

**COUNTY OF HUMBOLDT
AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2012**

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COUNTY OF HUMBOLDT
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

Table of Contents

	<u>Page</u>
<u>Introductory Section</u>	
Directory of Public Officials.....	1
<u>Financial Section</u>	
Independent Auditor's Report.....	3-4
Management's Discussion and Analysis (Required Supplementary Information)	5-14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities.....	16-17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	19
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets – Governmental Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances.....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities	22
Proprietary Funds:	
Statement of Fund Net Assets.....	23
Statement of Revenues, Expenses and Changes in Fund Net Assets	24
Statement of Cash Flows.....	25-26
Fiduciary Funds:	
Statement of Fiduciary Net Assets	27
Statement of Changes in Fiduciary Net Assets	28
Notes to Financial Statements	29-55
Required Supplementary Information:	
Schedule of Funding Progress.....	57
Budgetary Comparison Schedule:	
General Fund	58-59
Road Fund	60
Note to Required Supplementary Information.....	61
Combining and Individual Fund Financial Statements and Schedules:	
Nonmajor Governmental Funds	
Definition	63-64
Combining Balance Sheet.....	65-67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	68-70

COUNTY OF HUMBOLDT
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

Table of Contents

	<u>Page</u>
<u>Financial Section</u> (continued)	
Combining and Individual Fund Financial Statements and Schedules (continued):	
Internal Service Funds:	
Combining Statement of Fund Net Assets.....	71-72
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	73-74
Combining Statement of Cash Flows.....	75-78
Self-Insurance Funds:	
Combining Statement of Fund Net Assets	79-81
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	82-84
Combining Statement of Cash Flows	85-90

INTRODUCTORY SECTION

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COUNTY OF HUMBOLDT

**BOARD OF SUPERVISORS AND FINANCE ADMINISTRATORS
JUNE 30, 2012**

**BOARD OF SUPERVISORS
(as of June 30, 2012)**

<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

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FINANCIAL SECTION

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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, 2012, 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, 2012, 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 January 16, 2013 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.

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.

Honorable Board of Supervisors
County of Humboldt
Eureka, California

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 taken 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.

Gallina LLP

Roseville, California
January 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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COUNTY OF HUMBOLDT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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, 2012. 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 \$452,072,414 (*net assets*). Net assets of \$98,887,791 are restricted for specific purposes (*restricted net assets*), and \$359,167,658 are invested in capital assets, net of related debt. Unrestricted net assets were a negative \$5,983,035, 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 adjusted, increased by \$1,766,256 in comparison with the prior year.
- The County's net assets invested in capital assets, net of related debt, decreased by \$2,460,318.
- The County's governmental funds reported combined fund balances of \$107,003,167, an increase of \$12,370,837 in comparison with the prior year, as adjusted. The unassigned portion of those fund balances was \$5,752,419.

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).

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.

COUNTY OF HUMBOLDT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Financial data for the Humboldt County Public Property Leasing Corporation are combined with the presentation of the primary government's financial data and thus it is referred to as a "blended" component unit. A "discretely presented" component unit is one that is presented separately in the financial statements to emphasize its independence from the primary government. Humboldt County has no discretely presented component units.

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

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

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

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

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

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

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.

COUNTY OF HUMBOLDT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net 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 \$452,072,414 at the close of the most recent fiscal year. Of these combined net assets 79.4% reflects the County's investment in capital assets, net of related debt. Another 21.9% 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 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Current and Other Assets	\$ 127,309,610	\$ 124,952,310	\$ 569,244	\$ 888,811	\$ 127,878,854	\$ 125,841,121
Capital Assets	341,646,792	347,037,962	34,737,738	32,532,699	376,384,530	379,570,661
Total Assets	<u>468,956,402</u>	<u>471,990,272</u>	<u>35,306,982</u>	<u>33,421,510</u>	<u>504,263,384</u>	<u>505,411,782</u>
Current Liabilities	9,775,546	12,259,413	284,963	285,079	10,060,509	12,544,492
Long-Term Liabilities	42,004,206	42,432,848	126,255	128,284	42,130,461	42,561,132
Total Liabilities	<u>51,779,752</u>	<u>54,692,261</u>	<u>411,218</u>	<u>413,363</u>	<u>52,190,970</u>	<u>55,105,624</u>
Invested in Capital Assets, net of related debt	324,432,367	329,001,171	34,735,291	32,626,805	359,167,658	361,627,976
Restricted	98,887,791	96,442,403	-	-	98,887,791	96,442,403
Unrestricted	(6,143,508)	(8,145,563)	160,473	381,342	(5,983,035)	(7,764,221)
Total Net Assets	<u>\$ 417,176,650</u>	<u>\$ 417,298,011</u>	<u>\$ 34,895,764</u>	<u>\$ 33,008,147</u>	<u>\$ 452,072,414</u>	<u>\$ 450,306,158</u>

A significant portion of the County's net assets, \$359,167,658, 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, \$98,887,791, 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 \$6,143,508 primarily due to the GASB 54 classification of long-term payroll liabilities to the unrestricted category. These reclassifications include liabilities for other post-employment benefits (OPEB) and compensated absences. 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.

COUNTY OF HUMBOLDT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

The County's net assets, as adjusted, increased by \$1,766,256 during the current fiscal year. The increase 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 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Revenues						
Program Revenues:						
Fees, fines and charges for services	\$ 47,417,235	\$ 46,255,335	\$ 3,146,721	\$ 3,698,842	\$ 50,563,956	\$ 49,954,177
Operating grants/contributions	145,613,690	140,935,194	-	-	145,613,690	140,935,194
Capital grants/contributions	9,798,208	7,699,365	3,001,359	7,343,676	12,799,567	15,043,041
General Revenues:						
Property taxes	38,771,630	38,459,111	-	-	38,771,630	38,459,111
Sales taxes	6,879,774	6,767,444	-	-	6,879,774	6,767,444
Transient occupancy tax	1,193,382	1,166,821	-	-	1,193,382	1,166,821
Other taxes	2,800,841	2,726,294	-	-	2,800,841	2,726,294
Interest and investment income	1,132,234	1,208,497	11,755	15,539	1,143,989	1,224,036
Other	2,227,274	3,069,808	43,370	46,362	2,270,644	3,116,170
Total Revenues	255,834,268	248,287,869	6,203,205	11,104,419	262,037,473	259,392,288
Expenses						
General government	13,619,615	13,993,348	-	-	13,619,615	13,993,348
Public protection	69,579,578	72,546,562	-	-	69,579,578	72,546,562
Public ways and facilities	30,183,567	27,492,685	-	-	30,183,567	27,492,685
Health and sanitation	56,600,747	55,344,659	-	-	56,600,747	55,344,659
Public assistance	79,403,056	80,836,085	-	-	79,403,056	80,836,085
Education	3,413,162	3,286,985	-	-	3,413,162	3,286,985
Recreation and cultural services	2,014,842	1,595,009	-	-	2,014,842	1,595,009
Interest and long-term debt	763,734	819,770	-	-	763,734	819,770
Aviation	-	-	4,504,112	5,074,860	4,504,112	5,074,860
Total Expenses	255,578,301	255,915,103	4,504,112	5,074,860	260,082,413	260,989,963
Increase(decrease) in net assets before transfers	255,967	(7,627,234)	1,699,093	6,029,559	1,955,060	(1,597,675)
Transfers	(188,524)	-	188,524	-	-	-
Change in Net Assets	67,443	(7,627,234)	1,887,617	6,029,559	1,955,060	(1,597,675)
Net Assets - Beginning	417,298,011	424,925,245	33,008,147	26,978,588	450,306,158	451,903,833
Prior period adjustments	(188,804)	-	-	-	(188,804)	-
Net Assets - Ending	\$ 417,176,650	\$ 417,298,011	\$ 34,895,764	\$ 33,008,147	\$ 452,072,414	\$ 450,306,158

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

COUNTY OF HUMBOLDT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

At June, 30, 2012, the County's governmental funds reported combined fund balances of \$107,003,167. Of these combined fund balances, \$5,752,419 constitutes unassigned fund balance of the General Fund, which is available to meet the County's current and future needs. The restricted fund balance, \$100,367,209 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, 2012, unassigned fund balance was \$5,752,419, while total fund balance was \$74,410,201. 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 2.7% of total General Fund expenditures, while the total fund balance represents 34.6% of total General Fund expenditures.

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

Total governmental funds Fund Balance increased by \$12,370,837 in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund increased \$21,303,838, Roads Fund decreased \$7,575,141 and Headwaters Mitigation Fund decreased \$1,037,097. The non-major governmental funds decreased by \$320,763.

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

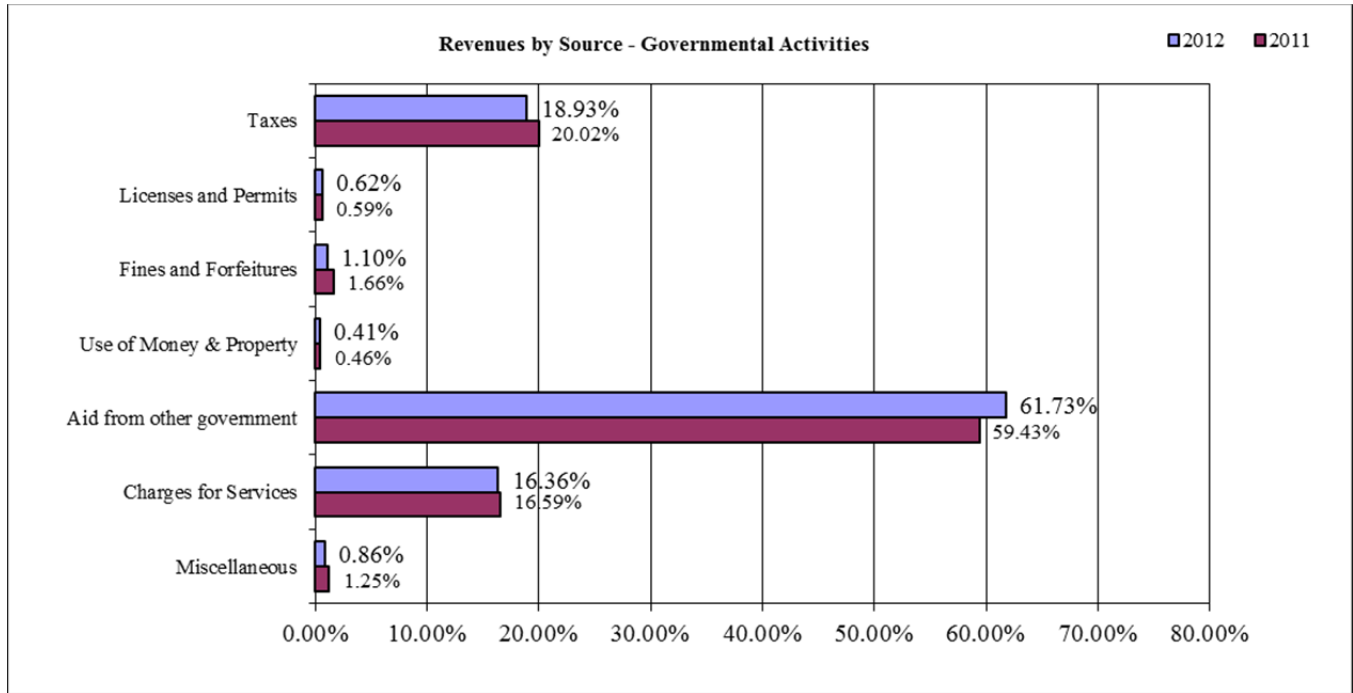
Revenues Classified by Source
Governmental Funds

	FY 2012		FY 2011		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 49,645,627	18.93%	\$ 49,119,670	20.02%	\$ 525,957	1.07%
Licenses and Permits	1,635,760	0.62%	1,460,051	0.59%	175,709	12.03%
Fines and Forfeitures	2,877,139	1.10%	4,075,170	1.66%	(1,198,031)	-29.40%
Use of Money & Property	1,069,349	0.41%	1,124,746	0.46%	(55,397)	-4.93%
Aid from other government	161,900,340	61.73%	145,832,715	59.43%	16,067,625	11.02%
Charges for Services	42,904,336	16.36%	40,720,114	16.59%	2,184,222	5.36%
Miscellaneous	2,260,110	0.86%	3,069,778	1.25%	(809,668)	-26.38%
Total Revenue by Source	<u>\$ 262,292,661</u>	<u>100.00%</u>	<u>\$ 245,402,244</u>	<u>100.00%</u>	<u>\$ 16,890,417</u>	

COUNTY OF HUMBOLDT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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



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

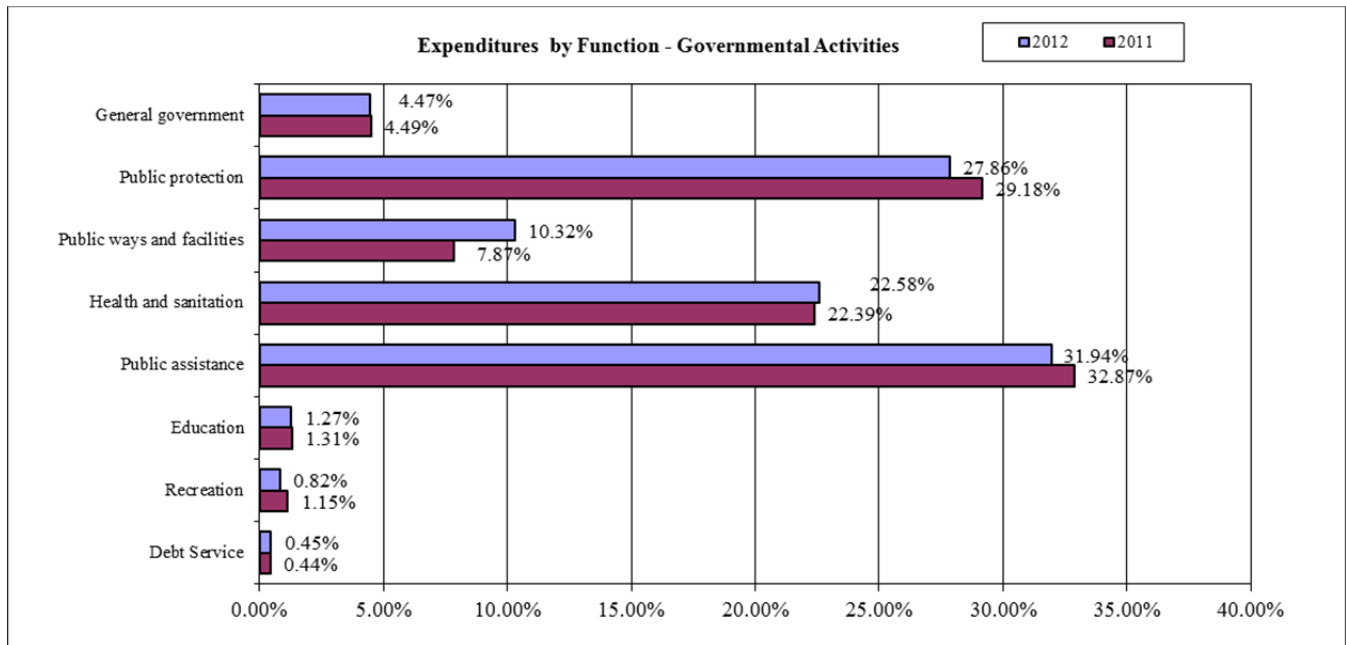
Expenditures Classified by Function
Governmental Funds

	FY 2012		FY 2011		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 11,154,136	4.47%	\$ 10,972,765	4.49%	\$ 181,371	1.65%
Public protection	69,527,276	27.86%	71,272,855	29.18%	(1,745,579)	-2.45%
Public ways and facilities	25,762,059	10.32%	19,212,707	7.87%	6,549,352	34.09%
Health and sanitation	56,359,337	22.58%	54,691,876	22.39%	1,667,461	3.05%
Public assistance	79,697,552	31.94%	80,281,072	32.87%	(583,520)	-0.73%
Education	3,173,619	1.27%	3,196,041	1.31%	(22,422)	-0.70%
Recreation	2,051,002	0.82%	2,813,376	1.15%	(762,374)	-27.10%
Debt Service	1,113,987	0.45%	1,073,002	0.44%	40,985	3.82%
Capital outlay	705,528	0.28%	747,437	0.31%	(41,909)	
Total by Function	\$ 249,544,496	100.00%	\$ 244,261,131	100.00%	\$ 5,283,365	

COUNTY OF HUMBOLDT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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.

Enterprise fund net assets restricted for investment in capital assets net of related debt at fiscal year end was \$34,735,291. Unrestricted net assets of the enterprise funds at fiscal year end were \$160,473. The net assets of the enterprise funds increased \$1,887,617 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 \$9,575,346 and include \$7,111,377 invested in capital assets. The net assets of the internal service funds decreased \$1,023,904 over the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

COUNTY OF HUMBOLDT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Differences between the General Fund's original budget and the final amended budget resulted in a \$9,098,682 increase in appropriations. The major components of the appropriations increase are briefly summarized as follows: \$4,776,236 increase in public protection; \$985,146 increase in public assistance; \$2,128,189 increase in public health and sanitation; and a \$476,913 increase in recreation. Other budgetary categories were increased by lesser amounts.

Even with these adjustments, actual expenditures were \$35,843,139 below final budget amounts. Revenues available for appropriation were \$23,887,057 below final budget amounts.

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

Budgetary Comparison General Fund				
	Original	Final	Net Change	
	Budget	Budget	Amount	Percent
Total Revenues	\$ 241,593,617	\$ 250,257,029	\$ 8,663,412	3.46%
Total Expenditures	(241,311,605)	(250,410,287)	(9,098,682)	3.63%
Other Financing Sources (Uses)	(1,429,807)	(925,921)	503,886	-54.42%
Net Change in Fund Balances	<u>\$ (1,147,795)</u>	<u>\$ (1,079,179)</u>	<u>\$ 68,616</u>	

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	\$ 250,257,029	\$ 226,369,972	\$ (23,887,057)	-10.55%
Total Expenditures	(250,410,287)	(214,567,148)	35,843,139	-16.70%
Other Financing Sources (Uses)	(925,921)	4,023,810	4,949,731	123.01%
Net Change in Fund Balances	<u>\$ (1,079,179)</u>	<u>\$ 15,826,634</u>	<u>\$ 16,905,813</u>	

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounted to \$376,384,530 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, leasehold improvements, equipment, and infrastructure (roads and bridges).

COUNTY OF HUMBOLDT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,912,856	\$ 3,979,356	\$ 1,976,177	\$ 1,976,177	\$ 5,889,033	\$ 5,955,533
Structures & Improvements	96,660,589	94,816,212	25,229,695	25,079,898	121,890,284	119,896,110
Equipment	29,616,076	28,194,735	1,812,115	1,666,610	31,428,191	29,861,345
Infrastructure	591,110,855	585,344,114	-	-	591,110,855	585,344,114
Construction In Progress	4,549,170	2,658,168	23,696,011	20,962,435	28,245,181	23,620,603
Total	725,849,546	714,992,585	52,713,998	49,685,120	778,563,544	764,677,705
Accumulated Depreciation	(384,202,754)	(367,954,623)	(17,976,260)	(17,053,421)	(402,179,014)	(385,008,044)
Net Capital Assets	<u>\$ 341,646,792</u>	<u>\$ 347,037,962</u>	<u>\$ 34,737,738</u>	<u>\$ 32,631,699</u>	<u>\$ 376,384,530</u>	<u>\$ 379,669,661</u>

Additional information regarding capital assets is presented in note 4.

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total outstanding debt obligations of \$17,216,872. Of this amount, \$11,948,215 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	
	2012	2011	2012	2011	2012	2011
Certificates of participation	11,915,000	\$ 12,610,000	\$ --	\$ --	\$ 11,915,000	\$ 12,610,000
Unamortized premium	33,215	35,587	--	--	33,215	35,587
Capital Lease Obligations	5,266,210	5,391,204	--	--	5,266,210	5,391,204
Notes Payable	--	--	2,447	4,894	2,447	4,894
Total Debt	17,214,425	18,036,791	2,447	4,894	17,216,872	18,041,685
Less Current Portion	(1,381,183)	(1,250,574)	(2,447)	(2,447)	(1,383,630)	(1,253,021)
Net Long-Term Debt	<u>\$ 15,833,242</u>	<u>\$ 16,786,217</u>	<u>\$ --</u>	<u>\$ 2,447</u>	<u>\$ 15,833,242</u>	<u>\$ 16,788,664</u>

Reductions of the County's total outstanding debt included principal payments of \$1,250,574 and amortization of bond premium of \$2,372 with \$763,734 in interest expense for governmental activities and principal payments of \$2,447 and \$48,094 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 2012-13 budget takes into consideration the overall financial health of the County and related impacts of the California State Budget.

COUNTY OF HUMBOLDT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

REQUEST FOR INFORMATION

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

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

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COUNTY OF HUMBOLDT

Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<u>ASSETS</u>			
Cash and investments	\$ 79,925,715	\$ 883,256	\$ 80,808,971
Restricted cash:			
Cash with fiscal agent	2,261,538	--	2,261,538
Receivables, net:			
Accounts	6,211,900	392,442	6,604,342
Other governmental agencies	14,680,914	--	14,680,914
Due from external parties	229,490	--	229,490
Inventory	327,991	179,384	507,375
Deposits and other assets	1,528,622	13,853	1,542,475
Deferred costs	389,664	--	389,664
Loan receivable	20,854,085	--	20,854,085
Internal balances	899,691	(899,691)	--
Capital assets:			
Nondepreciable	8,462,026	25,672,188	34,134,214
Depreciable, net	333,184,766	9,065,550	342,250,316
Total Assets	\$468,956,402	\$ 35,306,982	\$504,263,384
<u>LIABILITIES</u>			
Accounts payable	\$ 5,873,712	\$ 264,580	\$ 6,138,292
Accrued salaries and benefits	2,355,417	20,383	2,375,800
Interest payable	102,048	--	102,048
Unearned revenue	1,263,108	--	1,263,108
Other liabilities	181,261	--	181,261
Long-Term Liabilities:			
Portion due or payable within one year:			
Certificates of participation	725,000	--	725,000
Notes payable	--	2,447	2,447
Capital leases	656,183	--	656,183
Compensated absences	9,266,302	48,873	9,315,175
Claims liability	1,718,315	--	1,718,315
Portion due or payable after one year:			
Certificates of participation, net of unamortized premium	11,223,215	--	11,223,215
Capital leases	4,610,027	--	4,610,027
Compensated absences	6,950,675	74,935	7,025,610
OPEB liability	6,854,489	--	6,854,489
Total Liabilities	51,779,752	411,218	52,190,970
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	324,432,367	34,735,291	359,167,658
Restricted for:			
Economic development	36,040,572	--	36,040,572
Debt service and capital projects	3,554,675	--	3,554,675
Other grants and special taxes	59,292,544	--	59,292,544
Unrestricted	(6,143,508)	160,473	(5,983,035)
Total Net Assets	417,176,650	34,895,764	452,072,414
Total Liabilities and Net Assets	\$468,956,402	\$ 35,306,982	\$504,263,384

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

COUNTY OF HUMBOLDT

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 13,619,615	\$ 4,713,641	\$ 3,108,606	\$ --
Public protection	69,546,742	8,971,143	38,453,349	1,207,391
Public ways and facilities	30,216,403	1,527,536	4,198,913	8,590,817
Health and sanitation	56,600,747	26,423,661	24,815,558	--
Public assistance	79,403,056	4,929,094	74,595,258	--
Education	3,413,162	82,606	433,458	--
Recreation and culture	2,014,842	769,554	8,548	--
Debt Service				
Interest	763,734	--	--	--
Total Governmental Activities	<u>255,578,301</u>	<u>47,417,235</u>	<u>145,613,690</u>	<u>9,798,208</u>
Business-Type Activities:				
Aviation	4,504,112	3,146,721	--	3,001,359
Total Business-type Activities	<u>4,504,112</u>	<u>3,146,721</u>	<u>--</u>	<u>3,001,359</u>
Total Humboldt County	<u>\$260,082,413</u>	<u>\$ 50,563,956</u>	<u>\$ 145,613,690</u>	<u>\$ 12,799,567</u>

General Revenues:

Taxes:

Property taxes

Sales and use taxes

Transient occupancy tax

Other

Unrestricted interest and investment earnings

Miscellaneous

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Prior period adjustments

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
\$ (5,797,368)	\$ --	\$ (5,797,368)
(20,914,859)	--	(20,914,859)
(15,899,137)	--	(15,899,137)
(5,361,528)	--	(5,361,528)
121,296	--	121,296
(2,897,098)	--	(2,897,098)
(1,236,740)	--	(1,236,740)
<u>(763,734)</u>	<u>--</u>	<u>(763,734)</u>
<u>(52,749,168)</u>	<u>--</u>	<u>(52,749,168)</u>
<u>--</u>	<u>1,643,968</u>	<u>1,643,968</u>
<u>--</u>	<u>1,643,968</u>	<u>1,643,968</u>
<u>(52,749,168)</u>	<u>1,643,968</u>	<u>(51,105,200)</u>
38,771,630	--	38,771,630
6,879,774	--	6,879,774
1,193,382	--	1,193,382
2,800,841	--	2,800,841
1,132,234	11,755	1,143,989
2,227,274	43,370	2,270,644
(188,524)	188,524	--
<u>52,816,611</u>	<u>243,649</u>	<u>53,060,260</u>
67,443	1,887,617	1,955,060
417,298,011	33,008,147	450,306,158
<u>(188,804)</u>	<u>--</u>	<u>(188,804)</u>
<u>\$ 417,176,650</u>	<u>\$ 34,895,764</u>	<u>\$ 452,072,414</u>

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

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**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

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COUNTY OF HUMBOLDT

Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Headwaters Mitigation Fund	Road Fund	Other Governmental	Total
<u>Assets</u>					
Cash and investments	\$51,065,454	\$14,607,522	\$ 2,782,123	\$ 6,646,498	\$ 75,101,597
Restricted assets:					
Cash with fiscal agent	--	--	--	2,261,538	2,261,538
Department cash funds	--	--	--	865	865
Receivables, net	--				
Accounts	5,735,637	22,264	358,716	39,577	6,156,194
Other governmental agencies	12,064,434	--	2,616,480	--	14,680,914
Due from other funds	235,970	--	--	--	235,970
Advances to other funds	--	622,107	--	--	622,107
Loans receivable	16,350,378	4,503,707	--	--	20,854,085
Prepays and other assets	261,332	--	100	--	261,432
Total Assets	<u>\$85,713,205</u>	<u>\$19,755,600</u>	<u>\$ 5,757,419</u>	<u>\$ 8,948,478</u>	<u>\$120,174,702</u>
<u>Liabilities</u>					
Accounts payable	3,863,514	\$ 144,877	\$ 1,037,999	130,059	\$ 5,176,449
Accrued salaries and benefits	2,089,100	--	124,749	91,685	2,305,534
Due to other funds	3,268	--	--	6,480	9,748
Other liabilities	10,088	--	--	--	10,088
Deferred revenue	5,337,034	--	332,682	--	5,669,716
Total Liabilities	<u>11,303,004</u>	<u>144,877</u>	<u>1,495,430</u>	<u>228,224</u>	<u>13,171,535</u>
<u>Fund Balances</u>					
Nonspendable	261,332	622,107	100	--	883,539
Restricted	68,396,450	18,988,616	4,261,889	8,720,254	100,367,209
Unassigned	5,752,419	--	--	--	5,752,419
Total Fund Balances	<u>74,410,201</u>	<u>19,610,723</u>	<u>4,261,989</u>	<u>8,720,254</u>	<u>107,003,167</u>
	<u>\$85,713,205</u>	<u>\$19,755,600</u>	<u>\$ 5,757,419</u>	<u>\$ 8,948,478</u>	<u>\$120,174,702</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, 2012

Fund Balance - total governmental funds (page 19)	\$ 107,003,167
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	389,664
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	333,837,859
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	5,669,716
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.	9,575,346
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.	(102,048)
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	(11,915,000)
Unamortized premium	(33,215)
Capital leases	(4,568,654)
OPEB liability	(6,854,489)
Compensated absences	<u>(15,825,696)</u>
Net assets of governmental activiites (page 15)	<u>\$ 417,176,650</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, 2012

	General Fund	Headwaters Mitigation Fund	Road Fund	Other Governmental	Total
Revenues:					
Taxes	\$ 44,258,631	\$ --	\$ 2,548,249	\$ 2,838,747	\$ 49,645,627
Licenses and permits	1,542,526	--	93,234	--	1,635,760
Fines, forfeitures and penalties	2,275,479	--	--	601,660	2,877,139
Use of money and property	473,655	407,431	79,232	109,031	1,069,349
Aid from other governments	140,280,821	--	16,721,392	4,898,127	161,900,340
Charges for services	41,223,879	--	1,259,956	420,501	42,904,336
Other revenues	2,031,123	7,540	58,187	163,260	2,260,110
Total Revenues	232,086,114	414,971	20,760,250	9,031,326	262,292,661
Expenditures:					
Current:					
General government	11,154,136	--	--	--	11,154,136
Public protection	64,148,027	--	--	5,346,413	69,494,440
Public ways and facilities	2,299,141	--	23,495,754	--	25,794,895
Health and sanitation	56,359,337	--	--	--	56,359,337
Public assistance	79,697,552	--	--	--	79,697,552
Education	133,865	--	--	3,039,754	3,173,619
Recreation and culture	902,738	1,148,264	--	--	2,051,002
Debt service:					
Principal	159,300	--	--	954,687	1,113,987
Interest and other charges	66,990	--	--	638,538	705,528
Total Expenditures	214,921,086	1,148,264	23,495,754	9,979,392	249,544,496
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,165,028	(733,293)	(2,735,504)	(948,066)	12,748,165
Other Financing Sources (Uses):					
Transfers in	4,839,637	--	--	1,425,918	6,265,555
Transfers out	(815,827)	--	(4,839,637)	(798,615)	(6,454,079)
Total Other Financing Sources (Uses)	4,023,810	--	(4,839,637)	627,303	(188,524)
Net Changes in Fund Balances	21,188,838	(733,293)	(7,575,141)	(320,763)	12,559,641
Fund Balances, Beginning of Year	53,106,363	20,647,820	11,837,130	9,041,017	94,632,330
Prior period adjustment	115,000	(303,804)	--	--	(188,804)
Fund Balances, End of Year	\$ 74,410,201	\$ 19,610,723	\$ 4,261,989	\$ 8,720,254	\$ 107,003,167

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, 2012

Net change to fund balance - total governmental funds (page 21)		\$ 12,559,641
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ 10,398,260	
Less: current year depreciation	<u>(16,314,574)</u>	(5,916,314)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(6,596,813)
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.		
Inception of capital lease is reported as other revenue in governmental funds		(32,836)
Principal payments on certificates of participation and capital leases		1,113,987
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest on debt	5,855	
Change in OPEB	(1,247,025)	
Amortization of bond issuance costs	(28,169)	
Change in compensated absences	1,230,649	
Change in amortization of debt premium	<u>2,372</u>	(36,318)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.		<u>(1,023,904)</u>
Change in net assets of governmental activities (page 16)		<u><u>\$ 67,443</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, 2012

	Business -Type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	<u>Aviation</u>	
<u>ASSETS</u>		
Current Assets:		
Cash and investments	\$ 882,856	\$ 4,823,253
Departmental cash funds	400	--
Accounts receivable	392,442	55,706
Due from other funds	--	1,846,935
Inventory	179,384	327,991
Prepaid expenses	13,853	1,267,190
Total Current Assets	<u>1,468,935</u>	<u>8,321,075</u>
Noncurrent Assets:		
Capital assets:		
Non-depreciable	25,672,188	--
Depreciable, net	9,065,550	7,808,933
Total Noncurrent Assets	<u>34,737,738</u>	<u>7,808,933</u>
Total Assets	<u>\$ 36,206,673</u>	<u>\$ 16,130,008</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	264,580	697,263
Accrued salaries and benefits	20,383	49,883
Due to other funds	277,584	1,566,083
Advances from other funds	622,107	--
Provision for estimated claims	--	1,718,315
Other liabilities	--	171,173
Deferred revenue	--	1,263,108
Notes payable	2,447	--
Capital leases	--	208,754
Liability for compensated absences	48,873	203,283
Total Current Liabilities	<u>1,235,974</u>	<u>5,877,862</u>
Noncurrent Liabilities:		
Capital leases	--	488,802
Liability for compensated absences	74,935	187,998
Total Noncurrent Liabilities	<u>74,935</u>	<u>676,800</u>
Total Liabilities	<u>1,310,909</u>	<u>6,554,662</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	34,735,291	7,111,377
Unrestricted	160,473	2,463,969
Total Net Assets	<u>34,895,764</u>	<u>9,575,346</u>
 Total Liabilities and Net Assets	 <u>\$ 36,206,673</u>	 <u>\$ 16,130,008</u>

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

COUNTY OF HUMBOLDT

Statement of Revenues, Expenses and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2012

	<u>Business -Type Activities - Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
	<u>Aviation</u>	
Operating Revenues:		
Charges for services	\$ 3,146,721	\$ 28,761,464
Other revenue	43,370	2,027,212
Total Operating Revenues	<u>3,190,091</u>	<u>30,788,676</u>
Operating Expenses:		
Salaries and benefits	1,166,848	3,065,521
Services and supplies	2,366,332	4,561,530
Claims expense	--	23,146,689
Depreciation and amortization	922,838	1,171,832
Total Operating Expenses	<u>4,456,018</u>	<u>31,945,572</u>
Operating Income (Loss)	<u>(1,265,927)</u>	<u>(1,156,896)</u>
Non-Operating Revenue (Expenses):		
Investment income	11,755	62,885
Operating grants	--	108,371
Interest expense	(48,094)	(38,264)
Total Non-Operating Revenue (Expenses)	<u>(36,339)</u>	<u>132,992</u>
Income (Loss) Before Capital Contributions and Transfers	(1,302,266)	(1,023,904)
Capital contributions	3,001,359	--
Transfers in	188,524	233,989
Transfers out	--	(233,989)
Net Income (Loss)	1,887,617	(1,023,904)
Net Assets - Beginning of Year	<u>33,008,147</u>	<u>10,599,250</u>
Net Assets - End of Year	<u>\$ 34,895,764</u>	<u>\$ 9,575,346</u>

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

COUNTY OF HUMBOLDT

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	Aviation	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers and other funds	\$ 3,425,157	\$ --
Cash receipts from internal fund services provided	--	30,839,397
Cash paid to suppliers for goods and services	(2,351,204)	(26,665,262)
Cash paid to employees for services	(1,195,527)	(3,234,670)
Net Cash Provided (Used) by Operating Activities	<u>(121,574)</u>	<u>939,465</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interfund loans from other funds	\$ 174,305	227,682
Interfund loans to other funds	(15,967)	(445,001)
Transfers in	188,524	--
Operating grants	--	108,371
Net Cash Provided (Used) by Noncapital Financing Activities	<u>346,862</u>	<u>(108,948)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	3,001,359	--
Purchase of capital assets	(3,093,590)	(1,933,496)
Principal paid on capital debt	(2,447)	(136,587)
Interest paid on capital debt	(48,094)	(26,709)
Proceeds of sale of capital assets	80,680	123,681
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(62,092)</u>	<u>(1,973,111)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	11,755	51,330
Net Cash Provided (Used) by Investing Activities	<u>11,755</u>	<u>51,330</u>
Net Increase (Decrease) in Cash and Cash Equivalents	174,951	(1,091,264)
Cash and Cash Equivalents, Beginning of Year	<u>708,305</u>	<u>5,914,517</u>
Cash and Cash Equivalents, End of Year	<u>\$ 883,256</u>	<u>\$ 4,823,253</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Fund Net Assets		
Cash and investments	\$ 882,856	\$ 4,823,253
Department cash funds	400	--
Total Cash and Cash Equivalents	<u>\$ 883,256</u>	<u>\$ 4,823,253</u>

continued

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

COUNTY OF HUMBOLDT

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Fund</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Aviation</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	(1,265,927)	\$ (1,156,896)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	922,838	1,171,832
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	235,066	74,086
Prepaid assets	(13,853)	(65,418)
Increase (decrease) in:		
Accounts payable	28,981	242,825
Accrued salaries and benefits	(29,097)	(96,120)
Claims payable	--	450,377
Deferred revenue	--	(23,365)
Other liabilities	--	415,173
Liability for compensated absences	418	(73,029)
	<u>418</u>	<u>(73,029)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (121,574)</u>	<u>\$ 939,465</u>
Noncash Investing, Capital and Financing Activities:		
Borrowing under capital lease	<u>\$ --</u>	<u>\$ 397,744</u>

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

COUNTY OF HUMBOLDT

Statement of Fiduciary Net Assets
June 30, 2012

	Investment Trust Fund	Agency Funds
	<u> </u>	<u> </u>
<u>Assets</u>		
Pooled cash and investments	\$ 114,754,303	\$ 30,963,853
Taxes receivable	--	9,215,095
	<u> </u>	<u> </u>
Total Assets	<u>\$ 114,754,303</u>	<u>\$ 40,178,948</u>
 <u>Liabilities</u>		
Due to other funds	\$ --	\$ 229,490
Agency funds held for others	--	39,949,458
	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u>40,178,948</u>
 <u>Net assets</u>		
Net assets held in trust for investment pool participants	\$ 114,754,303	--
	<u> </u>	<u> </u>
Total Net Assets	<u>\$ 114,754,303</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, 2012

	<u>Investment Trust Fund</u>
<u>Additions</u>	
Contributions to pooled investments	\$ 336,265,397
Investment income	<u>1,621,249</u>
Total Additions	<u>337,886,646</u>
<u>Deductions</u>	
Distributions from pooled investments	<u>364,753,766</u>
Total Deductions	<u>364,753,766</u>
Change in net assets	(26,867,120)
Net Assets - Beginning of Year	<u>141,621,423</u>
Net Assets - End of Year	<u><u>\$ 114,754,303</u></u>

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

NOTES TO FINANCIAL STATEMENTS

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

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

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

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

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

Blended Component Units

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

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

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

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

A. Description of the Reporting Entity (continued)

Blended Component Units (continued)

Capital Assets acquired or constructed by the Corporation are included in the Statement of Net 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.

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. 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, 2012

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.
- The *Agency Funds* account for assets held by the County as an agent for various local governments.

C. Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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

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.

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

D. **Cash and Cash Equivalents**

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

E. **Property Tax**

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

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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

E. **Property Tax** (continued)

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 2011-2012, the County opted to use method (1) which required a tax loss reserve of at least 1 percent of total taxes and assessments levied on the secured roll.

F. **Loans Receivable**

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

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

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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

H. Capital Assets

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

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

The estimated useful lives are as follows:

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

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

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

I. Deferred 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 event of termination, an employee is reimbursed for accumulated vacation, holiday and comp time at 100%. Employees are reimbursed for accumulated sick leave based on years of service and date of hire.

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

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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.

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, 2012, 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, 2012

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.

Fund Balance Policy

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

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, 2012

NOTE 2: CASH AND INVESTMENTS

At June 30, 2012, total County cash and investments were as follows:

Cash:	
Cash on hand and imprest cash	\$ 37,220
Deposits	3,014,603
Total Cash and Deposits	<u>3,051,823</u>
Investments:	
In Treasurer's pool	232,834,957
External to Treasurer's pool	2,261,538
Total Investments	<u>235,096,495</u>
In Transit:	
Outstanding checks	(9,308,331)
Other	(51,322)
	<u>(9,359,653)</u>
Total	<u>\$ 228,788,665</u>

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

Primary Government:	
Governmental activities	\$ 82,187,253
Business-type activities	883,256
Investment trust fund	114,754,303
Agency funds	30,963,853
Total	<u>\$ 228,788,665</u>

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 (CalTRUST)	N/A	As limited by CalTRUST	N/A
Collateralized Time Deposits	5 years	N/A	N/A

At June 30, 2012, the County had the following investments:

	Interest Rates	Maturities	Par	Fair Value	Cost	WAM (Years)
Investments in Investment Pool						
Federal Agency Issues - Coupon	0.50% - 4.00%	1/22/13 - 5/2/17	\$ 93,860,000	\$ 94,168,097	\$ 93,873,491	4.18
Negotiable CDS	0.45% - 4.17%	7/14/12 - 6/27/13	51,000,000	51,000,000	51,000,000	0.34
Medium Term Corporate Notes	4.95% - 5.125%	10/10/12 - 11/1/12	2,000,000	2,026,274	2,004,943	0.31
Government National Mortgage Assoc.	8.00% - 12.00%	5/15/13 - 4/15/17	3,944	4,279	3,880	4.22
Local Investment Agency Fund	Variable	On Demand	85,952,643	85,952,643	85,952,643	-
Total Investments in Investment Pool			<u>\$ 232,816,587</u>	<u>\$ 233,151,293</u>	<u>\$ 232,834,957</u>	
Investments outside Investment Pool						
<i>Cash held with fiscal agent</i>						
Money Market Mutual Funds	Variable	On Demand	\$ 2,261,538	\$ 2,261,538	\$ 2,261,538	-
Total Investments			<u>\$ 235,078,125</u>	<u>\$ 235,412,831</u>	<u>\$ 235,096,495</u>	

The fair value of the investments is obtained by the County's safekeeping agent. At June 30, 2012, the difference between the cost and fair value of cash and investments was not material (fair value was 100.14% of carrying value). The County is reporting its cash and investments at cost.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2012.

	Moody's	% of Portfolio
Federal National Mortgage	AAA	11.61%
Federal Home Loan Bank	AAA	9.03%
Federal Home Loan Mortgage Corp.	AAA	9.27%
Federal Farm Credits	AAA	10.48%
Government National Mortgage Assoc.	AAA	0.00%
Medium-term notes	AA	0.87%
Certificates of deposit		21.87%
California Local Agency Investment Fund	Unrated	36.87%
Total		100.00%

At June 30, 2012, 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	\$	27,075,963	11.61%
Federal Home Loan Bank	Government Sponsored		21,048,862	9.03%
Federal Home Loan Mortgage Corp.	Government Sponsored		21,604,943	9.27%
Federal Farm Credits			24,438,329	10.48%

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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Concentration of Credit Risk (continued)

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, 2012, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$85,952,274, 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 \$60,502,186,417 million, of which 100% was invested in non-derivative financial products.

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, 2012:

Statement of Net Assets

Net assets held for pool participants	<u>\$ 226,494,307</u>
Equity of external pool participants	\$ 114,754,303
Equity of internal pool participants	111,740,004
Total net assets	<u>\$ 226,494,307</u>

Statement of Changes in Net Assets

Net assets at July 1, 2011	\$ 243,686,474
Net change in investments by pool participants	(17,192,167)
Net assets at June 30, 2012	<u>\$ 226,494,307</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 3: INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2012 are as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 229,490
	Nonmajor Governmental Funds	6,480
Internal Service Funds	Internal Service Funds	1,566,083
	General Fund	3,268
	Aviation Fund	<u>277,584</u>
		<u>\$ 2,082,905</u>

The due to/from other funds account balance primarily resulted from interfund cash transactions to eliminate cash deficits at June 30, 2012 for reporting purposes.

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Headwaters Mitigation Funds	Aviation Fund	<u>\$ 622,107</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	\$ 268,708	Library operating subsidy
	Nonmajor Governmental Funds	547,119	Debt service payments
Road Fund	General Funds	4,839,637	Budgeted transfer
Internal Service Funds	Internal Service Funds	233,989	Insurance funds
Nonmajor Governmental Funds	Nonmajor Governmental Funds	610,091	Debt service payments
	Aviation	<u>188,524</u>	Closeout special revenue aviation fund into Enterprise Fund
		<u>\$ 6,688,068</u>	

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2012
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,979,356	\$ --	\$ --	\$ (66,500)	\$ 3,912,856
Construction in progress	2,658,168	4,155,847	--	(2,264,845)	4,549,170
Total capital assets, not being depreciated	<u>6,637,524</u>	<u>4,155,847</u>	<u>--</u>	<u>(2,331,345)</u>	<u>8,462,026</u>
Capital assets, being depreciated:					
Infrastructure	585,344,114	3,622,223	--	2,144,518	591,110,855
Structures and improvements	94,816,212	1,725,515	--	118,862	96,660,589
Equipment	28,194,735	2,778,780	(1,462,609)	105,170	29,616,076
Total capital assets, being depreciated	<u>708,355,061</u>	<u>8,126,518</u>	<u>(1,462,609)</u>	<u>2,368,550</u>	<u>717,387,520</u>
Less accumulated depreciation for:					
Infrastructure	(303,916,710)	(12,358,378)	--	--	(316,275,088)
Structures and improvements	(45,394,266)	(3,043,215)	--	100,694	(48,336,787)
Equipment	(18,643,647)	(2,084,813)	1,332,520	(194,939)	(19,590,879)
Total accumulated depreciation	<u>(367,954,623)</u>	<u>(17,486,406)</u>	<u>1,332,520</u>	<u>(94,245)</u>	<u>(384,202,754)</u>
Total capital assets, being depreciated, net	<u>340,400,438</u>	<u>(9,359,888)</u>	<u>(130,089)</u>	<u>2,274,305</u>	<u>333,184,766</u>
Governmental activities capital assets, net	<u>\$ 347,037,962</u>	<u>\$ (5,204,041)</u>	<u>\$ (130,089)</u>	<u>\$ (57,040)</u>	<u>\$ 341,646,792</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,976,177	\$ --	\$ --	\$ --	\$ 1,976,177
Construction in progress	20,962,435	2,818,644	--	(85,068)	23,696,011
Total capital assets, not being depreciated	<u>22,938,612</u>	<u>2,818,644</u>	<u>--</u>	<u>(85,068)</u>	<u>25,672,188</u>
Capital assets, being depreciated:					
Structures and improvements	25,079,898	59,780	--	90,017	25,229,695
Equipment	1,666,610	215,167	(80,680)	11,018	1,812,115
Total capital assets, being depreciated	<u>26,746,508</u>	<u>274,947</u>	<u>(80,680)</u>	<u>101,035</u>	<u>27,041,810</u>
Less accumulated depreciation for:					
Structures and improvements	(15,977,538)	(802,218)	--	--	(16,779,756)
Equipment	(1,075,883)	(120,621)	--	--	(1,196,504)
Total accumulated depreciation	<u>(17,053,421)</u>	<u>(922,839)</u>	<u>--</u>	<u>--</u>	<u>(17,976,260)</u>
Total capital assets, being depreciated, net	<u>9,693,087</u>	<u>(647,892)</u>	<u>(80,680)</u>	<u>101,035</u>	<u>9,065,550</u>
Business-type activities capital assets, net	<u>\$ 32,631,699</u>	<u>\$ 2,170,752</u>	<u>\$ (80,680)</u>	<u>\$ 15,967</u>	<u>\$ 34,737,738</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,634,338
Public protection	1,236,853
Public ways and facilities	12,550,290
Health and sanitation	394,390
Public assistance	163,618
Education	263,939
Recreation and culture	71,146
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset	1,171,832
Total Depreciation Expense - Governmental Functions	\$ 17,486,406

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

Aviation	\$ 922,838
----------	------------

NOTE 5: **LEASE COMMITMENTS**

Operating Leases

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

At June 30, 2012, the future minimum rental payments required under operating leases for buildings and equipment were as follows:

Fiscal Year Ending June 30,	
2013	\$ 4,135,103
2014	2,681,927
2015	1,949,724
2016	1,280,403
2017	1,043,457
2018	514,591
	\$ 11,605,205

Rent expenditures were \$3,676,339 for the year ended June 30, 2012.

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Capital Leases

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

The following is a summary of equipment leased under capital lease agreements by the County as of June 30, 2012:

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2012</u>
Animal shelter	2.0% - 4.4%	\$ 2,868,200
Road equipment	2.61%	430,580
Phone system	2.80%	299,812
Building remodel	5.10%	1,667,618
Total		<u>\$ 5,266,210</u>

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

Animal shelter	\$ 3,752,300
Road equipment	430,580
Phone system	685,538
Building remodel	3,619,634
Less: accumulated depreciation	(1,931,986)
Total	<u>\$ 6,556,066</u>

As of June 30, 2012, future minimum lease payments under capital leases was as follows:

<u>Year Ending June 30:</u>	
2013	\$ 869,107
2014	886,772
2015	730,842
2016	739,489
2017	743,311
2018-2022	1,782,682
2023-2027	671,777
Total Future Minimum Lease Payments	<u>6,423,980</u>
Less: Interest	<u>(1,157,770)</u>
Present Value of Minimum Lease Payments	<u>\$ 5,266,210</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities					
Certificates of participation	\$ 12,610,000	\$ --	\$ (695,000)	\$ 11,915,000	\$ 725,000
Unamortized premium	35,587	--	(2,372)	33,215	--
Compensated absences	17,520,655	7,154,014	(8,457,692)	16,216,977	9,266,302
Capital lease obligations	5,391,204	430,580	(555,574)	5,266,210	656,183
Liability for unpaid claims	1,267,938	3,307,109	(2,856,732)	1,718,315	1,718,315
	<u>36,825,384</u>	<u>10,891,703</u>	<u>\$(12,567,370)</u>	<u>35,149,717</u>	<u>12,365,800</u>
Total Governmental Activities Long-term liabilities	<u>\$ 36,825,384</u>	<u>\$ 10,891,703</u>	<u>\$(12,567,370)</u>	<u>\$ 35,149,717</u>	<u>\$ 12,365,800</u>
Business-type Activities					
Notes payable	4,894	--	(2,447)	2,447	2,447
Compensated absences	123,390	55,691	(55,273)	123,808	48,873
	<u>128,284</u>	<u>55,691</u>	<u>\$(57,720)</u>	<u>126,255</u>	<u>51,320</u>
Total Business-type Activities Long-term liabilities	<u>\$ 128,284</u>	<u>\$ 55,691</u>	<u>\$ (57,720)</u>	<u>\$ 126,255</u>	<u>\$ 51,320</u>

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

As of June 30, 2012, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Certificates of Participation	
	Principal	Interest
2013	\$ 725,000	\$ 516,994
2014	750,000	489,444
2015	780,000	460,944
2016	810,000	429,744
2017	845,000	396,534
2018 - 2022	4,785,000	1,408,770
2023 - 2027	3,220,000	318,714
	<u>\$ 11,915,000</u>	<u>\$ 4,021,144</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

As of June 30, 2012, annual debt service requirements of business-type activities to maturity are as follows:

Year Ending June 30	Business-Type Activities	
	Notes Payable	
	Principal	Interest
2013	\$ 2,447	\$ 169
	<u>\$ 2,447</u>	<u>\$ 169</u>

Long-term debt at June 30, 2012, 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, 2012</u>
<u>Governmental Activities</u>						
Certificates of Participation (to refund outstanding principal of the County's COP 1994 Series A and the County's 1996 Series A (Justice Facility).	2003	2026	2.5%-4.7%	\$655,000 - \$505,000	<u>\$17,815,000</u>	<u>\$ 11,915,000</u>
<u>Business-Type Activities</u>						
Note Payable (loan agreement with the State of California for airport	1988	2013	6.94%	\$2,447	<u>\$ 61,177</u>	<u>\$ 2,447</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 7: NET ASSETS/FUND BALANCES

Classification

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned. A detailed schedule of fund balances at June 30, 2012 is as follows:

	General Fund	Headwaters Mitigation	Road Fund	Other Governmental Funds
Nonspendable:				
Prepays and inventory	\$ 261,332	\$ --	\$ 100	\$ --
Advances	--	622,107	--	--
Total Nonspendable	<u>261,332</u>	<u>622,107</u>	<u>100</u>	<u>--</u>
Restricted for:				
General government	1,599,461	--	--	--
Public protection	12,866,603	--	--	4,627,170
Public ways and facilities	4,592,786	--	4,261,889	--
Health and sanitation	6,039,945	--	--	--
Public assistance	25,808,072	--	--	--
Education	437,627	--	--	538,409
Economic development	17,051,956	18,988,616	--	--
Debt service	--	--	--	3,554,675
Total Restricted	<u>68,396,450</u>	<u>18,988,616</u>	<u>4,261,889</u>	<u>8,720,254</u>
Unassigned	<u>5,752,419</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Fund Balance	<u>\$ 74,410,201</u>	<u>\$ 19,610,723</u>	<u>\$ 4,261,989</u>	<u>\$ 8,720,254</u>

Restatement of Beginning Fund Balances

	Fund Statements	
	General Fund	Headwater Mitigation Fund
Fund balance as of June 30, 2011, as previously reported	\$ 53,106,363	\$ 20,647,820
Restatements:		
Adjust loans receivable to restate beginning balances	115,000	(303,804)
Fund balance as of July 1, 2011, restated	<u>\$ 53,221,363</u>	<u>\$ 20,344,016</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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.

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 2011/2012 was 24.214% for miscellaneous employees, and 19.814% 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 2011/2012, the County's annual pension cost was \$18,535,040 and the County actually contributed \$18,535,040. The required Miscellaneous Plan and Safety Plan contributions for fiscal year 2011/2012 was determined as part of the June 30, 2010 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, 2012 for the Miscellaneous Plan and the Safety Plan were 21 years and 31 years, respectively.

Three Year Trend Information for PERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 16,651,187	100%	\$ --
June 30, 2011	16,979,948	100%	--
June 30, 2012	18,535,040	100%	--

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2011, the date of the latest actuarial valuation, is as follows:

	Safety	Miscellaneous
Actuarial accrued liability (AAL)	\$ 146,066	\$ 509,945
Actuarial value of plan assets	119,348	391,896
Unfunded actuarial accrued liability (UAAL)	\$ 26,718	\$ 118,049
Funded ratio (actuarial value of plan assets/AAL)	81.7%	76.9%
Covered payroll (active Plan members)	14,861	81,431
Unfunded actuarial accrued liability as a percentage of covered payroll	179.8%	145.0%

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.

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.

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 9: **OTHER POST EMPLOYMENT BENEFIT (OPEB)** (continued)

A. Plan Description (continued)

Healthcare Premiums

The following table shows January 1, 2011 monthly PERS Health (PEMHCA) premiums for retirees within the Other Northern California region:

	<u>Blue Shield HMO</u>	<u>Kaiser HMO</u>	<u>PERS Choice PPO</u>	<u>PERS Care PPO</u>	<u>PORAC</u>
<u>Basic Plan</u>					
Retiree	\$685.67	\$574.32	\$870.76	\$548.78	\$527.00
Retiree + 1	1,371.34	1,148.64	1,741.52	1,097.56	987.00
Family	1,782.74	1,493.23	2,263.98	1,426.83	1,254.00
<u>Medicare Supplement</u>					
Retiree	\$337.88	\$282.30	\$433.66	\$375.88	\$418.00
Retiree + 1	675.76	564.60	867.32	751.76	833.00
Family	1,013.64	846.90	1,300.98	1,127.64	1,331.00

B. Funding Policy

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

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

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

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, 2012 and June 30, 2011, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation/(Asset):

	<u>FYE 6/30/12</u>	<u>FYE 6/30/11</u>
Annual Required Contribution	\$ 1,844,932	\$ 1,917,286
Interest on Net OPEB Obligation/(Asset)	280,373	205,584
Adjustment to Annual Required Contribution	(364,774)	(165,708)
Annual OPEB cost (expense)	<u>1,760,531</u>	<u>1,957,162</u>
Contributions made	<u>(513,506)</u>	<u>(460,608)</u>
Increase in Net OPEB Obligation/(Asset)	1,247,025	1,496,554
Net OPEB Obligation/(Asset) - Beginning of year	5,607,464	4,110,910
Net OPEB Obligation/(Asset) - End of year	<u><u>\$ 6,854,489</u></u>	<u><u>\$ 5,607,464</u></u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 9: **OTHER POST EMPLOYMENT BENEFIT (OPEB)** (continued)

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

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal years ended June 30, 2012, 2011, and 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
6/30/10	\$ 1,878,426	\$ 349,370	18.60%	\$ 4,110,910
6/30/11	1,957,162	460,608	23.53%	5,607,464
6/30/12	1,760,531	513,506	29.17%	6,854,489

D. Schedule of Funding Progress

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
July 1, 2011	\$ --	\$ 15,338	\$ 15,338	0.0%	\$ 85,602	17.92%

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, 2012 was 29 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, 2012

NOTE 10: RISK MANAGEMENT

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

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

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

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

	<u>Balance at June 30, 2011</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at June 30, 2012</u>
Liability and auto	\$ 1,062,000	\$ 1,447,801	\$ (1,075,801)	\$ 1,434,000
Dental	79,348	1,372,574	(1,351,738)	100,184
Unemployment	126,590	486,734	(429,193)	184,131
	<u>\$ 1,267,938</u>	<u>\$ 3,307,109</u>	<u>\$ (2,856,732)</u>	<u>\$ 1,718,315</u>

	<u>Balance at June 30, 2010</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at June 30, 2011</u>
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>

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 December 2011. Actuarial reviews of dental and unemployment programs were last performed by Demsey, Fillingier and Associates and Bickmore Risk Services in May 2012 and October 2012, respectively.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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, 2012:

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

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

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

NOTE 12: **COMMITMENTS AND CONTINGENCIES**

A. **Grants**

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including the year ended June 30, 2012, 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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12: **COMMITMENTS AND CONTINGENCIES** (continued)

B. Legal Actions

In the opinion of County Counsel, there are potential liabilities as of June 30, 2012 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, 2012, there were outstanding commitments of \$5,522,632 for road and bridge projects and \$3,827,000 for airport projects.

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

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

	<u>Accumulated Deficit</u>
Dental insurance	\$ 918,132
Medical insurance	168,809
Unemployment insurance	757,720
County insurance	125,573
Liability insurance	1,593,849

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: **SUBSEQUENT EVENT**

On July 3, 2012, the County entered in to a private placement of debt obligation agreement with Bank of America in order to refund (refinance) its 2003 and 2004 certificates of participation and provide funding for current capital projects. The various debt obligation agreements bear fixed interest rates ranging from 2.53% to 2.8% and are due in semi-annual payments on May 1, and November 1 of each year, maturing on May 1, 2024, 2026 and 2027.

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REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF HUMBOLDT

Required Supplementary Information
For the Year Ended June 30, 2012

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, 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%
June 30, 2011	509,944,822	391,896,455	118,048,367	76.9%	81,431,099	145.0%

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, 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%
June 30, 2011	146,066,019	119,347,544	26,718,475	81.7%	14,860,958	179.8%

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%
July 1, 2011	--	15,337,592	15,337,592	0.0%	85,602,335	17.92%

COUNTY OF HUMBOLDT

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 43,977,290	\$ 44,329,010	\$ 44,812,964	\$ 483,954
Licenses and permits	1,774,217	1,774,217	1,621,931	(152,286)
Fines, forfeits and penalties	1,484,779	1,484,779	1,737,895	253,116
Use of money and property	208,200	208,200	218,805	10,605
Aid from other governments	145,110,965	152,697,277	135,414,209	(17,283,068)
Charges for services	42,900,691	42,657,305	40,949,157	(1,708,148)
Other revenue	6,137,475	7,106,241	1,615,011	(5,491,230)
Total Revenues	<u>241,593,617</u>	<u>250,257,029</u>	<u>226,369,972</u>	<u>(23,887,057)</u>
Expenditures:				
Current:				
General government	16,421,510	16,484,007	10,967,605	5,516,402
Public protection	70,961,950	75,738,186	64,148,575	11,589,611
Public way and facilities	2,276,150	2,499,470	2,290,486	208,984
Health and sanitation	60,682,165	62,810,354	56,359,337	6,451,017
Public assistance	89,117,441	90,102,587	79,697,552	10,405,035
Education	126,913	132,147	133,865	(1,718)
Recreation and culture	644,846	1,121,759	902,738	219,021
Debt Service:				
Interest	230,630	230,630	66,990	163,640
Contingencies	850,000	1,291,147	--	1,291,147
Total Expenditures	<u>241,311,605</u>	<u>250,410,287</u>	<u>214,567,148</u>	<u>35,843,139</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>282,012</u>	<u>(153,258)</u>	<u>11,802,824</u>	<u>11,956,082</u>
Other Financing Sources (Uses):				
Transfers in	3,472,217	4,081,126	4,839,637	758,511
Transfers out	(4,902,024)	(5,007,047)	(815,827)	4,191,220
Total Other Financing Sources (Uses)	<u>(1,429,807)</u>	<u>(925,921)</u>	<u>4,023,810</u>	<u>4,949,731</u>
Net Change in Fund Balances	(1,147,795)	(1,079,179)	15,826,634	16,905,813
Budgetary Fund Balances - Beginning of Year	<u>11,625,139</u>	<u>11,625,139</u>	<u>11,625,139</u>	<u>--</u>
Budgetary Fund Balances - End of Year	<u>\$ 10,477,344</u>	<u>\$ 10,545,960</u>	<u>\$ 27,451,773</u>	<u>\$ 16,905,813</u>

continued

COUNTY OF HUMBOLDT

Budgetary Comparison Schedule (continued)
General Fund
For the Year Ended June 30, 2012

(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	\$ 226,369,972
Receipts from funds reclassified from County Agency Funds, not budgeted	<u>5,716,142</u>

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 21)	<u><u>\$ 232,086,114</u></u>
--	------------------------------

Uses/outflows of resources

Disbursements from funds reclassified from County Agency Funds, not budgeted	\$ 214,567,148
	<u>353,938</u>

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 21)	<u><u>\$ 214,921,086</u></u>
--	------------------------------

COUNTY OF HUMBOLDT

Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 2,564,332	\$ 2,564,332	\$ 2,548,249	\$ (16,083)
Licenses and permits	73,150	73,150	93,234	20,084
Use of money and property	50,000	50,000	79,232	29,232
Aid from other governments	19,733,285	21,843,285	16,721,392	(5,121,893)
Charges for services	871,850	2,432,915	1,259,956	(1,172,959)
Other revenue	5,241,994	5,402,996	58,187	(5,344,809)
Total Revenues	<u>28,534,611</u>	<u>32,366,678</u>	<u>20,760,250</u>	<u>(11,606,428)</u>
Expenditures:				
Current:				
Public way and facilities	31,333,401	35,235,792	23,495,754	11,740,038
Contingencies	615,000	544,586	--	544,586
Total Expenditures	<u>31,948,401</u>	<u>35,780,378</u>	<u>23,495,754</u>	<u>12,284,624</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,413,790)</u>	<u>(3,413,700)</u>	<u>(2,735,504)</u>	<u>678,196</u>
Other Financing Sources (Uses):				
Transfers out	--	--	(4,839,637)	(4,839,637)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(4,839,637)</u>	<u>(4,839,637)</u>
Net Change in Fund Balances	(3,413,790)	(3,413,700)	(7,575,141)	(4,161,441)
Budgetary Fund Balances - Beginning of Year	<u>11,837,130</u>	<u>11,837,130</u>	<u>11,837,130</u>	<u>--</u>
Budgetary Fund Balances - End of Year	<u>\$ 8,423,340</u>	<u>\$ 8,423,430</u>	<u>\$ 4,261,989</u>	<u>\$ (4,161,441)</u>

COUNTY OF HUMBOLDT

Note to Required Supplementary Information
For the Year Ended June 30, 2012

BUDGETARY BASIS OF ACCOUNTING

General Budget Policies

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

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

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

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

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

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

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

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COUNTY OF HUMBOLDT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	<u>Special Revenue</u>		
	<u>Family Support</u>	<u>Courthouse Construction</u>	<u>County Library</u>
<u>Assets</u>			
Cash and investments	\$ 1,604,007	\$ 1,299,545	\$ 553,690
Cash with fiscal agent	--	--	--
Departmental cash funds	--	--	865
Accounts receivable	--	72	39,505
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,604,007</u>	<u>\$ 1,299,617</u>	<u>\$ 594,060</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 5,768	\$ --	\$ 21,056
Salaries and benefits payable	57,090	--	34,595
Due to other funds	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>62,858</u>	<u>--</u>	<u>55,651</u>
 Fund Balance			
Restricted	<u>1,541,149</u>	<u>1,299,617</u>	<u>538,409</u>
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,541,149</u>	<u>1,299,617</u>	<u>538,409</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 1,604,007</u>	<u>\$ 1,299,617</u>	<u>\$ 594,060</u>

continued

COUNTY OF HUMBOLDT

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue			
	Fish and Game Propagation	Special Aviation	Special Districts Under County Board of Supervisors	Total Special Revenue
<u>Assets</u>				
Cash and investments	\$ 26,422	\$ --	\$ 3,162,834	\$ 6,646,498
Cash with fiscal agent	--	--	--	--
Departmental cash funds	--	--	--	865
Accounts receivable	--	--	--	39,577
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 26,422</u>	<u>\$ --</u>	<u>\$ 3,162,834</u>	<u>\$ 6,686,940</u>
 <u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ --	\$ --	\$ 103,235	\$ 130,059
Salaries and benefits payable	--	--	--	91,685
Due to other funds	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<hr/>	<hr/>	<hr/>	<hr/>
 Fund Balance				
Restricted	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 26,422</u>	<u>\$ --</u>	<u>\$ 3,162,834</u>	<u>\$ 6,686,940</u>

continued

COUNTY OF HUMBOLDT

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2012

	<u>Debt Service</u>	
	Public Property Leasing	Total
<u>Assets</u>		
Cash and investments	\$ --	\$ 6,646,498
Cash with fiscal agent	2,261,538	2,261,538
Departmental cash funds	--	865
Accounts receivable	--	39,577
	<hr/>	<hr/>
Total Assets	<u>\$ 2,261,538</u>	<u>\$ 8,948,478</u>
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ --	\$ 130,059
Salaries and benefits payable	--	91,685
Due to other funds	6,480	6,480
	<hr/>	<hr/>
Total Liabilities	6,480	228,224
 Fund Balance		
Restricted	<hr/> 2,255,058	<hr/> 8,720,254
	<hr/>	<hr/>
Total Fund Balances	2,255,058	8,720,254
	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 2,261,538</u>	<u>\$ 8,948,478</u>

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue		
	Family Support	Courthouse Construction	County Library
Revenues:			
Taxes	\$ --	\$ --	\$ 2,098,381
Fines, forfeitures and penalties	--	587,757	--
Use of money and property	17,213	20,241	4,798
Intergovernmental	4,358,675	--	429,290
Charges for services	341,895	--	78,606
Miscellaneous	238	--	93,583
Total Revenues	4,718,021	607,998	2,704,658
Expenditures:			
Current:			
Public protection	4,692,897	--	--
Education	--	--	3,039,754
Debt Service:			
Principal	--	259,687	--
Interest and Other Charges	--	88,313	--
Total Expenditures	4,692,897	348,000	3,039,754
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,124	259,998	(335,096)
Other Financing Sources (Uses):			
Transfers in	--	--	268,708
Transfers out	--	(534,230)	(75,861)
Total Other Financing Sources (Uses)	--	(534,230)	192,847
Net Change in Fund Balances	25,124	(274,232)	(142,249)
Fund Balances - Beginning of Year	1,516,025	1,573,849	680,658
Fund Balances - End of Year	\$ 1,541,149	\$ 1,299,617	\$ 538,409

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue			Total Special Revenue
	Fish and Game Propagation	Special Aviation	Special Districts Under County Board of Supervisors	
Revenues:				
Taxes	\$ --	\$ --	\$ 740,366	\$ 2,838,747
Fines, forfeitures and penalties	13,903	--	--	601,660
Use of money and property	217	--	29,140	71,609
Intergovernmental	--	--	110,162	4,898,127
Charges for services	--	--	--	420,501
Miscellaneous	--	--	69,439	163,260
Total Revenues	<u>14,120</u>	<u>--</u>	<u>949,107</u>	<u>8,993,904</u>
Expenditures:				
Current:				
Public protection	7,544	--	645,972	5,346,413
Education	--	--	--	3,039,754
Debt Service:				
Principal	--	--	--	259,687
Interest and Other Charges	--	--	--	88,313
Total Expenditures	<u>7,544</u>	<u>--</u>	<u>645,972</u>	<u>8,734,167</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,576</u>	<u>--</u>	<u>303,135</u>	<u>259,737</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	268,708
Transfers out	--	(188,524)	--	(798,615)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(188,524)</u>	<u>--</u>	<u>(529,907)</u>
Net Change in Fund Balances	6,576	(188,524)	303,135	(270,170)
Fund Balances - Beginning of Year	<u>19,846</u>	<u>188,524</u>	<u>2,756,464</u>	<u>6,735,366</u>
Fund Balances - End of Year	<u>\$ 26,422</u>	<u>\$ --</u>	<u>\$ 3,059,599</u>	<u>\$ 6,465,196</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, 2012

	<u>Debt Service</u>	
	Public Property Leasing	<u>Total</u>
Revenues:		
Taxes	\$ --	\$ 2,838,747
Fines, forfeitures and penalties	--	601,660
Use of money and property	37,422	109,031
Intergovernmental	--	4,898,127
Charges for services	--	420,501
Miscellaneous	--	163,260
Total Revenues	<u>37,422</u>	<u>9,031,326</u>
Expenditures:		
Current:		
Public protection	--	5,346,413
Education	--	3,039,754
Debt Service:		
Principal	695,000	954,687
Interest and Other Charges	550,225	638,538
Total Expenditures	<u>1,245,225</u>	<u>9,979,392</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,207,803)</u>	<u>(948,066)</u>
Other Financing Sources (Uses):		
Transfers in	1,157,210	1,425,918
Transfers out	--	(798,615)
Total Other Financing Sources (Uses)	<u>1,157,210</u>	<u>627,303</u>
Net Change in Fund Balances	(50,593)	(320,763)
Fund Balances - Beginning of Year	<u>2,305,651</u>	<u>9,041,017</u>
Fund Balances - End of Year	<u>\$ 2,255,058</u>	<u>\$ 8,720,254</u>

INTERNAL SERVICE FUNDS

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COUNTY OF HUMBOLDT

Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2012

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,063,645	\$ 401,141	\$ 68,443
Accounts receivable	17,601	--	--
Due from other funds	--	--	3,268
Inventory	261,101	--	--
Prepaid expenses	--	--	--
Total Current Assets	<u>1,342,347</u>	<u>401,141</u>	<u>71,711</u>
Noncurrent Assets:			
Capital assets, net of depreciation	<u>2,006,494</u>	<u>201,939</u>	<u>--</u>
Total Noncurrent Assets	<u>2,006,494</u>	<u>201,939</u>	<u>--</u>
 Total Assets	 <u>\$ 3,348,841</u>	 <u>\$ 603,080</u>	 <u>\$ 71,711</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 58,732	\$ 84,371	\$ 2,598
Accrued payroll and benefits	13,602	21,199	3,049
Due to other funds	--	--	--
Other liabilities	--	--	--
Deferred revenue	--	--	--
Capital leases	63,472	145,282	--
Liability for compensated absences	47,854	88,935	8,269
Provision for estimated claims	--	--	--
Total Current Liabilities	<u>183,660</u>	<u>339,787</u>	<u>13,916</u>
Long-term Liabilities:			
Capital leases	334,272	154,530	--
Liability for compensated absences	187,998	--	--
Total Liabilities	<u>705,930</u>	<u>494,317</u>	<u>13,916</u>
<u>Net Assets</u>			
Invested in capital assets	1,608,750	(97,873)	--
Unrestricted	<u>1,034,161</u>	<u>206,636</u>	<u>57,795</u>
Total Net Assets	<u>2,642,911</u>	<u>108,763</u>	<u>57,795</u>
 Total Liabilities and Net Assets	 <u>\$ 3,348,841</u>	 <u>\$ 603,080</u>	 <u>\$ 71,711</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Fund Net Assets (continued)
Internal Service Funds
June 30, 2012

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 68,004	\$ 2,343,102	\$ 878,918	\$ 4,823,253
Accounts receivable	547	37,558	--	55,706
Due from other funds	--	277,584	1,566,083	1,846,935
Inventory	--	66,890	--	327,991
Prepaid expenses	--	--	1,267,190	1,267,190
Total Current Assets	<u>68,551</u>	<u>2,725,134</u>	<u>3,712,191</u>	<u>8,321,075</u>
Noncurrent Assets:				
Capital assets, net of depreciation	<u>179,061</u>	<u>5,407,461</u>	<u>13,978</u>	<u>7,808,933</u>
Total Noncurrent Assets	<u>179,061</u>	<u>5,407,461</u>	<u>13,978</u>	<u>7,808,933</u>
Total Assets	<u>\$ 247,612</u>	<u>\$ 8,132,595</u>	<u>\$ 3,726,169</u>	<u>\$ 16,130,008</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	\$ 31,895	\$ 62,943	\$ 456,724	\$ 697,263
Accrued payroll and benefits	1,316	5,290	5,427	49,883
Due to other funds	--	--	1,566,083	1,566,083
Other liabilities	--	--	171,173	171,173
Deferred revenue	--	--	1,263,108	1,263,108
Capital leases	--	--	--	208,754
Liability for compensated absences	229	21,611	36,385	203,283
Provision for estimated claims	--	--	1,718,315	1,718,315
Total Current Liabilities	<u>33,440</u>	<u>89,844</u>	<u>5,217,215</u>	<u>5,877,862</u>
Long-term Liabilities:				
Capital leases	--	--	--	488,802
Liability for compensated absences	--	--	--	187,998
Total Liabilities	<u>33,440</u>	<u>89,844</u>	<u>5,217,215</u>	<u>6,554,662</u>
<u>Net Assets</u>				
Invested in capital assets	179,061	5,407,461	13,978	7,111,377
Unrestricted	<u>35,111</u>	<u>2,635,290</u>	<u>(1,505,024)</u>	<u>2,463,969</u>
Total Net Assets	<u>214,172</u>	<u>8,042,751</u>	<u>(1,491,046)</u>	<u>9,575,346</u>
Total Liabilities and Net Assets	<u>\$ 247,612</u>	<u>\$ 8,132,595</u>	<u>\$ 3,726,169</u>	<u>\$ 16,130,008</u>

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
Operating Revenues:			
Charges for services	\$ 2,081,264	\$ 2,394,846	\$ 198,667
Miscellaneous revenues	446,281	40,000	4,541
 Total Operating Revenues	 <u>2,527,545</u>	 <u>2,434,846</u>	 <u>203,208</u>
Operating Expenses:			
Salaries and benefits	803,667	1,213,716	156,302
Services and supplies	1,504,355	1,094,711	88,120
Self-insurance claims and purchase premiums	--	--	--
Depreciation	285,700	200,514	--
 Total Operating Expenses	 <u>2,593,722</u>	 <u>2,508,941</u>	 <u>244,422</u>
 Net Operating Income (Loss)	 <u>(66,177)</u>	 <u>(74,095)</u>	 <u>(41,214)</u>
Non-Operating Revenues (Expenses):			
Interest income	12,523	--	--
Operating grants	--	--	--
Interest expense	--	(23,171)	--
 Total Non-Operating Revenues (Expenses)	 <u>12,523</u>	 <u>(23,171)</u>	 <u>--</u>
Income (Loss) Before Transfers	(53,654)	(97,266)	(41,214)
Transfers in	--	--	--
Transfers out	--	--	--
 Net Income (Loss)	 <u>(53,654)</u>	 <u>(97,266)</u>	 <u>(41,214)</u>
Net Assets - Beginning of Year	2,696,565	206,029	99,009
Net Assets - End of Year	<u>\$ 2,642,911</u>	<u>\$ 108,763</u>	<u>\$ 57,795</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets (continued)
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 113,140	\$ 1,693,013	\$ 22,280,534	\$ 28,761,464
Miscellaneous revenues	54,049	1,317,580	164,761	2,027,212
 Total Operating Revenues	 <u>167,189</u>	 <u>3,010,593</u>	 <u>22,445,295</u>	 <u>30,788,676</u>
Operating Expenses:				
Salaries and benefits	74,267	348,272	469,297	3,065,521
Services and supplies	47,913	1,725,268	101,163	4,561,530
Self-insurance claims and purchase premiums	--	--	23,146,689	23,146,689
Depreciation	10,798	673,078	1,742	1,171,832
 Total Operating Expenses	 <u>132,978</u>	 <u>2,746,618</u>	 <u>23,718,891</u>	 <u>31,945,572</u>
 Net Operating Income (Loss)	 <u>34,211</u>	 <u>263,975</u>	 <u>(1,273,596)</u>	 <u>(1,156,896)</u>
Non-Operating Revenues (Expenses):				
Interest income	--	22,819	27,543	62,885
Operating grants	108,371	--	--	108,371
Interest expense	--	--	(15,093)	(38,264)
 Total Non-Operating Revenues (Expenses)	 <u>108,371</u>	 <u>22,819</u>	 <u>12,450</u>	 <u>132,992</u>
 Income (Loss) Before Transfers	 142,582	 286,794	 (1,261,146)	 (1,023,904)
Transfers in	--	--	233,989	233,989
Transfers out	--	--	(233,989)	(233,989)
 Net Income (Loss)	 142,582	 286,794	 (1,261,146)	 (1,023,904)
 Net Assets - Beginning of Year	 <u>71,590</u>	 <u>7,755,957</u>	 <u>(229,900)</u>	 <u>10,599,250</u>
 Net Assets - End of Year	 <u>\$ 214,172</u>	 <u>\$ 8,042,751</u>	 <u>\$ (1,491,046)</u>	 <u>\$ 9,575,346</u>

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 2,639,736	\$ 2,434,846	\$ 203,208
Cash paid to suppliers for goods and services	(1,141,875)	(910,075)	(86,785)
Cash paid to employees	<u>(824,406)</u>	<u>(1,347,587)</u>	<u>(153,339)</u>
Net Cash Provided (Used) by Operating Activities	<u>673,455</u>	<u>177,184</u>	<u>(36,916)</u>
CASH FLOWS FROM NONCAPITAL FINANCING			
Interfund loans from other funds	--	--	--
Interfund loans to other funds	--	--	4,667
Operating grants	--	--	--
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>--</u>	<u>4,667</u>
CASH FLOWS FROM CAPITAL AND RELATED			
Purchase of capital assets	(916,022)	--	--
Principal paid on capital debt	--	(136,587)	--
Interest paid on capital debt	--	(23,171)	--
Proceeds of sale of capital assets	<u>1,052</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(914,970)</u>	<u>(159,758)</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	<u>12,523</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Investing Activities	<u>12,523</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(228,992)	17,426	(32,249)
Cash and Cash Equivalents, Beginning of Year	<u>1,292,637</u>	<u>383,715</u>	<u>100,692</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,063,645</u>	<u>\$ 401,141</u>	<u>\$ 68,443</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2012

	Communications	Motor Pool	Insurance Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from interfund services provided	\$ 166,642	\$ 2,973,035	\$ 22,421,930	\$ 30,839,397
Cash paid to suppliers for goods and services	(18,416)	(1,702,520)	(22,805,591)	(26,665,262)
Cash paid to employees	(75,791)	(362,795)	(470,752)	(3,234,670)
	<u>72,435</u>	<u>907,720</u>	<u>(854,413)</u>	<u>939,465</u>
Net Cash Provided (Used) by Operating Activities				
CASH FLOWS FROM NONCAPITAL FINANCING				
Interfund loans from other funds	--	--	227,682	227,682
Interfund loans to other funds	--	(221,986)	(227,682)	(445,001)
Operating grants	108,371	--	--	108,371
Net Cash Provided (Used) by Investing Activities	<u>108,371</u>	<u>(221,986)</u>	<u>--</u>	<u>(108,948)</u>
CASH FLOWS FROM CAPITAL AND RELATED				
Purchase of capital assets	(167,988)	(835,823)	(13,663)	(1,933,496)
Principal paid on capital debt	--	--	--	(136,587)
Interest paid on capital debt	--	--	(3,538)	(26,709)
Proceeds of sale of capital assets	--	122,629	--	123,681
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(167,988)</u>	<u>(713,194)</u>	<u>(17,201)</u>	<u>(1,973,111)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	--	22,819	15,988	51,330
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>22,819</u>	<u>15,988</u>	<u>51,330</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,818	(4,641)	(855,626)	(1,091,264)
Cash and Cash Equivalents, Beginning of Year	<u>55,186</u>	<u>2,347,743</u>	<u>1,734,544</u>	<u>5,914,517</u>
Cash and Cash Equivalents, End of Year	<u>\$ 68,004</u>	<u>\$ 2,343,102</u>	<u>\$ 878,918</u>	<u>\$ 4,823,253</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	(66,177)	(74,095)	(41,214)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	285,700	200,514	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	112,191	--	--
Prepaid expenses	--	1,570	--
Increase (decrease) in:			
Payables	(35,264)	183,066	1,335
Accrued salaries and benefits	(22,767)	(47,039)	(2,861)
Liability for compensated absences	2,028	(86,832)	5,824
Claims payable	--	--	--
Unearned revenue	--	--	--
Other liabilities	397,744	--	--
	<u>397,744</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 673,455</u>	<u>\$ 177,184</u>	<u>\$ (36,916)</u>
Noncash investing, capital and financing activities			
Borrowing under capital lease	<u>\$ 397,744</u>	<u>\$ --</u>	<u>\$ --</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	34,211	263,975	\$ (1,273,596)	\$ (1,156,896)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	10,798	673,078	1,742	1,171,832
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(547)	(37,558)	--	74,086
Prepaid expenses	--	295	(67,283)	(65,418)
Increase (decrease) in:				
Payables	29,497	22,453	41,738	242,825
Accrued salaries and benefits	(1,318)	(9,086)	(13,049)	(96,120)
Liability for compensated absences	(206)	(5,437)	11,594	(73,029)
Claims payable	--	--	450,377	450,377
Unearned revenue	--	--	(23,365)	(23,365)
Other liabilities	--	--	17,429	415,173
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 72,435</u>	<u>\$ 907,720</u>	<u>\$ (854,413)</u>	<u>\$ 939,465</u>
Noncash investing, capital and financing activities				
Borrowing under capital lease	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 397,744</u>

INSURANCE FUNDS

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COUNTY OF HUMBOLDT

Combining Statement of Fund Net Assets
Insurance Funds
June 30, 2012

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ --	\$ --	\$ 299,535
Due from other funds	--	--	524,955
Prepaid expenses	28,000	--	--
Total Current Assets	<u>28,000</u>	<u>--</u>	<u>824,490</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	13,978	--
Total Noncurrent Assets	<u>--</u>	<u>13,978</u>	<u>--</u>
Total Assets	<u>\$ 28,000</u>	<u>\$ 13,978</u>	<u>\$ 824,490</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 25,571	\$ 1,425	\$ 245
Accrued payroll and benefits	--	5,427	--
Due to other funds	820,377	96,314	--
Other liabilities	--	--	--
Deferred revenue	--	--	--
Liability for compensated absences	--	36,385	--
Provision for estimated claims	100,184	--	--
Total Current Liabilities	<u>946,132</u>	<u>139,551</u>	<u>245</u>
Total Liabilities	<u>946,132</u>	<u>139,551</u>	<u>245</u>
<u>Net Assets</u>			
Invested in capital assets	--	13,978	--
Unrestricted	(918,132)	(139,551)	824,245
Total Net Assets	<u>(918,132)</u>	<u>(125,573)</u>	<u>824,245</u>
Total Liabilities and Net Assets	<u>\$ 28,000</u>	<u>\$ 13,978</u>	<u>\$ 824,490</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Fund Net Assets (continued)
Insurance Funds
June 30, 2012

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 241,600	\$ --	\$ 1
Due from other funds	--	--	--
Prepaid expenses	--	1,218,736	--
Total Current Assets	<u>241,600</u>	<u>1,218,736</u>	<u>1</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	--	--
Total Noncurrent Assets	<u>--</u>	<u>--</u>	<u>--</u>
Total Assets	<u><u>\$ 241,600</u></u>	<u><u>\$ 1,218,736</u></u>	<u><u>\$ 1</u></u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 389,982	\$ --	\$ 363
Accrued payroll and benefits	--	--	--
Due to other funds	--	124,437	524,955
Other liabilities	11,467	--	48,272
Deferred revenue	--	1,263,108	--
Liability for compensated absences	--	--	--
Provision for estimated claims	1,434,000	--	184,131
Total Current Liabilities	<u>1,835,449</u>	<u>1,387,545</u>	<u>757,721</u>
Total Liabilities	<u>1,835,449</u>	<u>1,387,545</u>	<u>757,721</u>
<u>Net Assets</u>			
Invested in capital assets	--	--	--
Unrestricted	<u>(1,593,849)</u>	<u>(168,809)</u>	<u>(757,720)</u>
Total Net Assets	<u>(1,593,849)</u>	<u>(168,809)</u>	<u>(757,720)</u>
Total Liabilities and Net Assets	<u><u>\$ 241,600</u></u>	<u><u>\$ 1,218,736</u></u>	<u><u>\$ 1</u></u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Fund Net Assets (continued)
Insurance Funds
June 30, 2012

	<u>Purchased Insurance Premium</u>	<u>Employee Benefits</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 300,384	\$ 37,398	\$ 878,918
Due from other funds	1,041,128	--	1,566,083
Prepaid expenses	20,454	--	1,267,190
Total Current Assets	<u>1,361,966</u>	<u>37,398</u>	<u>3,712,191</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	--	13,978
Total Noncurrent Assets	<u>--</u>	<u>--</u>	<u>13,978</u>
Total Assets	<u>\$ 1,361,966</u>	<u>\$ 37,398</u>	<u>\$ 3,726,169</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 1,740	\$ 37,398	\$ 456,724
Accrued payroll and benefits	--	--	5,427
Due to other funds	--	--	1,566,083
Other liabilities	111,434	--	171,173
Deferred revenue	--	--	1,263,108
Liability for compensated absences	--	--	36,385
Provision for estimated claims	--	--	1,718,315
Total Current Liabilities	<u>113,174</u>	<u>37,398</u>	<u>5,217,215</u>
Total Liabilities	<u>113,174</u>	<u>37,398</u>	<u>5,217,215</u>
<u>Net Assets</u>			
Invested in capital assets	--	--	13,978
Unrestricted	1,248,792	--	(1,505,024)
Total Net Assets	<u>1,248,792</u>	<u>--</u>	<u>(1,491,046)</u>
Total Liabilities and Net Assets	<u>\$ 1,361,966</u>	<u>\$ 37,398</u>	<u>\$ 3,726,169</u>

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Insurance Funds
For the Year Ended June 30, 2012

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
Operating Revenues:			
Charges for services	\$ 1,527,817	\$ 601,356	\$ 3,071,211
Miscellaneous revenues	--	993	--
 Total Operating Revenues	 <u>1,527,817</u>	 <u>602,349</u>	 <u>3,071,211</u>
Operating Expenses:			
Salaries and benefits	--	469,297	--
Services and supplies	--	101,163	--
Self-insurance claims and purchase premiums	1,553,872	--	2,728,796
Depreciation	--	1,742	--
Other expenses	--	--	--
 Total Operating Expenses	 <u>1,553,872</u>	 <u>572,202</u>	 <u>2,728,796</u>
 Net Operating Income (Loss)	 <u>(26,055)</u>	 <u>30,147</u>	 <u>342,415</u>
Non-Operating Revenues (Expenses):			
Interest income	--	1,242	648
Interest expense	(6,719)	(266)	(4,570)
 Total Non-Operating Revenues (Expenses)	 <u>(6,719)</u>	 <u>976</u>	 <u>(3,922)</u>
Income (Loss) Before Transfers	(32,774)	31,123	338,493
Transfers in	--	--	--
Transfers out	--	--	--
 Net Income (Loss)	 <u>(32,774)</u>	 <u>31,123</u>	 <u>338,493</u>
 Net Assets - Beginning of Year	 <u>(885,358)</u>	 <u>(156,696)</u>	 <u>485,752</u>
	<u>\$ (918,132)</u>	<u>\$ (125,573)</u>	<u>\$ 824,245</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, 2012

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
Operating Revenues:			
Charges for services	\$ 897,385	\$ 14,919,584	\$ 329,173
Miscellaneous revenues	33,080	33,778	--
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	930,465	14,953,362	329,173
	<hr/>	<hr/>	<hr/>
Operating Expenses:			
Salaries and benefits	--	--	--
Services and supplies	--	--	--
Self-insurance claims and purchase premiums	2,881,175	14,602,600	439,591
Depreciation	--	--	--
Other expenses	--	--	--
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	2,881,175	14,602,600	439,591
	<hr/>	<hr/>	<hr/>
Net Operating Income (Loss)	(1,950,710)	350,762	(110,418)
	<hr/>	<hr/>	<hr/>
Non-Operating Revenues (Expenses):			
Interest income	8,930	2,435	--
Interest expense	--	--	(3,137)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	8,930	2,435	(3,137)
	<hr/>	<hr/>	<hr/>
Income (Loss) Before Transfers	(1,941,780)	353,197	(113,555)
Transfers in	233,989	--	--
Transfers out	--	--	--
	<hr/>	<hr/>	<hr/>
Net Income (Loss)	(1,707,791)	353,197	(113,555)
	<hr/>	<hr/>	<hr/>
Net Assets - Beginning of Year	113,942	(522,006)	(644,165)
	<hr/>	<hr/>	<hr/>
	<u>\$ (1,593,849)</u>	<u>\$ (168,809)</u>	<u>\$ (757,720)</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, 2012

	Purchased Insurance Premium	Insurance Benefits	Total
Operating Revenues:			
Charges for services	\$ 609,866	\$ 324,142	\$ 22,280,534
Miscellaneous revenues	96,910	--	164,761
	706,776	324,142	22,445,295
Total Operating Revenues			
Operating Expenses:			
Salaries and benefits	--	--	469,297
Services and supplies	--	--	101,163
Self-insurance claims and purchase premiums	616,914	323,741	23,146,689
Depreciation	--	--	1,742
Other expenses	--	--	--
	616,914	323,741	23,718,891
Total Operating Expenses			
Net Operating Income (Loss)	89,862	401	(1,273,596)
Non-Operating Revenues (Expenses):			
Interest income	14,288	--	27,543
Interest expense	--	(401)	(15,093)
	14,288	(401)	12,450
Total Non-Operating Revenues			
Income (Loss) Before Transfers	104,150	--	(1,261,146)
Transfers in	--	--	233,989
Transfers out	(233,989)	--	(233,989)
	(129,839)	--	(1,261,146)
Net Income (Loss)			
Net Assets - Beginning of Year	1,378,631	--	(229,900)
	\$ 1,248,792	\$ --	\$ (1,491,046)

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows
Insurance Funds
For the Year Ended June 30, 2012

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 1,527,817	\$ 602,349	\$ 3,071,211
Cash paid to suppliers for goods and services	(1,598,455)	(101,806)	(2,732,215)
Cash paid to employees	--	(470,752)	--
	<u>(70,638)</u>	<u>29,791</u>	<u>338,996</u>
Net Cash Provided (Used) by Operating Activities			
CASH FLOWS FROM NONCAPITAL FINANCING			
Interfund loans from other funds	77,356	(16,975)	--
Interfund loans to other funds	--	--	(524,955)
Net Cash Provided (Used) by Investing Activities	<u>77,356</u>	<u>(16,975)</u>	<u>(524,955)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING			
Purchase of capital assets	--	(13,663)	--
Interest received (paid)	--	--	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>(13,663)</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	(6,719)	976	(3,922)
Net Cash Provided (Used) by Investing Activities	<u>(6,719)</u>	<u>976</u>	<u>(3,922)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1)	129	(189,881)
Cash and Cash Equivalents, Beginning of Year	<u>1</u>	<u>(129)</u>	<u>489,416</u>
Cash and Cash Equivalents, End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 299,535</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2012

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 930,465	\$ 14,929,997	\$ 329,173
Cash paid to suppliers for goods and services	(2,231,391)	(14,706,563)	(476,064)
Cash paid to employees	--	--	--
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	(1,300,926)	223,434	(146,891)
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING			
Interfund loans from other funds	233,989	(216,717)	150,029
Interfund loans to other funds	1,197,464	--	--
Net Cash Provided (Used) by Investing Activities	1,431,453	(216,717)	150,029
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING			
Purchase of capital assets	--	--	--
Interest received (paid)	--	--	(3,137)
Net Cash Provided (Used) by Capital and Related Financing Activities	--	--	(3,137)
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	8,930	2,435	--
Net Cash Provided (Used) by Investing Activities	8,930	2,435	--
	<hr/>	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	139,457	9,152	1
Cash and Cash Equivalents, Beginning of Year	102,143	(9,152)	--
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 241,600</u>	<u>\$ --</u>	<u>\$ 1</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2012

	Purchased Insurance Premium	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 706,776	\$ 324,142	\$ 22,421,930
Cash paid to suppliers for goods and services	(672,754)	(286,343)	(22,805,591)
Cash paid to employees	--	--	(470,752)
	<u>34,022</u>	<u>37,799</u>	<u>(854,413)</u>
Net Cash Provided (Used) by Operating Activities			
CASH FLOWS FROM NONCAPITAL FINANCING			
Interfund loans from other funds	--	--	227,682
Interfund loans to other funds	(900,191)	--	(227,682)
Net Cash Provided (Used) by Investing Activities	<u>(900,191)</u>	<u>--</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING			
Purchase of capital assets	--	--	(13,663)
Interest received (paid)	--	(401)	(3,538)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>(401)</u>	<u>(17,201)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	14,288	--	15,988
Net Cash Provided (Used) by Investing Activities	<u>14,288</u>	<u>--</u>	<u>15,988</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(851,881)	37,398	(855,626)
Cash and Cash Equivalents, Beginning of Year	1,152,265	--	1,734,544
Cash and Cash Equivalents, End of Year	<u>\$ 300,384</u>	<u>\$ 37,398</u>	<u>\$ 878,918</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2012

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (26,055)	\$ 30,147	\$ 342,415
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	1,742	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Prepaid expenses	--	--	--
Increase (decrease) in:			
Payables	(65,419)	(643)	(3,419)
Accrued salaries and benefits	--	(13,049)	--
Liability for compensated absences	--	11,594	--
Claims payable	20,836	--	--
Unearned revenue	--	--	--
Other liabilities	--	--	--
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	<u>\$ (70,638)</u>	<u>\$ 29,791</u>	<u>\$ 338,996</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2012

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,950,710)	\$ 350,762	\$ (110,418)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	--	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Prepaid expenses	8,373	(75,656)	--
Increase (decrease) in:			
Payables	257,944	(28,307)	(94,014)
Accrued salaries and benefits	--	--	--
Liability for compensated absences	--	--	--
Claims payable	372,000	--	57,541
Unearned revenue	--	(23,365)	--
Other liabilities	11,467	--	--
	<u>11,467</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,300,926)</u>	<u>\$ 223,434</u>	<u>\$ (146,891)</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2012

	<u>Purchased Insurance Premium</u>	<u>Employee Benefits</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 89,862	\$ 401	\$ (1,273,596)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	--	1,742
Changes in assets and liabilities:			
(Increase) decrease in:			
Prepaid expenses	--	--	(67,283)
Increase (decrease) in:			
Payables	(61,802)	37,398	41,738
Accrued salaries and benefits	--	--	(13,049)
Liability for compensated absences	--	--	11,594
Claims payable	--	--	450,377
Unearned revenue	--	--	(23,365)
Other liabilities	5,962	--	17,429
	<u>5,962</u>	<u>--</u>	<u>17,429</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 34,022</u>	<u>\$ 37,799</u>	<u>\$ (854,413)</u>