision for estimated claims	--	--	1,267,938	1,267,938
Total Current Liabilities	<u>5,467</u>	<u>81,914</u>	<u>4,738,798</u>	<u>5,405,243</u>
Long-term Liabilities:				
Capital leases	--	--	--	299,812
Liability for compensated absences	--	--	--	189,867
Total Liabilities	<u>5,467</u>	<u>81,914</u>	<u>4,738,798</u>	<u>5,894,922</u>
<u>Net Assets</u>				
Invested in capital assets	21,871	5,366,957	2,057	6,847,390
Unrestricted	49,719	2,389,000	(231,957)	3,751,860
Total Net Assets	<u>71,590</u>	<u>7,755,957</u>	<u>(229,900)</u>	<u>10,599,250</u>
Total Liabilities and Net Assets	<u>\$ 77,057</u>	<u>\$ 7,837,871</u>	<u>\$ 4,508,898</u>	<u>\$ 16,494,172</u>

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2011

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
Operating Revenues:			
Charges for services	\$ 1,698,267	\$ 2,590,186	\$ 217,002
Miscellaneous revenues	<u>650,180</u>	<u>101</u>	<u>1,786</u>
 Total Operating Revenues	 <u>2,348,447</u>	 <u>2,590,287</u>	 <u>218,788</u>
Operating Expenses:			
Salaries and benefits	784,972	1,390,440	235,999
Services and supplies	981,633	894,381	84,978
Self-insurance claims and purchase premiums	--	--	--
Depreciation	225,753	199,714	--
Other expenses	<u>--</u>	<u>--</u>	<u>--</u>
 Total Operating Expenses	 <u>1,992,358</u>	 <u>2,484,535</u>	 <u>320,977</u>
 Net Operating Income (Loss)	 <u>356,089</u>	 <u>105,752</u>	 <u>(102,189)</u>
Non-Operating Revenues (Expenses):			
Interest income	13,640	--	--
Interest expense	<u>--</u>	<u>(31,345)</u>	<u>--</u>
 Total Non-Operating Revenues (Expenses)	 <u>13,640</u>	 <u>(31,345)</u>	 <u>--</u>
 Change in Net Assets	 369,729	 74,407	 (102,189)
Net Assets - Beginning of Year	<u>2,326,836</u>	<u>131,622</u>	<u>201,198</u>
Net Assets - End of Year	<u><u>\$ 2,696,565</u></u>	<u><u>\$ 206,029</u></u>	<u><u>\$ 99,009</u></u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2011

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 108,172	\$ 1,874,684	\$ 21,313,627	\$ 27,801,938
Miscellaneous revenues	39,121	745,572	89,547	1,526,307
 Total Operating Revenues	 <u>147,293</u>	 <u>2,620,256</u>	 <u>21,403,174</u>	 <u>29,328,245</u>
Operating Expenses:				
Salaries and benefits	72,178	342,009	520,577	3,346,175
Services and supplies	67,806	1,812,274	102,105	3,943,177
Self-insurance claims and purchase premiums	--	--	22,587,048	22,587,048
Depreciation	5,157	678,807	2,477	1,111,908
Other expenses	--	--	30	30
 Total Operating Expenses	 <u>145,141</u>	 <u>2,833,090</u>	 <u>23,212,237</u>	 <u>30,988,338</u>
 Net Operating Income (Loss)	 <u>2,152</u>	 <u>(212,834)</u>	 <u>(1,809,063)</u>	 <u>(1,660,093)</u>
Non-Operating Revenues (Expenses):				
Interest income	--	27,270	42,841	83,751
Interest expense	--	--	(20,506)	(51,851)
 Total Non-Operating Revenues (Expenses)	 <u>--</u>	 <u>27,270</u>	 <u>22,335</u>	 <u>31,900</u>
 Change in Net Assets	 2,152	 (185,564)	 (1,786,728)	 (1,628,193)
Net Assets - Beginning of Year	<u>69,438</u>	<u>7,941,521</u>	<u>1,556,828</u>	<u>12,227,443</u>
Net Assets - End of Year	<u>\$ 71,590</u>	<u>\$ 7,755,957</u>	<u>\$ (229,900)</u>	<u>\$ 10,599,250</u>

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2011

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from interfund services provided	\$ 2,222,101	\$ 2,588,717	\$ 218,788
Cash paid to suppliers for goods and services	(994,471)	(1,048,744)	(85,393)
Cash paid to employees	<u>(768,998)</u>	<u>(1,422,865)</u>	<u>(240,863)</u>
Net Cash Provided (Used) by Operating Activities	<u>458,632</u>	<u>117,108</u>	<u>(107,468)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund loans from other funds	--	--	--
Interfund loans to other funds	--	--	(4,544)
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>--</u>	<u>(4,544)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(335,529)	(46,801)	--
Principal paid on capital debt	--	(128,412)	--
Interest paid on capital debt	--	<u>(31,345)</u>	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(335,529)</u>	<u>(206,558)</u>	<u>--</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received (paid)	<u>13,640</u>	--	--
Net Cash Provided (Used) by Investing Activities	<u>13,640</u>	<u>--</u>	<u>--</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	136,743	(89,450)	(112,012)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,155,894</u>	<u>473,165</u>	<u>212,704</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,292,637</u>	<u>\$ 383,715</u>	<u>\$ 100,692</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2011

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from interfund services provided	\$ 147,293	\$ 2,620,003	\$ 21,491,308	\$ 29,288,210
Cash paid to suppliers for goods and services	(88,618)	(1,839,402)	(22,513,314)	(26,569,942)
Cash paid to employees	(74,380)	(346,052)	(657,762)	(3,510,920)
	<u>(15,705)</u>	<u>434,549</u>	<u>(1,679,768)</u>	<u>(792,652)</u>
Net Cash Provided (Used) by Operating Activities				
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund loans from other funds	--	--	1,605,269	1,605,269
Interfund loans to other funds	--	(55,986)	(1,605,269)	(1,665,799)
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>(55,986)</u>	<u>--</u>	<u>(60,530)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(5,808)	(332,819)	--	(720,957)
Principal paid on capital debt	--	--	--	(128,412)
Interest paid on capital debt	--	--	--	(31,345)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,808)</u>	<u>(332,819)</u>	<u>--</u>	<u>(880,714)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received (paid)	--	27,270	22,335	63,245
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>27,270</u>	<u>22,335</u>	<u>63,245</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(21,513)	73,014	(1,657,433)	(1,670,651)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>76,699</u>	<u>2,274,729</u>	<u>3,391,977</u>	<u>7,585,168</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 55,186</u>	<u>\$ 2,347,743</u>	<u>\$ 1,734,544</u>	<u>\$ 5,914,517</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2011

	Heavy Equipment	Information Technology	Central Services
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 356,089	\$ 105,752	\$ (102,189)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	225,753	199,714	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	(126,346)	--	--
Prepaid expenses	--	(1,570)	--
Increase (decrease) in:			
Payables	(12,838)	(154,363)	(415)
Accrued salaries and benefits	(1,036)	(3,179)	3,404
Liability for compensated absences	17,010	(29,246)	(8,268)
Claims payable	--	--	--
Unearned revenue	--	--	--
Other liabilities	--	--	--
	<u>\$ 458,632</u>	<u>\$ 117,108</u>	<u>\$ (107,468)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>			

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2011

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 2,152	\$ (212,834)	\$ (1,809,063)	\$ (1,660,093)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	5,157	678,807	2,477	1,111,908
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	--	42	--	(126,304)
Prepaid expenses	--	(295)	(7,346)	(9,211)
Increase (decrease) in:				
Payables	(20,812)	(27,128)	316,625	101,069
Accrued salaries and benefits	1,138	(2,127)	(5,023)	(6,823)
Liability for compensated absences	(3,340)	(1,916)	(132,162)	(157,922)
Claims payable	--	--	(133,000)	(133,000)
Unearned revenue	--	--	95,480	95,480
Other liabilities	--	--	(7,756)	(7,756)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (15,705)</u>	<u>\$ 434,549</u>	<u>\$ (1,679,768)</u>	<u>\$ (792,652)</u>

# **INSURANCE FUNDS**

**COUNTY OF HUMBOLDT**

Combining Statement of Fund Net Assets  
Insurance Funds  
June 30, 2011

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>	<u>Liability</u>
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 1	\$ (129)	\$ 489,416	\$ 102,143
Receivables:				
Due from other funds	--	--	--	1,197,464
Prepaid expenses	28,000	--	--	8,373
Total Current Assets	<u>28,001</u>	<u>(129)</u>	<u>489,416</u>	<u>1,307,980</u>
Noncurrent Assets:				
Capital assets, net of depreciation	--	2,057	--	--
Total Noncurrent Assets	<u>--</u>	<u>2,057</u>	<u>--</u>	<u>--</u>
Total Assets	<u>\$ 28,001</u>	<u>\$ 1,928</u>	<u>\$ 489,416</u>	<u>\$ 1,307,980</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	\$ 90,990	\$ 2,068	\$ 3,664	\$ 132,038
Accrued payroll and benefits	--	18,476	--	--
Due to other funds	743,021	113,289	--	--
Other liabilities	--	--	--	--
Deferred revenue	--	--	--	--
Liability for compensated absences	--	24,791	--	--
Provision for estimated claims	79,348	--	--	1,062,000
Total Current Liabilities	<u>913,359</u>	<u>158,624</u>	<u>3,664</u>	<u>1,194,038</u>
Total Liabilities	<u>913,359</u>	<u>158,624</u>	<u>3,664</u>	<u>1,194,038</u>
<u>Net Assets</u>				
Invested in capital assets	--	2,057	--	--
Unrestricted	(885,358)	(158,753)	485,752	113,942
Total Net Assets	<u>(885,358)</u>	<u>(156,696)</u>	<u>485,752</u>	<u>113,942</u>
Total Liabilities and Net Assets	<u>\$ 28,001</u>	<u>\$ 1,928</u>	<u>\$ 489,416</u>	<u>\$ 1,307,980</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Fund Net Assets (continued)  
Insurance Funds  
June 30, 2011

	<u>Medical</u>	<u>Unemployment</u>	<u>Purchased Insurance Premium</u>	<u>Total</u>
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ (9,152)	\$ --	\$ 1,152,265	\$ 1,734,544
Receivables:				
Due from other funds	--	--	374,926	1,572,390
Prepaid expenses	1,143,080	--	20,454	1,199,907
Total Current Assets	<u>1,133,928</u>	<u>--</u>	<u>1,547,645</u>	<u>4,506,841</u>
Noncurrent Assets:				
Capital assets, net of depreciation	--	--	--	2,057
Total Noncurrent Assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,057</u>
Total Assets	<u>\$ 1,133,928</u>	<u>\$ --</u>	<u>\$ 1,547,645</u>	<u>\$ 4,508,898</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	\$ 28,307	\$ 94,377	\$ 63,542	\$ 414,986
Accrued payroll and benefits	--	--	--	18,476
Due to other funds	341,154	374,926	--	1,572,390
Other liabilities	--	48,272	105,472	153,744
Deferred revenue	1,286,473	--	--	1,286,473
Liability for compensated absences	--	--	--	24,791
Provision for estimated claims	--	126,590	--	1,267,938
Total Current Liabilities	<u>1,655,934</u>	<u>644,165</u>	<u>169,014</u>	<u>4,738,798</u>
Total Liabilities	<u>1,655,934</u>	<u>644,165</u>	<u>169,014</u>	<u>4,738,798</u>
<u>Net Assets</u>				
Invested in capital assets	--	--	--	2,057
Unrestricted	(522,006)	(644,165)	1,378,631	(231,957)
Total Net Assets	<u>(522,006)</u>	<u>(644,165)</u>	<u>1,378,631</u>	<u>(229,900)</u>
Total Liabilities and Net Assets	<u>\$ 1,133,928</u>	<u>\$ --</u>	<u>\$ 1,547,645</u>	<u>\$ 4,508,898</u>

**COUNTY OF HUMBOLDT**

Combining Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Insurance Funds  
For the Year Ended June 30, 2011

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>	<u>Liability</u>
Operating Revenues:				
Charges for services	\$ 1,409,909	\$ 506,420	\$ 2,287,680	\$ 1,234,749
Miscellaneous revenues	396	73,541	--	6,623
 Total Operating Revenues	 <u>1,410,305</u>	 <u>579,961</u>	 <u>2,287,680</u>	 <u>1,241,372</u>
Operating Expenses:				
Salaries and benefits	--	520,577	--	--
Services and supplies	--	102,105	--	--
Self-insurance claims and purchase premiums	1,549,686	--	3,241,948	1,699,350
Depreciation	--	2,477	--	--
Other expenses	--	--	--	30
 Total Operating Expenses	 <u>1,549,686</u>	 <u>625,159</u>	 <u>3,241,948</u>	 <u>1,699,380</u>
 Net Operating Income (Loss)	 <u>(139,381)</u>	 <u>(45,198)</u>	 <u>(954,268)</u>	 <u>(458,008)</u>
Non-Operating Revenues (Expenses):				
Interest income	--	1,504	5,200	17,095
Interest expense	(6,477)	(162)	(10,595)	--
 Total Non-Operating Revenues	 <u>(6,477)</u>	 <u>1,342</u>	 <u>(5,395)</u>	 <u>17,095</u>
 Change in Net Assets	 (145,858)	 (43,856)	 (959,663)	 (440,913)
 Net Assets - Beginning of Year	 <u>(739,500)</u>	 <u>(112,840)</u>	 <u>1,445,415</u>	 <u>554,855</u>
	<u>\$ (885,358)</u>	<u>\$ (156,696)</u>	<u>\$ 485,752</u>	<u>\$ 113,942</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, 2011

	Medical	Unemployment	Purchased Insurance Premium	Total
Operating Revenues:				
Charges for services	\$ 14,717,029	\$ 233,344	\$ 924,496	\$ 21,313,627
Miscellaneous revenues	313	--	8,674	89,547
<b>Total Operating Revenues</b>	<b>14,717,342</b>	<b>233,344</b>	<b>933,170</b>	<b>21,403,174</b>
Operating Expenses:				
Salaries and benefits	--	--	--	520,577
Services and supplies	--	--	--	102,105
Self-insurance claims and purchase premiums	14,420,444	730,203	945,417	22,587,048
Depreciation	--	--	--	2,477
Other expenses	--	--	--	30
<b>Total Operating Expenses</b>	<b>14,420,444</b>	<b>730,203</b>	<b>945,417</b>	<b>23,212,237</b>
<b>Net Operating Income (Loss)</b>	<b>296,898</b>	<b>(496,859)</b>	<b>(12,247)</b>	<b>(1,809,063)</b>
Non-Operating Revenues (Expenses):				
Interest income	218	1,507	17,317	42,841
Interest expense	(3,272)	--	--	(20,506)
<b>Total Non-Operating Revenues</b>	<b>(3,054)</b>	<b>1,507</b>	<b>17,317</b>	<b>22,335</b>
<b>Change in Net Assets</b>	<b>293,844</b>	<b>(495,352)</b>	<b>5,070</b>	<b>(1,786,728)</b>
<b>Net Assets - Beginning of Year</b>	<b>(815,850)</b>	<b>(148,813)</b>	<b>1,373,561</b>	<b>1,556,828</b>
	<u><u>\$ (522,006)</u></u>	<u><u>\$ (644,165)</u></u>	<u><u>\$ 1,378,631</u></u>	<u><u>\$ (229,900)</u></u>

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows  
Insurance Funds  
For the Year Ended June 30, 2011

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>	<u>Liability</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from interfund services provided	\$ 1,410,305	\$ 579,961	\$ 2,287,680	\$ 1,249,343
Cash paid to suppliers for goods and services	(1,458,696)	(101,900)	(3,238,284)	(1,783,106)
Cash paid to employees	--	(657,762)	--	--
Net Cash Provided (Used) by Operating Activities	<u>(48,391)</u>	<u>(179,701)</u>	<u>(950,604)</u>	<u>(533,763)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund loans from other funds	54,869	113,289	1,437,111	--
Interfund loans to other funds	--	--	--	(1,197,464)
Net Cash Provided (Used) by Investing Activities	<u>54,869</u>	<u>113,289</u>	<u>1,437,111</u>	<u>(1,197,464)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received (paid)	<u>(6,477)</u>	<u>1,342</u>	<u>(5,395)</u>	<u>17,095</u>
Net Cash Provided (Used) by Investing Activities	<u>(6,477)</u>	<u>1,342</u>	<u>(5,395)</u>	<u>17,095</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1	(65,070)	481,112	(1,714,132)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>--</u>	<u>64,941</u>	<u>8,304</u>	<u>1,816,275</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1</u>	<u>\$ (129)</u>	<u>\$ 489,416</u>	<u>\$ 102,143</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)

Insurance Funds

For the Year Ended June 30, 2011

	<u>Medical</u>	<u>Unemployment</u>	<u>Purchased Insurance Premium</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from interfund services provided	\$ 14,797,505	\$ 233,344	\$ 933,170	\$ 21,491,308
Cash paid to suppliers for goods and services	(14,395,798)	(636,667)	(898,863)	(22,513,314)
Cash paid to employees	--	--	--	(657,762)
Net Cash Provided (Used) by Operating Activities	<u>401,707</u>	<u>(403,323)</u>	<u>34,307</u>	<u>(1,679,768)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund loans from other funds	--	374,926	(374,926)	1,605,269
Interfund loans to other funds	(407,805)	--	--	(1,605,269)
Net Cash Provided (Used) by Investing Activities	<u>(407,805)</u>	<u>374,926</u>	<u>(374,926)</u>	<u>--</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received (paid)	(3,054)	1,507	17,317	22,335
Net Cash Provided (Used) by Investing Activities	<u>(3,054)</u>	<u>1,507</u>	<u>17,317</u>	<u>18,824</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(9,152)	(26,890)	(323,302)	(1,660,944)
<b>Cash and Cash Equivalents, Beginning of Year</b>	--	26,890	1,475,567	3,391,977
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ (9,152)</u>	<u>\$ --</u>	<u>\$ 1,152,265</u>	<u>\$ 1,734,544</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)  
Insurance Funds  
For the Year Ended June 30, 2011

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>	<u>Liability</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (139,381)	\$ (45,198)	\$ (954,268)	\$ (458,008)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	--	2,477	--	--
Changes in assets and liabilities:				
(Increase) decrease in:				
Prepaid expenses	--	--	--	7,971
Increase (decrease) in:				
Payables	90,990	205	3,664	51,974
Accrued salaries and benefits	--	(5,023)	--	--
Liability for compensated absences	--	(132,162)	--	--
Claims payable	--	--	--	(133,000)
Unearned revenue	--	--	--	--
Other liabilities	--	--	--	(2,700)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (48,391)</u>	<u>\$ (179,701)</u>	<u>\$ (950,604)</u>	<u>\$ (533,763)</u>

continued

**COUNTY OF HUMBOLDT**

Combining Statement of Cash Flows (continued)  
Insurance Funds  
For the Year Ended June 30, 2011

	<u>Medical</u>	<u>Unemployment</u>	<u>Purchased Insurance Premium</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 296,898	\$ (496,859)	\$ (12,247)	\$ (1,809,063)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	--	--	--	2,477
Changes in assets and liabilities:				
(Increase) decrease in:				
Prepaid expenses	(15,317)	--	--	(7,346)
Increase (decrease) in:				
Payables	24,646	93,536	51,610	316,625
Accrued salaries and benefits	--	--	--	(5,023)
Liability for compensated absences	--	--	--	(132,162)
Claims payable	--	--	--	(133,000)
Unearned revenue	95,480	--	--	95,480
Other liabilities	--	--	(5,056)	(7,756)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 401,707</u>	<u>\$ (403,323)</u>	<u>\$ 34,307</u>	<u>\$ (1,679,768)</u>